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OUTLOOK

The New Milestone of Taiwan's Stock Market: Continuous Trading System Launched Successfully

In order to attract foreign investments, enhance trading efficiency and improve information transparency, Taiwan stock market has aligned with the global market to implement the Continuous Trading System on 23th March 2020. To date, related book-entry operation has been running smoothly.

The feature of the Continuous Trading is raising transaction matching speed so that the number of transactions is expected to increase.

According to statistics, 30 days after the continuous trading system launched, the average daily trade of listed stocks reached 1.77 million transactions, showing 42 % growth compared with the 1.25 million average daily trade transactions in 2019.

In addition, the continuous trading system provides multiple choices for order placement. Investors can choose from various trading types, including Market Orders, Immediate or Cancel (IOC) orders, or Fill or Kill (FOK) orders, which facilitate investors' access to various trading strategies. However, in the initial phase, most investors still adopt in discreet manner. Statistics show that an average of 99.52% investors still place Limit Order as the major order pattern.

In sync with the continuous trading system implementation, TDCC has expanded related hardware facilities and cooperated with Taiwan Stock Exchange to undergo market tests three times and stress tests more than ten times to ensure smooth book-entry operation and welcome the new era of microsecond trading.



SPECIAL REPORT

TDCC Expands International Cooperation by Signing MOU with Russian NSD

Taiwan Depository & Clearing Corporation (TDCC) and National Settlement Depository (NSD) of Russia signed a Memorandum of Understanding (MOU) on June 4th, 2020. Following TDCC Chairman & CEO Sherman Lin's election as Vice Chairman of the Asia-Pacific Central Securities Depository Group (ACG) and becoming board member of the World Forum of CSDs (WFC) in 2019, the signing of this MOU marks another milestone on TDCC's road to international connection, expanding TDCC's cooperation scope geographically into Eurasia. TDCC has been actively participating in international activities and dedicating itself to raising Taiwan's global visibility. This is a positive step to form a long-term partnership that facilitates business innovation and development of Taiwan and Russia capital markets.

Russia is the sixth-largest economy in the world. Both NSD and TDCC are active members of multiple international organizations. NSD is now serving as the Secretariat of the Association of Eurasian Central Securities Depositories (AECSD), leading the WFC E-learning program, and participating in the Corporate Actions and Proxy Voting Working Group and the Distributed Ledger Technology Working Group of the International Securities Services Association (ISSA). In recent years, TDCC and NSD have similar business tracks with significant achievements in investor services and FinTech application. Under the MOU, the two institutions will be able to engage in constructive dialogues and cooperation on e-Voting, FinTech application, investor services, information services, etc., and foster more international financial specialists through joint workshops, further strengthening bilateral relationship.



SPECIAL REPORT

TDCC Expands International Cooperation by Signing MOU with Russian NSD

NSD of Russia is the 23rd foreign financial institution that TDCC has signed an MOU with. Mr. Sherman Lin said, “The signing of this MOU is the symbol of a new beginning for both sides to work together in the future. The value and the purpose of the MOU will be to utilize the two entities’ advantages and expertise of core businesses to drive innovation and respond to the opportunities and challenges due to the technological impacts on the market infrastructure.”

Mr. Eddie Astanin, Chairman of NSD’s Executive Board, said: “This memorandum’s signing is the first important practical step towards building infrastructural channels of interaction between our markets. Judging upon our experience in this area shows there is a significant demand for such form of cooperation among market participants. In the future it will create additional value for investors of both countries.”



Business Highlights

Inquiry Service for Customer Settlement Fund Ledgers

In light of improving trading efficiency for customers (investors) and reducing settlement risks for securities firms, securities firms are entitled to set up customer settlement fund ledgers (hereafter refer to ledgers) for retaining customers' fund with customers' consent. So far, there have been seven securities firms providing this service, and some securities firms are planning to launch. For assisting more securities firms to launch the project, Taiwan Securities Association has suggested TDCC to cooperate with securities firms in establishing ledger account service platform.

Besides, to enhance information transparency of ledgers and to improve user-friendliness, Taiwan Securities Association has proposed that TDCC also constructs ledger information inquiry platform. Since June 1, 2020, TDCC has provided customers with inquiry services for fund ledgers movement transactions and balances in "TDCC Account and Fund Information Inquiry Platform" on the official website. In the inquiry platform, customers can key in their securities accounts and passwords provided by the securities firms to inquire their securities balances of ordinary and margin transactions as well as the settlement fund of customer ledgers.



