

2014

 Taiwan Depository & Clearing Corporation ANNUAL REPORT



2014 Annual Report

TAIWAN
DEPOSITORY &
CLEARING
CORP.





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Chairman
Ding, Kung-Wha

Ding, Kung-Wha

Letter to Shareholders

Dear shareholders,

Looking back at 2014, the international situation was turbulent and uneasy. The Ebola virus epidemic in West Africa raised global fear and concern. The conflict between Russia and Ukraine in Crimea, fighting between Israel and Palestine in the Gaza Strip, the establishment and spreading of ISIS along the Syrian-Iraqi border—these stood out among many challenges to international order and security that marred 2014 with no olive branch in sight.

In terms of economy, crude oil prices plunged steadily from a high of USD 110 in mid-2014 to a low nearly halving that price by the end of the year. Oil prices heavily impacted the global economy. For oil importing countries, the falling price greatly eased inflationary pressure, possibly prompting Bank of Japan and European Central Bank to extend their easing monetary policy and the US Federal Reserve to postpone raising interest rates. Oil exporting countries such as Russia and Venezuela became mired in fiscal and trade distress due to a sharp decline in oil revenue. In United States and Canada, the plunging oil prices heavily impacted the burgeoning shale oil industry, and the transitioning energy policy of US became variable.

The United States continued to play the role as the engine of global economic recovery. The Dow Jones Industrial Average rose from 16,572.17 in early 2014 to finish at 17,823.07, up by 7.5%. The S&P 500 index likewise rose from 1,845.86 in the opening of 2014 to close at 2,058.90, up by 11.5%. In contrast to the bullish outlook in the United States, the Eurozone countries and Japan were mired in deflationary fears. Russia veered into crisis, and China was troubled by a trend toward slowing growth. Overall, 2014 was troubled by continued

widespread crises on the international security, and by a pervasive uncertain economic outlook due to the inconsistent growth performance of the world's major economies.

Taiwan's securities markets experienced mild rises overall in 2014, benefiting from factors such as global economic recovery, depreciation of the Taiwan Dollar (TWD), and falling crude oil prices. The Taiwan Stock Exchange Capitalization Weighted Stock Index rose from its year opening of 8,618.6 to finish at 9,307.26, a rise of 8%.

In tandem with the mild rise in stock prices, trading volume also grew. The trading value on Taiwan Stock Exchange (TWSE) exceeded TWD 21.8985 trillion, an increase of about 15.6 percent from the level of over TWD 18.9409 trillion in 2013. The trading value on Taipei Exchange (TPEX) amounted to TWD 6.3559 trillion, an increase of about 57.69 percent from the preceding year's TWD 4.308 trillion. Trading value of emerging stocks exceeded TWD 419.5 billion, an increase of about 45.1 percent from the figure of TWD 289.1 billion in 2013.

In 2014, under the guidance of the competent authority, TDCC successfully promoted a number of operations to keep in line with the development in the stock, bonds, bills and mutual funds markets. A summary is provided below.

1. Centralized depository services

Stable development was seen in all areas, whether in terms of the numbers of participants, securities under custody, or book-entry transfer operations. At the end of 2014, there were 2,338 participant and a total market value of TWD 34.9897 trillion for securities and short-term bills are under TDCC's custody. Subject securities held in custody included various securities and financial market products, of which exchange listed, OTC listed, and emerging stock company securities represented a total value of TWD 30.6486 trillion. Corporate bonds, financial bonds, municipal bonds, and international bonds totaled TWD 2.9259 trillion; short-term bills totaled TWD 1.4152 trillion.

TDCC added open-end fund beneficial certificates and gold traded on the TPEX to its eligible securities for custody. TDCC also assisted New Taipei City to issue municipal treasury bills by providing registration, clearing and settlement services for the bills.

2. Book-entry transfer services

In 2014 TDCC handled book-entry transfers for equity securities transactions

amounting to 1,552,250,275,000 shares, including 1,245,818,051,000 shares of TWSE listed securities, 299,028,571,000 shares of TPEX listed securities, and 7,404,103,000 shares of emerging stock company shares. Its clearing and settlement of short-term bills included TWD 56.1174 trillion in outright and repo transactions and exercise amounts. Settlements through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 28.1014 trillion.

In tandem with the competent authority's deregulation of futures trust enterprises' issuing futures ETFs, leveraged and inverse ETFs, TDCC provided services for subscription, redemption, registration, delivery, and cancellation ETF certificates, to further develop ETF market.

TDCC began to provide clearing, settlement and book entry services for open-end funds and gold traded on TPEX's newly launched trading platform, as well as the corporate bonds, financial bonds, and municipal bonds traded on TPEX's Electronic Bond Trading System (EBTS).

Additionally, in response to the competent authority's measures allowing securities firms to establish offshore securities units (OSUs), TDCC conducted the custody and book-entry services for OSUs business.

3. Market services

To facilitate shareholder activism and to strengthen corporate governance, the competent authority has vigorously encouraged listed companies to adopt electronic voting for shareholders' meetings. With TDCC's actively promotion, in 2014 there were 208 companies adopting STOCKVOTE. A total of 116,713 votes were cast through STOCKVOTE, representing about 156.6 billion shares which accounts for 36.18 percent of shares represented by shareholders in attendance.

Given the popularity of internet, the Taiwan Securities Association allows securities firm employees to participate in training seminars held by TDCC. The training hours received from aforementioned seminars are deducted from the training hours required by regulations. In addition, the competent authority has added TDCC to the list of training institutions for on-the-job training of internal audit personnel of securities firms. TDCC launched a complement of supporting measures to facilitate the crediting and recording of training hours for participants and the Securities Association.

