



# TDCC NEWSLETTER

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## OUTLOOK

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### TDCC Provides Book Entry Services in Response to Intraday Odd Lot Trading

In the Taiwan securities market, an odd lot, which is under one board lot, could originally only be traded after the closing of the market from 13:40 to 14:30 and with only one matching. To increase efficiency for the public's participation in the securities market, the authority launched an additional intraday odd lot trading session (the trading unit is one share) on October 26, 2020, meeting investors' demands for intraday odd lot trading and providing more trading opportunities. The existing after-hours odd lot trading will still operate in compliance with current regulations.

Intraday odd lot trading excludes certain trading forms: day-trading, margin trading, and securities lending. The clearing and settlement of intraday odd lot trading are processed through Delivery Versus Payment (DVP) along with regular trading. For this new measure, TDCC has carried out corresponding actions, including the combination of clearing and settlement daily reports for intraday odd lot trading and related regular trading as well as account reconciliation (out-trades, account number corrections, and default, etc.). The company also completed book entry for securities clearing and settlement of intraday odd lot trading. The first week after odd lot trading went live, the average daily turnover reached NTD\$ 650 million, which is 2.3 times the previous average daily turnover. On average, 40,000 investors participate in the investment every day. It is believed that this new policy will effectively lower the barrier to entry into the stock market for fresh graduates and those with mediocre incomes, which will help to mitigate the impact of an aging investing population on Taiwan's stock market and perk up the trading volume of Taiwan's stock market. In the meantime, financial inclusion can be achieved.



*SPECIAL REPORT*

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**Taiwan Launches  
New ESG Dashboard,  
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ESG, MSCI and  
Sustainalytics**

Taiwan Depository & Clearing Corporation (TDCC), the central securities depository of Taiwan, launched a new solution, Taiwan ESG Dashboard, to help issuers and investors access ESG ratings of Taiwanese companies.

The Taiwan ESG Dashboard will enable domestic issuers to effectively manage their ESG ratings and empower local institutions to engage on ESG issues, by providing them a consolidated channel to access ratings from leading ESG rating providers. FTSE Russell, ISS ESG, MSCI and Sustainalytics have collaborated with TDCC on the project.

“ESG ratings reflect the diversified views of the community,” said Sherman Lin, Chairman and CEO of TDCC. “Issuers and investors can utilize ratings as benchmarks to comply with global standards and integrate ESG into their investment process.”

Helena Fung, Head of Sustainable Investment, Asia Pacific, FTSE Russell, said, “We are delighted to collaborate with TDCC on their new ESG initiative, a mark of our ongoing commitment to markets in Taiwan and across the Asia Pacific region. FTSE Russell’s ESG Ratings and data model provide globally recognised standards for market participants and companies to utilise as they incorporate sustainability approaches into their investment strategies.”

Since 2018, Institutional Shareholder Services (ISS) has been the premier partner of TDCC annual conferences through its wholly owned subsidiary, ISS Corporate Solutions, which caters to companies across Taiwan and the Asia-Pacific regional more broadly. The relationship expanded in 2019 when TDCC and ISS entered into a partnership for vote delivery. Today’s announcement reflects a further expansion of this critical partnership to now encompass ISS ESG, the responsible investment arm of ISS.

“Events over recent months have made clear why ESG matters now more than ever for investors, their portfolio companies, and stakeholders broadly,” said Marija Kramer, Head of ISS ESG. “We are pleased to partner with the TDCC on this significant initiative in recognition of the importance and vibrancy of Taiwan’s capital markets.”

“ESG is increasingly being viewed by investors as a critical factor for building portfolios,” said Chitra Hepburn, Head of APAC ESG Client Coverage at MSCI. “We are delighted to collaborate with



## SPECIAL REPORT

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TDCC to provide institutional investors in Taiwan with MSCI's ESG ratings, helping them to integrate ESG considerations throughout their investment process."

Sustainalytics first began supporting TDCC with the provision of ESG research for its depository clients in 2019. "We congratulate Sherman and the team at TDCC on their thought leadership in bringing this innovative Investor Relations Platform solution to market," said Jodie Tapscott, Director, Client Relations & Head of Asia Pacific ex Japan at Sustainalytics. "This ESG Dashboard will build positive momentum to improve corporate ESG disclosure and encourage further ESG integration in an institutional investment market rapidly adopting responsible investment principles."