Business Highlights

TDCC Uses Digital Technology to Mitigate the COVID-19 Crisis, “2020 Taiwan Proxy Preview Online Conference” Comes to a Successful Conclusion

Many large-scale international events are postponed or canceled due to the COVID-19 pandemic. As the peak of the proxy season is approaching and the foreign shareholding ratio of the domestic capital market is increasing year by year, TDCC has invited international institutional investors, scholars and experts at home and abroad, as well as representatives of TWSE-listed and TPEX-listed companies to attend the 2020 Taiwan Proxy Preview Online Conference on April 30. TDCC hopes to help TWSE-listed and TPEX-listed companies make sure shareholders' meetings run smoothly. The conference has attracted over 300 TWSE-listed and TPEX-listed companies as well as institutional investors. There were approximately 600 participants joining the forum online. An impressively large audience shows that shareholders' meeting is an important issue for companies in Taiwan.

Active Ownership is a Hot Topic, both Regionally and Globally

TDCC, the organizer, has invited speakers and panelists from Blackrock, ISS Corporate Solutions, an international corporate governance advisor and the Taiwan Institute of Directors, as well as a representative from Business Today to be the panel moderator. Many speakers pointed out that Active Ownership is absolutely vital to enterprises in Taiwan. The concept values active communication between issuers and their institutional investors throughout the year, as well as proactive demand for improving environmental, social, and governance (ESG) indicators, which means institutional investors are more than just voters in shareholders' meetings. As key foreign investors are scaling up their stewardship teams, it requires Taiwanese issuers more than just reaching out to their shareholders before shareholders' meetings, they also need to incorporate ESG indicator enhancement into management plans.

In addition, some speakers also indicated that there are still gaps between foreign and domestic's expectation of board member. Most foreign investors are looking for more independent directors and fewer directors with multiple board appointments. They are also expecting TWSE-listed and TPEX-listed companies to establish formal nomination committees. Issuing companies in Taiwan can make relevant adjustments accordingly.

Business Highlights

Responsible Investment Will Change Taiwan's Investment Ecosystem

Ms. Julie Wang, Senior Vice President and Head of Issuer Services Department, introduced the Blueprint for Responsible Investment Service (RI Service) at the conference. TDCC will provide institutional investors with core RI strategies, including filtering out enterprises in highly controversial industries, companies involving negative controversies, and issuers with undesirable overall ESG performance. The new system can rule out candidates with potential ESG risks, suggesting more secure and steady portfolios for institutional investors.

The RI Service will also support institutional investors by identifying those companies' primary ESG-related issues. Institutional investors are able to formulate engagement plans and take initiatives to improve investee companies' ESG performances. Thus, active ownership can be further fulfilled in the Taiwanese market.

Taiwanese Enterprises and Institutions Are Invited to Join the RI Ecosystem

Mr. Han-Chiang Chu, TDCC President, stated that under the supervision of the Financial Supervisory Commission (FSC), the TDCC Investor Relations Platform (TDCC IR Platform) was launched at the beginning of 2019 and started to offer issuing companies major factors for international ESG ratings. TDCC is planning on putting the RI Service online in the second half of the year.

Follow-up services that assist Taiwanese companies in interacting with the world's leading ESG rating agencies will also be available along with the new service. The new system will help domestic institutional investors achieve RI and foster the development of the domestic RI ecosystem. In the hope of facilitating bilateral communication, TDCC will keep bridging the gaps between issuers and investors.



Business Highlights

TDCC's More Commitment to Upgrade ACG Website

As the resolutions of the 8th ACG General meeting in 2004, it is decided to set up ACG website and TDCC was in charge of the construction and maintenance to promote information sharing and member communication.

To be in sync with the innovations and development trends of technology, TDCC upgraded ACG website on March 30, 2020. Some major changes are as follows:

- (1) The introduction of the RWD technique, responsive web design, enables the viewers to enjoy the ultimate user experience from various mobile platforms.
- (2) The enhanced visual design provides the professional, modern and global image of ACG.
- (3) The video and push notification features intensify the communications among members and the efficiency of website information disclosures.
- (4) The migration to the cloud environment provides efficient and effective processing performance.

Furthermore, in response to the pandemic of COVID-19, the dedicated COVID-19 Contingency Plan page is added and available under the Disclosure tab on the new ACG website (https://www.acgcsd.org/acg_05-03.aspx). The contingency measures as well as the latest status can be shared among ACG members in the hope that the operations of all members during this pandemic will not be affected.

We have received numerous positive feedback from ACG members on the new designed website. In the future, TDCC will extend the current design framework and aesthetic to ACG's logo, social media icons as well as report templates. With the ACG visual image enhancement, it's expected that ACG identity is recognizable worldwide.