Since 1995, TDCC has provided district courts with information on securities held by debtors without any charge. In July 2009, the paper enquiry was replaced by a electronic query system, effectively reducing the time required for queries in connection with compulsory execution matters. Considering that other institutions

such as the Ministry of Finance's Fiscal Information Agency, banks, and Chunghwa Post Co. charge a fee to the creditor for queries from court enforcement divisions, TDCC received approval from the Judicial Yuan to collect a fee for such queries after thorough discussion with the Judicial Yuan. Fee for queries has been charged by TDCC from January 2015.

4. International cooperation and exchanges

TDCC has actively participated in international meetings and activities, including the 39th annual meeting of the International Organization of Securities Commissions (IOSCO) and the 18th annual meeting of the Asia-Pacific Central Securities Depository Group (ACG). TDCC has been successfully elected to host the 19th Asia-Pacific Central Securities Depository general meeting (ACG19) in 2015, which will greatly enhance global visibility of TDCC and Taiwan securities markets.

TDCC signed a Memorandum of Understanding (MOU) on 28 November 2014 with Broadridge Financial Solutions, the largest provider of electronic voting platforms in the world, to launch straight-through processing (STP) for cross-border voting, to facilitate the exercise of voting rights by overseas shareholders at shareholders' meetings. The STP system will offer standardized and automated information processing services to facilitate shareholders' votes beginning from 2015. In the future, overseas shareholders can have 2 to 4 more days than current operations to cast their votes via STP service. The STP service will also greatly increase the efficiency of vote processing for custodian banks with lower operational cost and risk. The STP service is expected to enable Taiwan to meet ACGA's recommendations on improving voting efficiency for overseas shareholders. It is a milestone in international cooperation in back-office operations for Taiwan's capital markets.

5. Enhancing protection of investors' personal data

The Taiwan Personal Information Protection and Administration System (TPIPAS) implemented by TDCC passed a mid-term audit and certification conducted on 15 and 16 October 2014, tangibly demonstrating TDCC's resolve to fully comply with laws and regulations on personal information protection.

The external audit report on TDCC's information system was issued by the certifying organization British Standards Institution (BSI) who evaluated the sustained effectiveness of TDCC's system in meeting the requirements of the ISO 27001 and ISO/IEC27011 certification standards. TDCC also underwent an audit conducted by SGS Taiwan Limited for compliance with the updated ISO 9001:2008 version and was certified as meeting the requirement of ISO 9001:2008.

Under the guidance of the competent authority, the support of shareholders, market participants, and investors, the supervision of its directors and supervisors, and the efforts of all its employees, TDCC has experienced a steady growth of business. Looking ahead to 2015, TDCC will continue its mission of serving the market's enterprises and investors and responding to international developments, and will continue to enhance its functions in custody, book-entry transfer, clearing and settlement. It will continue expanding the scope of its market services to provide participants with even more secure and efficient services. In addition to the business initiatives already under development in 2014, TDCC will maintain operation of the Taiwan Stock Museum and hold new exhibitions and activities, providing the market with a platform for promoting financial literacy. TDCC will also vigorously promote electronic voting for shareholders' meetings to bring about greater shareholder activism. TDCC is planning to open accounts with clearing banks to provide custody and settlement of government bonds for bond dealers. Other major initiatives by TDCC include linking with the foreign currency clearing platform to provide DVP settlement for foreign currency bonds and bills; providing bond dealers with domestic custody and settlement services for foreign bonds; supporting cross-border trading link by providing account management and corporate action services; providing order routing and account management services of onshore funds to securities firms; promoting the issuance of commercial paper II in dematerialized form; promoting the dematerialization of private placement; continuing the migration project of Central Depository and Book-Entry System (CDS); and developing STOCKVOTE APP to facilitate e-voting function.

Looking toward to the future, as a back-office service provider for the capital market, TDCC will strive to enhance the efficiency, operation of custody, clearing and book-entry of various financial products to provide the market with an even more secure, convenient and efficient operating environment.

Additionally, in accordance of the policy of competent authority, TDCC is continuing to devote itself to the globalization of Taiwan capital markets, and is gradually introducing mechanisms for cross-border investment in the areas of account management, corporate action and custody services. In the future, TDCC will remain committed to staunchly support investors and market participants by providing a solid infrastructure in Taiwan that facilitates global investment, so as to further increase the international competitiveness of Taiwan's capital markets.



President
Sherman Lin

Sherman Lin

Business Report

I. Foreword

In 2014, the average daily transaction value on the Taiwan Stock Exchange (TWSE) was TWD 92.9 billion, and on the Taipei Exchange (TPEX, formerly known as GTSM) was TWD 26.9 billion, while on the Emerging Stock Market the figure was TWD 1.7 billion. The total daily average of approximately TWD 121.5 billion represented an increase of 23.98% from the 2013 daily average of TWD 98 billion. In the bond market, government bond issuance volume in 2014 was TWD 675.3 billion, financial debenture issuance stood at TWD 206 billion, and corporate bond issuance amounted to TWD 296.1 billion. In the bills market, short-term bills issues in 2014 amounted to a total of TWD 10.31 trillion, with outright purchases and sales in the secondary market of TWD 18.4917 trillion and repo transactions amounting to TWD 18.8036 trillion.

Under the guidance of the competent authority, TDCC is fully committed to serving the securities markets and continues to provide efficient and secure services in the areas of registration, custody, and book-entry transfers. TDCC provides back-office service operations for fixed-income instruments and mutual funds to lower the cost of market operations. TDCC has also produced concrete achievements in terms of improved quality of service, efficiency of information systems, and development of international business. The following is a summary of TDCC operations in 2014 and the business plan for 2015.

II. 2014 Business Report

1. Major tasks

(1) Providing book-entry transfer services for day trading of securities

On 6 January 2014, the competent authority allowed investors and securities firms to engage in buy-first day trading, and from 30 June, deregulated sell-first day trading. TDCC, upon receiving notifications of day trade information from the TWSE and TPEX, carries out clearing and settlement after the offsetting of the opposite trades. TDCC revised Operating Rules of the Taiwan Depository & Clearing Corporation and related regulations, and has made adjustments to the related information systems, and has assisted TWSE and TPEX in carrying out system testing with participants and educated associated personnel.