The Taiwan ESG Dashboard will be delivered on TDCC IR Platform, the flagship ESG initiative in Taiwan aiming to encourage sustainable investing and enhance companies' performance on ESG issues.



## BUSINESS HIGHLIGHTS

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### **Covid-19 Can't Stop the TWSE and TDCC Jointly Promote Taiwan-Mongolia Market Cooperation**

In order to implement the “Taiwan Capital Market roadmap 2021-2023” and strengthen global partnerships, the Taiwan Stock Exchange (TWSE) and the Taiwan Depository & Clearing Corporation (TDCC) jointly held the “Taiwan-Mongolia Capital Market CEO Meeting & Webinar” on December 18 with the Mongolian Financial Regulatory Commission, the Ministry of Finance and major securities market operators in Mongolia. Mr. Lih-Chung Chien, President of the TWSE and Mr. Sherman Lin, Chairman & CEO of the TDCC, held joint dialogue with the Mongolian securities market leadership, followed by a discussion on clearing and settlement practices in both markets.

The Mongolian securities market launched their T+2 settlement cycle at the beginning of 2020, and considered the benefit of learning about the successful experience of the Taiwan market. Although a face-to-face meeting is unfeasible during the COVID-19, today’s technology makes it possible to retain connection and so, the collaboration between the Taiwan and Mongolia remains strong.

The Taiwan and Mongolia capital markets have maintained a close relationship for years. The Mongolian Stock Exchange and the TWSE signed a Memorandum of Understanding (“MoU”) in 2002. The Mongolian Securities Clearing House and Central Depository, the predecessor of the Mongolian Securities Clearing Center (“MSCC”) and the Mongolian Central Securities Depository (“MCSD”), also engaged in MoUs with the TWSE and the TDCC. Based on the MoUs, Taiwan has been providing computer system and training courses on listing, trading, settlement and supervision to the Mongolian market, as well as conducting personnel exchanges since 2002. In 2014, Taiwan's Financial Supervisory Commission also led a delegation to Mongolia to assist in establishment of their regulatory framework in emerging stocks, deposit insurance and financial personnel education.

Mr. Lih-Chung Chien, President of the TWSE expressed that, “Although affected by the COVID-19 outbreak, the capital markets around the globe have adjusted to adapt to the new norm. In the early stage of the pandemic, Taiwan quickly put forward a contingency plan for all market participants and proceeded with inclusive market reforms, such as continuous trading, the ‘Corporate Governance 3.0 - Sustainable Development Roadmap’

## BUSINESS HIGHLIGHTS

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### Covid-19 Can't Stop the TWSE and TDCC Jointly Promote Taiwan-Mongolia Market Cooperation

and intraday odd-lot trading; all of which enhance market stability, trading efficiency and increase retail participation. The implementation of new measures in both the Taiwan and Mongolian market this year shows that both sides have the business acumen to not let the pandemic interrupt normal operations, and are able to turn crisis into opportunity and augment the capital market.”

Mr. Sherman Lin, Chairman & CEO of the TDCC, also said, “As the Vice Chairman of Asia-Pacific Central Securities Depository Group (ACG), I am committed to promoting communication and deepening corporation among members. Both the MSCC and MCSA are ACG members, and we are pleased to share with them the notable successes of the Taiwan market. While the global economy is striving to recover from the pandemic, it is particularly meaningful to promote the development of the capital market to support the real sector. I believe, through such international cooperation, we can work with Mongolia to contribute to a more robust Asian capital market.”

This webinar serves to highlight the Taiwan capital market and its achievements in managing a crisis and retaining market sustainability. This is evidenced by the TWSE's benchmark TAIEX index record high of surpassing the 14,000 hurdle; the number of TDCC e-PASSBOOK users also exceeded 1.69 million and is continuing to grow. Going forward, the TWSE and TDCC are deeply cognizant of the priority to enhance market efficiency, promote global connectivity and position the Taiwan capital market to be ever more competitive and appealing.