Financial Technology

TDCC Is Adopting and Embracing Cloud Computing

Given the latest trend of financial technology development, the Taiwan Financial Supervisory Commission (FSC) ratified amendments to the Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation on September 30, 2019, creating opportunities for the financial sector in Taiwan to move to the cloud.

TDCC began to embrace cloud computing in April 2020 by moving the Asia-Pacific CSD Group (ACG) website, which is maintained by TDCC, as well as its Taiwan Stock Museum website and Taiwan Securities and Futures Virtual Museum website from on-premise servers to public cloud. More cloud computing services may be introduced, where applicable, in the future to strengthen innovation, agility, flexibility and resilience in TDCC. Also, to encourage innovation by employees, a cloud sandbox experiment program has been put in place, and TDCC has subscribed to IaaS, SaaS and PaaS cloud services to provide a free environment for developing innovative applications. Some of the cloud sandbox experiments that TDCC employees are working on include AI Chatbot, open API implementation POC, and development and testing environment for third parties. Through the experiments, TDCC hopes to better understand the applications of cloud technology and find out the underlying risks of innovative services and solutions to the risks, seeking the balance of innovation and risk management and achieving the so-called “responsible innovation.”





Stock Museum

Taiwan Stock Museum Website Adds “Online Museum” and “Online Financial Education” Functions

To prevent visitors from contracting or spreading COVID-19, the Taiwan Stock Museum is temporarily closed following an announcement on the museum’s website. Reopening will depend on future development of the COVID-19, pending prior notice.

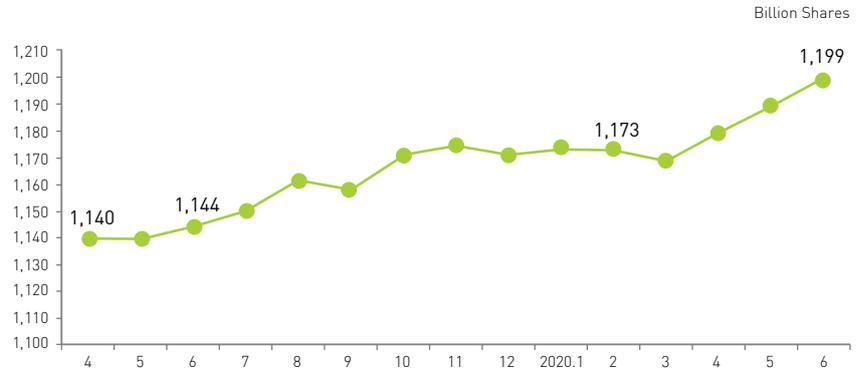
Given the temporary shutdown, two new functions are added to the museum’s website, namely “online museum” and “online financial education,” which give visitors access to the introduction of the museum and financial education-related films. This means the public can see the museum collection and watch educational videos online without visiting the museum in person. The new functions were made available on April 10, 2020.

Thanks to the government’s quick response, the hard work of healthcare workers and support from all citizens, Taiwan has been able to effectively contain the spread of COVID-19. Our achievements are highly recognized by the world, and we are seeing signs favorable to a reopening. It is our genuine hope that the museum can be reopened to the public soon as the pandemic comes to an end.