(2) Handling book-entry transfers for leveraged and inverse ETFs

In response to the competent authority's deregulation of the issuance of leveraged and inverse exchange-traded funds (ETFs) by securities investment trust enterprises and the listing of such ETFs on the TWSE, the TWSE amended its Rules Governing Trading of Beneficial Certificates. The new provisions require securities firms to report to TDCC on subscription and redemption operations for leveraged and inverse ETFs. TDCC put in place relevant system functions, and amended its own Operating Rules to specify procedures for the cash subscription, redemption, registration and delivery, and cancellation of leveraged and inverse ETFs. The implementation of these new operations began on 22 September 2014.

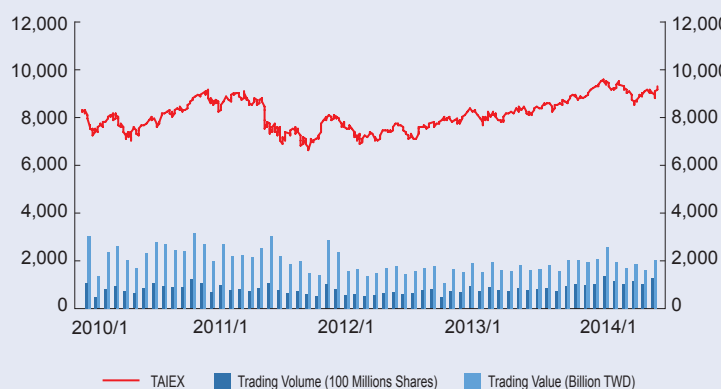
(3) Establishing mechanisms for clearing, settlement, and book-entry transfer for TPEx gold trading

In coordination with the TPEx's establishment of a platform for gold trading through existing trading accounts, TDCC has provided book-entry transfer functions relating to gold custody, clearing, settlement, and physical withdrawal. Overall, these operations have helped inject vitality into the capital markets and provided investors with more diversified channels for investment. Further, to promote understanding among securities firms and investors of the design and procedures of these operations, TDCC jointly with TPEx held seminars and prepared educational publications of "Introduction to the Gold Trading Platform System". TDCC further undertook a system test with market participants on 28 December 2014. The implementation of the new operations began on 5 January 2015.

(4) Establishment of clearing, settlement, and book-entry transfer operations for listed open-end funds

To further develop marketing distributors for onshore funds and provide investors more diversified channels, TDCC, in coordination with the TPEx's open-end fund trading platform, established clearing, settlement and book-entry transfer operations for open-end beneficial certificates. The new operations

Statistics of TWSE Market



Statistics of TPEx Market



have effectively increased fund size, enhanced the operational scale of domestic asset-management companies, and increased the efficiency of utilization of investors' funds. TDCC aids securities firms and market makers in understanding the planned operations and related operational procedures. The implementation of the new operations began on 27 December 2014.

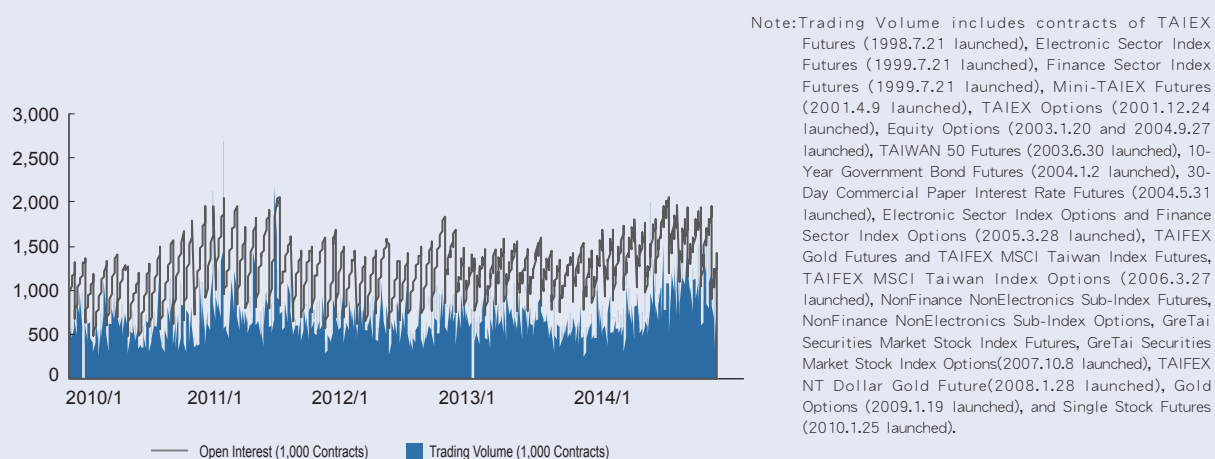
(5) Promoting fully dematerialized issuance of privately placed securities

About 18 percent of securities privately placed by domestic listed and emerging stock companies are issued in physical form. To promote the availability of comprehensive information on shareholders and efficiently manage changes in share equity in privately placed securities, TDCC, in support of the competent authority's policies, drew up a dematerialization promotion plan which was approved by the competent authority on 20 October 2014. To ensure listed and emerging stock companies understand the policy of promoting fully dematerialized issuance of privately placed securities, TDCC engaged in active publicity by issuing letters and holding seminars. It also visited listed and emerging stock companies that had issued privately placed securities in physical form and formulated measures related to fee collection to encourage issuers to issue privately placed securities in dematerialized form.

(6) Adjustment of operating procedures and information systems for extendable callable bull/bear contracts

To enhance investment efficiency and provide different types of investors with more diverse choices, the competent authority allowed issuers of call/put warrants to also issue extendable callable bull/bear contracts. The duration and the exercise terms for the issuances of these new contracts are different from the original ones. TDCC adjusted aspects of its information systems to support these new contracts, including adding protocols for generating the new security codes and functions for extension of the contracts. It also added new control mechanisms to avoid burdening market participants with extra cost and to ensure that control and management operations are successfully carried out.