## BUSINESS HIGHLIGHTS

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### **TDCC Shoots Another Arrow Towards Digital Transformation: Trading Slips and Bond Passbooks Go Digital in Bond and Bill Market**

As digital finance becomes more and more prevalent, the Taiwan Depository & Clearing Corporation (TDCC) also continues to innovate its services for the bond and bill market. The Taiwanese bond and bill market's daily trading volume has soared to over NT\$300 billion with a nearly 8% annual increase. TDCC has been working with the Taiwan Securities Association (TSA) and the R.O.C. Bills Finance Association to adopt Fintech solutions for the TDCC bond and bill management system, which combines the technology of blockchain, identity confirmation service (ICS), and the e-signature. This new and improved system leverages synergies that will allow dealers to promptly submit delivery statements online; moreover, competitors can check trade activities online at any time. The data from these trade activities will be securely transferred at all times and any data transfer will be digitally recorded and stored as evidence. This mechanism is less error-prone than human-based operation and has made the whole process significantly more efficient.

Though the ramifications brought by Covid-19 has made a considerable impact on industries worldwide. However, the pandemic has led to the acceleration of digital transformation in the financial sector. In the past, dealers had to send documents such as trade confirmation slips, clearing and settlement slips, as well as securities passbooks to customers by post or courier. Additionally, if the reverse repurchase agreements of bonds (repo trades) were prematurely terminated, dealers would have had to retrieve customers' bond passbooks before they could begin the settlement process. Therefore, this repo procedure increase the need for human resources and holds back the efficiency of the settlement. In Q4 2020, TDCC utilized Fintech to help exchanges submit and confirm online delivery statements for bonds and bills that exchanges helped to negotiate. This new approach maximizes market efficiency and minimizes over-the-counter physical contact in bricks-and-mortar institutions, overcoming a pain point that has been bothering the fixed-income instrument market for over 30 years—going through the trouble of sending settlement documents by post or courier. With innovation, open-mindedness, and the common good in mind, TDCC will continue its endeavors in the digital financial services ecosystem for the capital market where the new blue oceans of digital finance are forming.

## TDCC's Blockchain Application

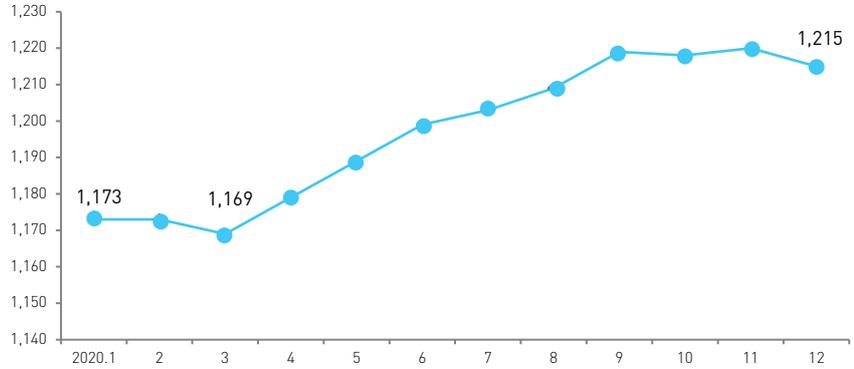
In response to the trend of FinTech, TDCC introduced blockchain technology into the “Electronic Trading Note of Short-Term Bills on the Secondary Market” on October 26, 2020; in November, “Electronic Operation of Bond Passbook” was introduced, which commenced the first year of blockchain application in TDCC’s information system.

In 2019, to meet the needs of the R.O.C. Bills Finance Association and the Taiwan Securities Association, TDCC planned and applied FinTech into bills and bonds trading on TDCC’s platforms to improve upon the existing manual operation procedure and increase the operating efficiency. Moreover, focusing on the electronic operation of the two instruments mentioned above, TDCC cooperated with an IT company to conduct research into the feasibility of blockchain application in data exchange among participants, and put this into practice in 2020. The current mechanism TDCC has set up is a private blockchain with a real-name signature, highlighting four major features for electronic trading: user authentication, data immutability, distributed ledger, and data synchronization. Different from Bitcoin or Ethereum, TDCC employs RAFT Consensus Algorithm, which is more straightforward and easier to implement for an interior blockchain system. Through this consensus algorithm and out of the concern for efficiency and security, each trade can be carried out through blockchain with RAFT consensus algorithm without much computation. We aim to be an industry leader by being ready for the challenges of future technology, and supporting our policy of “encourage innovation” to provide more secure solutions for digital transactions.