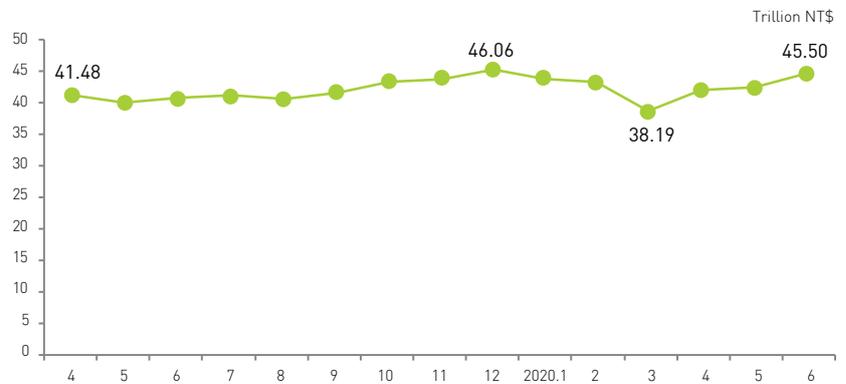


STATISTICS

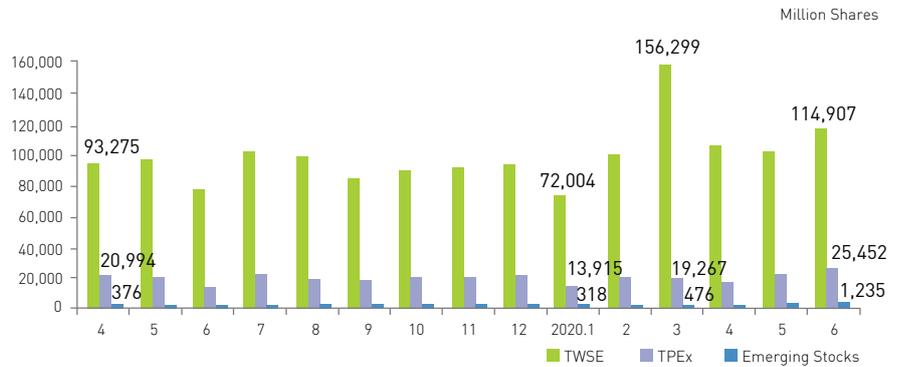
Equities in Custody
(Shares)



Equities in Custody
(Market Capitalization)



Book-Entry Operations
(Shares)



Short-Term
Bills in Custody

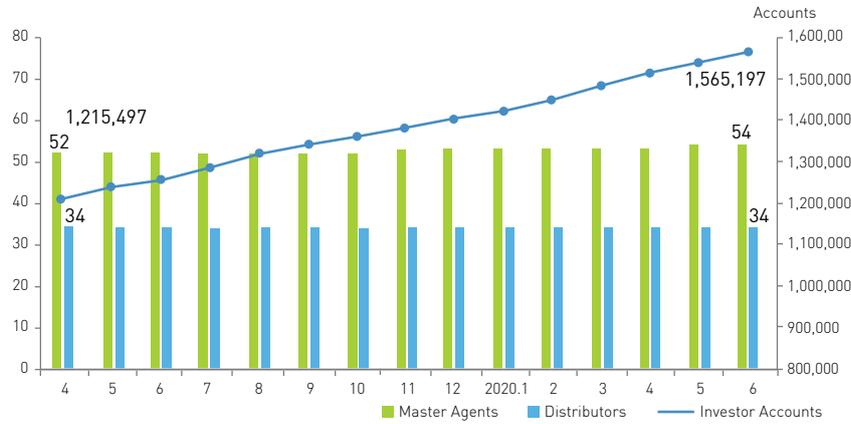


STATISTICS

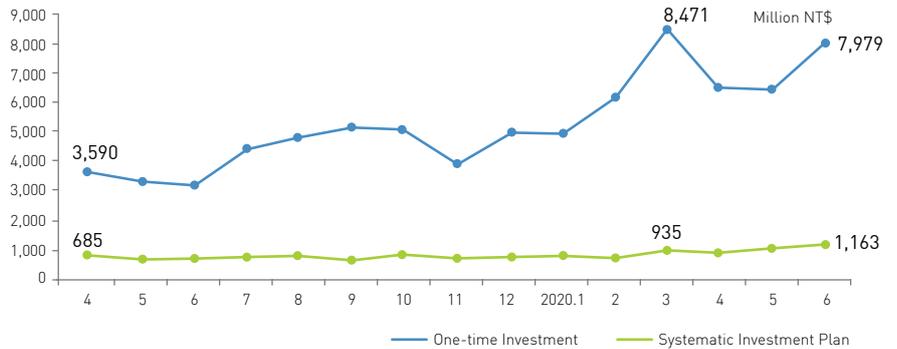
Secondary Market Clearing & Settlement of Short-Term Bills



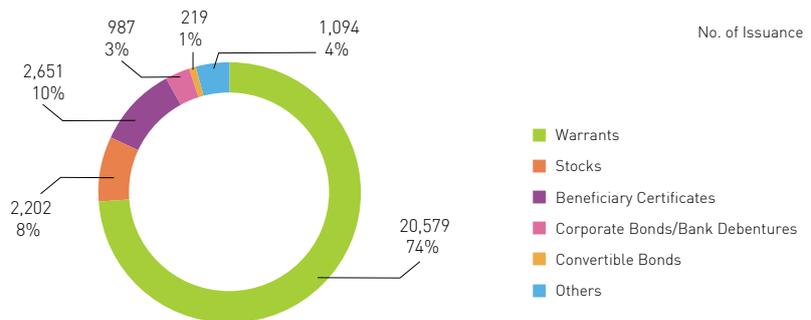
Offshore Fund Operations



Offshore Fund Subscriptions



Registration of Dematerialized Securities





DTAIWAN
DEPOSITORY &
CCLEARING
CORP.