Statistics of Futures Market



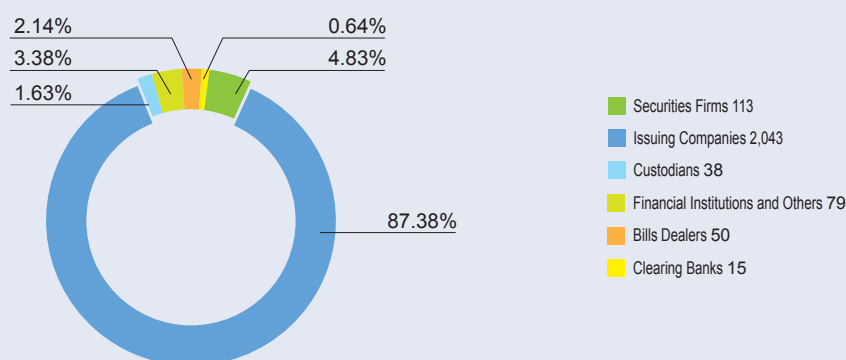
(7) In coordination with the competent authority's deregulation of the issuance of overseas non-capital-raising depository receipts by domestic listed companies, TDCC assisted with controls over issuance amounts and restrictions on redemption by Mainland investors

To coordinate with the competent authority's move to allow domestic listed companies to sponsor the issuance, using their outstanding shares, of non-capital-raising depository receipts (DRs) for trading on overseas OTC markets, TDCC added new control measures and manual inspection procedures to its information systems. The goal is to ensure successful implementation of related controls and effectively prevent the issuance amounts of the non-capital-raising DRs from exceeding a certain percentage of the total number of outstanding shares. Restrictions on Mainland investors redeeming the DRs for shares of the issuer will serve to prevent foreign investors from using investment in the DRs to evade Taiwan's restrictions on shareholdings by Mainland investors. TDCC's measures gave it effective supervisory and control capabilities while allowing for trouble-free issuance of overseas non-capital-raising DRs. The operations commenced on 1 October 2014.

(8) TDCC invited two ICSDs to establish the linkage services for International Settlement and Custody Services of International Bonds

In cooperation with the government's promotion of financial business serving both sides of the Taiwan Strait, TDCC provided operations for the registration and book-entry transfer of RMB-denominated bonds. TDCC also invited two ICSDs, Euroclear and Clearstream, to establish the linkage services for International Settlement and Custody Services of International Bonds. This has helped to allow two ICSDs to participate in Taiwan's market, enhancing the international circulation of the bonds and raising Taiwan's international visibility. The two ICSDs have publicized information about Taiwan's bond markets externally, while also publicizing TDCC's newly added cross-border services to enterprises both at home and abroad. TDCC held two separate launch ceremonies for its cooperation with two ICSDs, on 3 April and 15 April 2014, respectively, and earned high recognition and affirmation of its efforts from the competent authority and the Central Bank.

TDCC Participants



By the end of December 2014, international bonds totaling USD 7.067 billion had been registered through TDCC, of which approximately 38 percent of the cross-border settlement of IPO and SPO were made through the linkages between TDCC and two ICSDs.

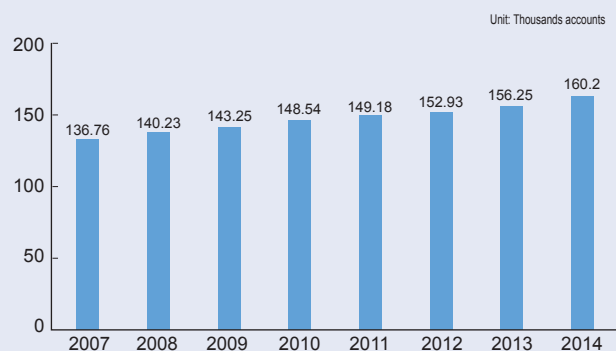
(9) TDCC assists New Taipei City with its first issue of municipal treasury bills

To establish diversified channels for financing, increase flexibility in financial allocations, and achieve greater control over spending, the New Taipei City Government spent a period of 3 years in planning and promotion, culminating on 21 August 2014 in the successful issuance of its first municipal treasury bills. TDCC assisted the New Taipei City Government with planning by formulating the rules of tender, working procedures, and related forms and documents. It also assisted the ROC Bills Finance Association in jointly planning and formulating trading procedures, contracts, and promotions, thus providing concrete and effective aid to the development of innovative products in the domestic bills finance market, expanding the scope of trading in the bills market, and promoting development of the money market.

(10) Provision of new monthly statistics and related information on the bills market to meet Central Bank operational needs

In order to obtain timely, comprehensive, and accurate statistical information about the bills market, the Central Bank's Department of Economic Research requested that TDCC make plans to provide statistic tables, including bill's trading, interest rates, and underwriting. TDCC undertook system program development and began monthly provision of the information in August of 2014. TDCC also took the initiative to assist with correction of errors in current reporting to the Department of Economic Research by bills houses, thus effectively assisting the Central Bank with regard to supervision of the financial markets.

Statistics for Accumulated Book-Entry Account



Statistics of Book-Entry Distribution for Equities



(11) Provision of book-entry transfer operations for trading through the Electronic Bond Trading System (EBTS)

TDCC, in coordination with adjustments to the TPEx trading platform and in response to the needs of securities dealers, began providing book-entry transfer of bonds, and control procedures, for trades made through the Electronic Bond Trading System. It assists dealers and the TPEx to carry out clearing and settlement processes via secure and effective operating procedures, enhancing the efficiency of settlement for dealers and reducing operating risk, thereby enhancing operational efficiency for the bond market as a whole.