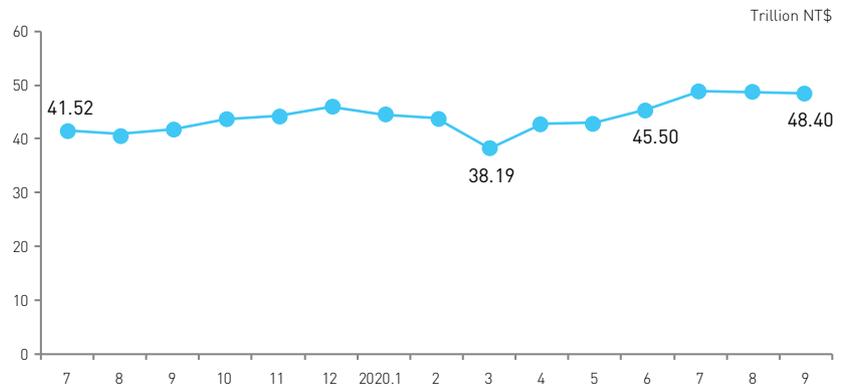


STATISTICS

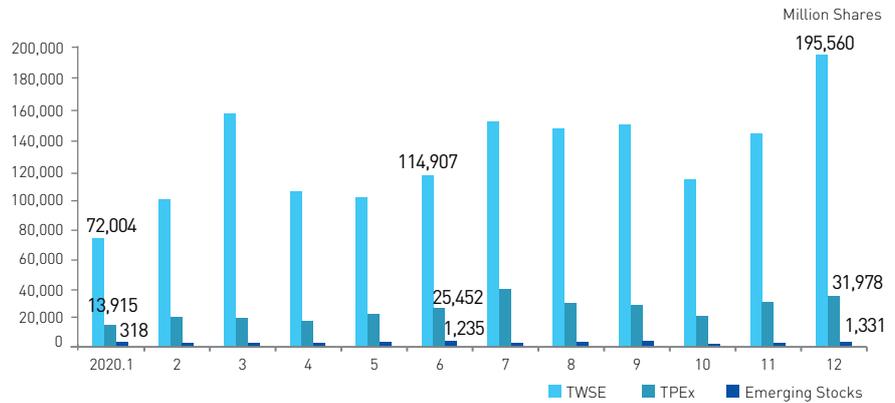
Equities in Custody (Shares)



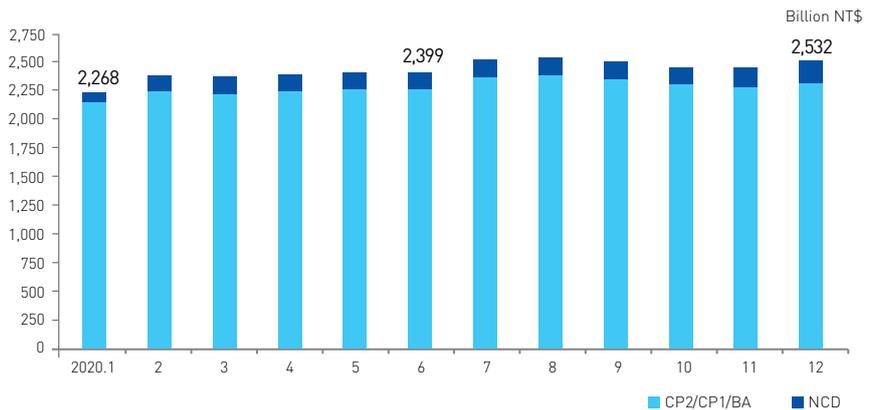
Equities in Custody (Market Capitalization)



Book-Entry Operations (Shares)