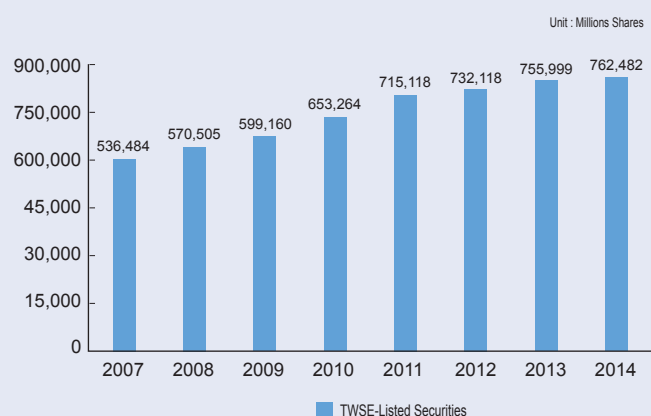
(12) Vigorous promotion of electronic shareholder voting to give rein to corporate governance

In coordination with the competent authority's promotion of electronic shareholder voting, TDCC has vigorously implemented the necessary mechanisms. It has strengthened promotion and advocacy to implement of shareholder activism, and has improved assessments of corporate governance in Taiwan. In addition to on-site visits with institutional investors such as issuers, transfer agents, custodian banks, securities investment trust enterprises, securities dealers, banks, insurance companies, and the four major pension funds, TDCC also held meetings describing voting testing procedures and carried out tests through simulated voting. It also took part in various seminars, lectures, and media publicity activities and held lucky draw activity.

In 2014, a total of 208 listed companies used TDCC's "STOCKVOTE". A total of 161,713 votes at shareholders meetings were cast electronically, representing about 156.6 billion shares, compared to the 91,316 votes cast and 119.6 billion shares represented in 2013. This represents a marked increase of about 177 percent in terms of votes cast and 131 percent in shares represented. Among those,

Statistics of Equities in Custody

TWSE



TPEx



institutional shareholder votes (including by custodian banks, securities investment trust corporations, and insurance companies) increased by 28 billion shares, an increase of 125 percent.

(13) Establishment of a cross-border straight-through process (STP) voting mechanism

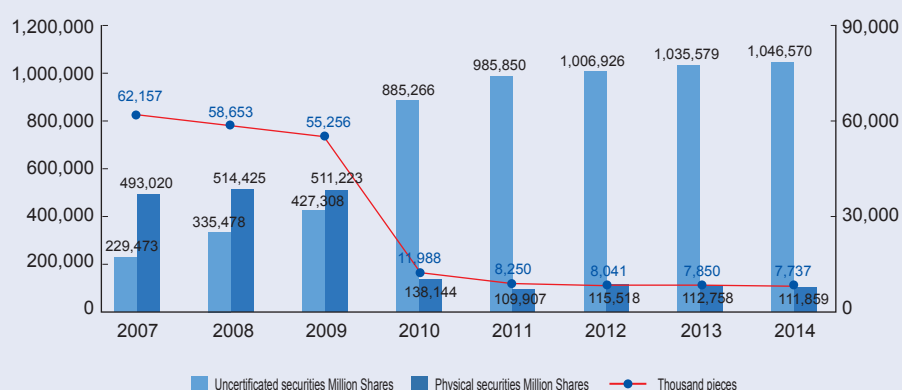
To realize goals for strengthening Taiwan's corporate governance roadmap, and to speed up the provision in Taiwan's markets of more automated and efficient mechanisms to enable foreign shareholders to vote at shareholders' meetings, TDCC advanced by nine months its implementation of an STP information system. TDCC had established an STP system applicable for all listed and emerging stock companies throughout the market by the end of 2014. The new system enables automated, straight-through, cross-border handling of voting instructions for foreign shareholders of any AGM of their holding securities.

By signing a cooperative agreement and then having direct linkage with voting services provider Broadridge Financial Solutions on 29 December 2014, TDCC allowed foreign shareholders to have the benefits of automation and efficiency in exercising their votes for AGM and fully implement shareholder activism.

(14) Adoption of management rules for corporate action of public companies that are neither listed nor emerging stock companies

To provide a basis that can be followed when public companies that are neither listed nor emerging stock companies engage in basic corporate action affairs such as management of basic information, equity shares, shareholders meetings, dividend distributions, distribution of subscribed shares, and inventory securities, TDCC, at the instruction of the competent authority, drafted the Standard Directions for Internal Control Systems of Corporate Action Units (applicable to public companies that are neither

Statistics of Equities in Custody



listed nor emerging stock companies). In addition to setting out clear standards for the corporate action of the companies and provisions aimed at reducing abuses, the Standard Directions also strengthen the competent authority's ability to manage the corporate action of public companies. After receiving approval from the competent authority on 29 January 2014 to proceed with these operations as planned, TDCC then, on 4 March 2014, issued a letter notifying all public companies and shareholder services agents of implementation. It then held informational meetings from 26 to 28 March directed at all public companies.

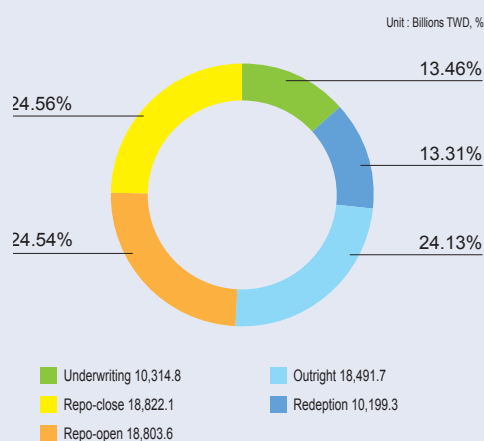
(15) Database system for inquiries established to provide inquiry functionality

To allow investors, securities firms, and related agencies to make timely inquiries and effectively reduce operating costs, TDCC has integrated different types of information into a single interface for inquiries and has development and installed an information platform to handle inquiries from outside agencies. The result is uniform handling of applications, reviews, requisitioning of information for review, secondary reviews, and delivery to the applicant agency for retention, and whereas inquiries used to take one or several days to carry out in person, investors, securities firms, and related agencies can now complete their inquiries within an hour. By the end of December 2014, a total of 400,137 inquiries had been handled, serving a total of 606,667 persons.

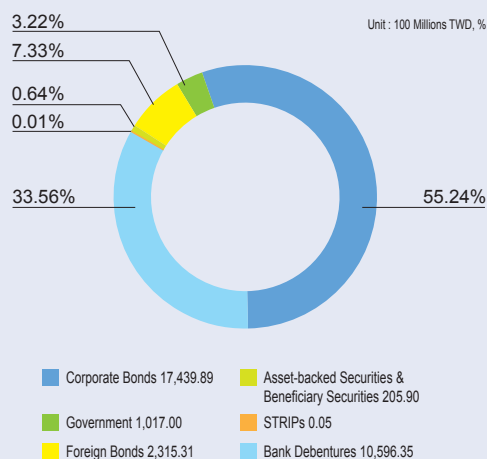
(16) Establishment of new version of e-report system

To provide more secure operations while reducing processing costs for participants and transfer agents, TDCC established a new version of e-report system. The e-report is generated in the PDF format based on account transfer information of participants and transfer agents. The e-report system produces over 18,000 statements daily, which were delivered to participants and transfer agents through 1800 e-mail notifications. About 1,500 responses to inquiries by participants and transfer agents regarding statements

Statistics of Clearing & Settlement of Fixed Income Instruments in Custody



Amount Balance of Fixed Income Instruments in Custody



are provided per day. The new e-report system saves the TDCC host server operating time otherwise spent in batch execution and file format conversion. In addition, specific operations can be designated for the convenience of given recipients of statement deliveries or inquiry responses in order to meet differing business needs.

(17) Certification obtained for the new ISO 27001 international information security standard

To carry out information and communications security management and strengthen execution capabilities for information operations, TDCC continues to adopt the latest international information security concepts and advanced security control mechanisms and technology. To achieve the goals of data confidentiality, integrity of information and communications assets, and accessibility of information and communications resources, TDCC actively introduced the new ISO 27001 international information security standard and made concomitant revisions of related operating standards, to ensure that all information security operations would meet the requirements of the new standard. It further successfully obtained certification on 27 November 2014, becoming the first among the securities and futures self-regulatory organizations in Taiwan to obtain certification for the new version of the ISO 27001 standard.

(18) Achieving the Stock Museum's founding purpose of promoting financial literacy education

The Taiwan Stock Museum has now been operating for 2 years since its inauguration. The Museum introduces the history and development of stocks, and houses a valuable collection of stock-related artifacts, archives, and interactive multi-media displays. It provides a thorough record of the development of Taiwan's securities markets and shows the close relationship between the stock market and Taiwan's overall economy, as the two advanced in parallel. The Museum also serves as a platform to assist securities self-regulatory organizations, issuers, and academic and educational organizations in promoting financial education. The museum enjoyed a total of 1,547 visits in 2014, exceeding by more than six times the originally estimated number of 240 visits. Those visits saw a total of 20,071 persons attend the museum, from securities firms, schools, enterprises, civic groups, and foreign securities organizations. Of those, schools at all levels accounted for as much as 71.4 percent of the total, showing that the Museum is serving its intended function of promoting financial literacy and education.

(19) Promoting international business

In coordination with the government's push to internationalize Taiwan's capital markets, and to strengthen ties with the central clearing and depository institutions of other countries, TDCC in 2014 assisted Mongolia in establishing an emerging stock market, engaging in bilateral business exchanges and planning personnel education and training courses. It effectively promoted international cooperation and exchanges, creating the opportunity for Taiwan's financial markets to enjoy the same reach as the Asian Cup, by expanding into Mongolia. TDCC also actively participated in international organizations such as the worldwide Conference of World Forum of CSD (WFC), the International Organization of Securities Commissions (IOSCO), ACG, and International Securities Services Association (ISSA), for exchanges and cooperation with foreign institutions to raise international visibility.

2. Operating performance

(1) Clearing and settlement operations

1. TDCC has 2,388 participants, with additional 988 branches, for a total of 3326 participant head and branch offices.
2. TDCC handled book-entry operations for 1,245,818,051,000 shares traded on Taiwan Stock Exchange (TWSE), with a daily average of 5,023,460,000 shares.
3. TDCC handled book-entry operations for 299,028,571,000 shares traded on Taipei Exchange (TPEX), with a daily average of 1,205,760,000 shares.
4. TDCC handled book-entry operations for 7,404,103,000 shares of emerging stocks processed through TPEX, with a daily average of 29,855,000 shares. The total trading volume was TWD 411.3 billion, with a daily average of TWD 1.659 billion.
5. TDCC handled delivery versus payment (DVP) settlement for fixed income securities with a total turnover in both the primary and secondary markets of TWD 2.1892 trillion. TDCC handled book-entry for TWD denominated fixed-income non physical securities of 499.3 billion and DVP transfers for TWD denominated fixed-income securities in the amount of TWD 2.1784 trillion; account transfers for negotiated over-the-counter outright purchases and sales of TWD 1.3326 trillion; and bond passbook transactions representing TWD 7.2112 trillion.
6. TDCC carried out account transfers for 27 OTC negotiated outright trades in AUD-denominated international bonds of AUD 1.24 million. TDCC carried out transfers for 23 OTC negotiated outright trades in USD-denominated international bonds of USD 566 million, TDCC carried out 4 cross-boarder inward remittance of USD 701 billion. TDCC transfers for 144 OTC negotiated outright trades of RMB 6,678.98 million; 856 passbook transactions of RMB 6.9531 billion; 10 RMB inward remittances of RMB 355 million; 6 outward remittance of RMB 255 million.
7. TDCC carried out TWD denominated short-term bills clearing and settlement operations including TWD 10.3148 trillion in underwriting and initial purchases, TWD 10.1993 trillion in redemptions, TWD 18.4917 trillion in outright trades, TWD 18.8036 trillion in repo transactions, and TWD 18.8221 trillion in exercises of repo transactions, and a daily average clearing volume of TWD 306.5 billion in the primary and secondary markets. Settlements through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 28.1014 trillion.
8. TDCC handled clearing and settlement for onshore USD-denominated bills, including underwriting and initial purchases of USD 11.5 million, redemptions of USD 11.5 million, and outright, repo, and repo exercise transactions of USD 29 million, and a daily average clearing volume of USD 210,000 in the primary and secondary markets. Funds settlements through US Dollar clearing banks totaled USD 17 million.