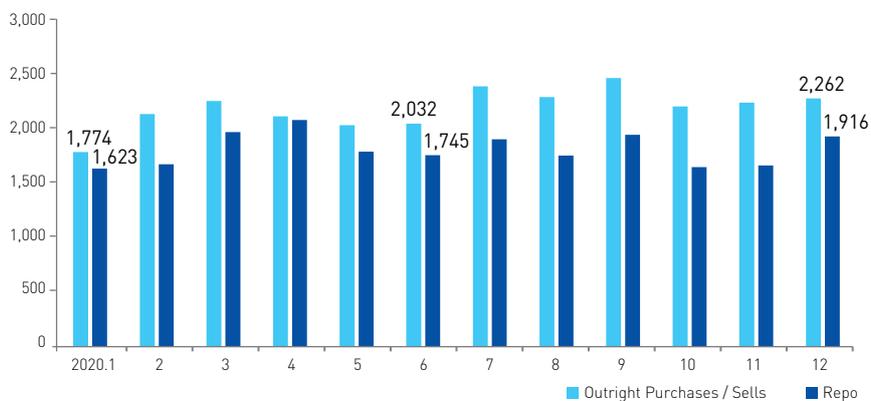


Short-Term Bills in Custody

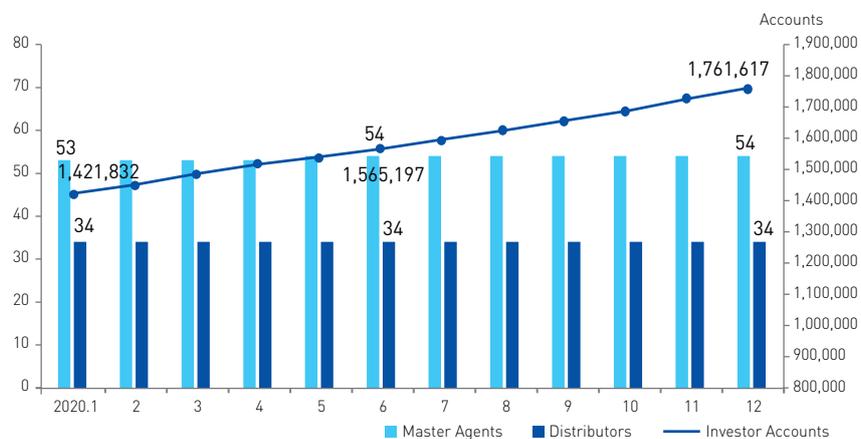


## STATISTICS

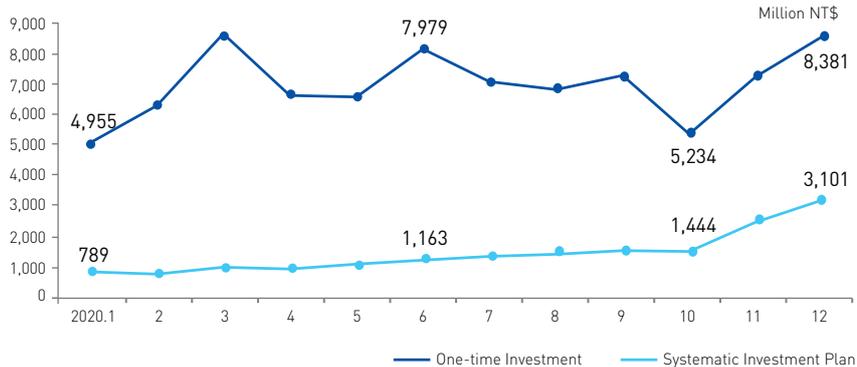
### Secondary Market Clearing & Settlement of Short-Term Bills



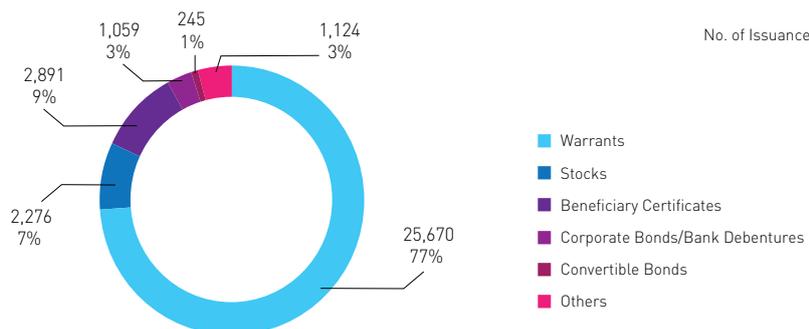
### Offshore Fund Operations



### Offshore Fund Subscriptions



### Registration of Dematerialized Securities





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DEPOSITORY &  
**CC**LEARING  
CORP.