(2) Book-entry operations

1. TDCC recorded 39,441 registrations of dematerialized equities and 201 registrations of dematerialized debt securities.
2. TDCC operations in the area of dematerialized open-ended beneficial certificates included registrations of 648 issues for 38 issuers, as well as 56 private placements of beneficial certificates, for a total of 704 offerings and placements.
3. TDCC handled book-entry transfer of 120,125,837,000 shares in margin trading of equity securities, with a daily average of 480,503,000 shares.

4. TDCC handled book entry transfer for deliveries of pledged equity securities totaling 9,193,858,000 shares, on a total balance of 50,823,492,000 shares of pledged securities; there was a balance of TWD 3.748 billion in pledged debt-type securities; balances of pledged international bonds were AUD 3.59 million and RMB 200,000 ; the balance of pledged short-term bills was TWD 7.81 billion.
5. TDCC handled book-entry operations for 9,877,214 distributions of equity securities, making distributions of 296,947,152,000 shares to a total of 39,469 accounts, for a monthly average of 3,289 distributions; TDCC handled book-entry operations for a total distribution amount of TWD 512,707,790,000 for debt-type securities to a total of 1427 accounts, with a total of 202 distributions and a monthly average of about 17 distributions.
6. TDCC handled 9,725,709 book-entry delivery operations for a total of 247,480,933,000 units, a total of 160,432 book-entry deliveries and a monthly average of about 13,369 deliveries.

(3) Securities depository operations

1. The total number of TWSE-listed securities under custody was 762,482,385,000 shares. The total number of TPEX-listed shares under custody was 86,713,433,000 shares, and for emerging-stock company shares, the total was 33,672,860,000. The overall total of TWSE-listed, TPEX-listed, and emerging-stock company shares under custody was 882,868,678,000 with market value of 30.6486 trillion.

In addition there were a total of 275,559,941,000 shares under custody which were delisted shares or non-listed shares requested by the Central Bank's Department of the Treasury. Those shares included 111,858,494,000 physical certificates, or 7,737,061 lots, and 163,701,447,000 dematerialized shares.

To summarize, there are a total of 1,158,428,619,000 shares of equity securities under TDCC custody with a total market value of TWD 33.8464 trillion.

2. The inventory balance of fixed income securities under centralized custody was TWD 2.9259 trillion, including international bonds of AUD 57.59 million, USD 5.4931 billion, RMB 10.7755 billion, and JPY 5 billion.
3. TDCC placed 2,792,481,000 shares under special depository control, and released special depository control on 3,485,296,000, for a remaining balance of 4,333,640,000 shares.
4. There was a balance of TWD 1.4152 trillion in short-term bills under custody.

(4) Computer linkages with participants

1. Computer links have been established with 1,013 securities firms (including 931 branches) and 96 bills houses.
2. Participants have submitted 723 applications for links to TDCC computers; of those, 300 were for links to the "TDCC networks," and 423 were for links to the "Quadruple combined networks."
3. A total of 16,019,752 depository accounts have been opened by investors.
4. A total of 17,000 account statements and reports of various kinds were produced by TDCC on behalf of securities firms.
5. A total of 208,287,693 book entry transactions were handled on behalf of securities firms.
6. TDCC Network Communications Center provided 30,479 consultations to connected securities firms, for an average of about 122 inquiries per day.
7. Voice query passwords for depository balances were created for 141,786 accounts, for a cumulative total to date of 7,686,664, and 20,400 voice queries were made, for a cumulative total to date of 3,663,164.

(5) Offshore funds information reporting, announcement and payment operations

1. A total of 45 master agents are conducting offshore funds information reporting and announcement through TDCC's Fund Clear.
2. A total of 76 entities have been administering their offshore funds order routing and payment operations through Fund Clear, including 49 master agents and 27 distributors.
3. TDCC provided offshore funds payment and receipt operations including TWD 26.34321 billion in subscriptions, TWD 21.3591 billion in redemptions and TWD 5.96104 billion in conversions.

III. 2015 Business Plan

In its business development for 2015, TDCC will follow international trends in development, enhancing the efficiency of operations in its domestic clearing and custody systems, continuing to strengthen its book-entry transfer functions for centralized securities custody, and effectively utilizing the payment mechanisms of the CBC Interbank Funds Transfer System, expanding the scope of services offered to the securities, bond, and bills markets and providing market participants with even more secure and efficient service. TDCC will continue to develop the benefits of integration in back-office operations in the securities, bond, and bills markets in order to reduce market costs and enhance the efficiency of operations. The key points of TDCC business development in 2015 will be as follows:

1. Establishing a clearing settlement and book-entry transfer mechanism for listed foreign currency denominated products

In coordination with the TWSE's planned mechanism for listing of foreign exchange denominated products and the establishment of a trading platform for RQFII ETFs and Renminbi denominated stock, TDCC provides clearing and settlement and book-entry transfer operations, while also undertaking necessary amendments or additions to current regulations and adjustments to its information systems. System development for these operations will be completed during the first quarter of 2015.

2. Establishing an order routing of onshore funds mechanism for securities firms

In coordination with the competent authority's move to allow securities firms to subscribe onshore funds in their own names on behalf of investors, TDCC studies revisions to related operating procedures and development of information systems, to provide securities firms and SITEs a platform for the operations involved in order routing and account management. This will enhance the quality that the firms provide to their customers, vitalize Taiwan's asset management industry and promote development of its capital markets.

3. Establishing a DVP mechanism for negotiated trades of foreign currency denominated notes

Sound development of the bond market can flourish the capital markets, and in addition, provide enterprises with a stable, long-term source of funding, making it an important link in the capital markets and social and economic development. To satisfy the needs of bond market participants, TDCC is actively planning for the provision of various clearing and settlement services for bonds and bills in order to spur the sound overall

development of Taiwan's bond market. In coordination with Central Bank policy, TDCC is working jointly with Financial Information Service Co. Ltd. (FISC) to design a DVP mechanism to operate through the FISC's foreign currency settlement platform. This mechanism will enable the provision of services to meet the needs of Taiwan's bonds and bills dealers for DVP settlements.

4. Promotion of the securities and futures cloud

TDCC, in coordination with the government's plan to promote cloud computing services for the securities and futures industry, will promote cloud services for securities and futures self-regulatory organizations. The services will include building a mobile APP facilitating e-voting at shareholders meetings, internet transmission of securities owner register information to issuers or their transfer agents, and an electronic transmission method by which transfer agents of an issuer can deliver the shareholders list for purposes of e-voting for shareholder meetings. TDCC will work to ensure that market participants (including TWSE, TPEX, Futures Exchange, securities firms, custodian banks, issuers, and transfer agents) can all enjoy closer linkage and integration through the securities and futures cloud services platform, to efficiently provide investors with convenient information integration services.

5. Integrating information operations of the securities and futures markets

Under the competent authority's plan to promote integration of securities and futures market information operations, securities and futures self-regulatory organizations are to follow the principles of joint building of infrastructure, shared use of equipment, shared access to services, and uniform standards. TDCC anticipates engaging, before 2016, in joint study and planning with other securities and futures self-regulatory organizations, to move toward the establishment of IT and user interface consistency with integrate resources.

6. To study the feasibility and future development, TDCC takes into reference the operations of international clearing and depository institutions

TDCC has already opened accounts and established business links with international clearing and depository institutions such as Euroclear and Clearstream. To enhance the efficiency of participants' allocation and utilization of funds when handling DVP settlement for fixed income products, TDCC in the future will refer to current Euroclear and Clearstream methods for providing payment services to meet the needs of the market and participants.

7. To promote e-voting mechanisms for shareholders meeting

The competent authority has announced that effective 2016, e-voting will extend to companies with capital of TWD 2 billion or more. This will apply to an estimated 456 listed companies, and a total of more than 28 million shareholders. To meet the requirements of laws and regulations and the needs of users, TDCC will hold e-voting seminars and will carry out system tests with participants. TDCC will also undertake promotional activities through advertising in various media for increasing voting rates and shareholder activism, so as to enhance Taiwan's corporate governance.

8. To continue the improvement of the Central Depository and Book-Entry System and enhance the quality of the systems

TDCC, in conformity with its future operating strategy of diversification and internationalization, will migrate the securities depository business system from a large mainframe to an open host system. This adjustment is designed to conform to current and future trends in the development of information technology and its operational utilization. The adoption of relevant database technology will improve the current database file structure, enhancing efficiency and security of all TDCC business. Further, after optimization of data structures and modularization of system programs, future development of information system will become more flexible and timely.

Additionally, in response to the competent authority's promotion of related policies and the development of market operations, and to strengthen mechanisms for a stable information systems, TDCC will continue planning systems in connection with the securities depository system, and carrying out development and maintenance of computer system functions to meet varied business needs. Such planning and development will enable TDCC to respond to the continuing advances in new information technology, expand flexibility and convenience, and effectively meet the business needs of the market.

9. To continue the operation and management of the Stock Museum

TDCC will continue to invite visits to the stock museum by teachers and students from schools at all levels and by finance-related organizations. It will continue to consult with education and training institutions, securities firms, and financial institutions to achieve the goal of promoting and publicizing financial education. To enable the sustainable operation and development by the Stock Museum, exhibits in the themed exhibit section of the Museum will be changed every year in December, and in connection with the changes, the Museum will call on collectors and collect historical materials and documents to further enrich the Museum's collection. In addition, TDCC plans to establish a virtual museum which will present the exhibition more lively.

10. Continued promotion of international business

TDCC will assist the competent authority in promoting international business and actively participating in planning for the various international conferences held by the competent authority. TDCC will continue to promote exchanges and cooperation with foreign clearing and depository institutions on mutual visits or training programs for employees. As needed, TDCC may also sign memorandums of understanding with foreign clearing and depository institutions for cooperation on information, to facilitate mutual exchanges of information or personnel in the future.

In addition, in coordination with the competent authority's promotion of its goals and to further cooperation and exchanges between TDCC and cross-border central securities depositories, and thereby to effectively promote TDCC's international business, enhance TDCC's international image, and increase the visibility of Taiwan's securities markets, TDCC will host the 19th annual meeting of the Asia-Pacific Central Securities Depository Group (ACG), which will be held in 2015 in Taipei.

IV. Conclusion

In the past year, under the guidance of the competent authority and with the full support of the industry, TDCC's custody, clearing and settlement, and book-entry transfer business enjoyed steady growth, while at the same time we developed more diversified services. Looking ahead to 2015, TDCC will continue to enhance its service functions on registration and delivery, book-entry transfer, clearing and settlement, funds payments of funds, shareholder services, information transmission, market management, information system operation and maintenance, and personal information protection operations and maintenance, in order to maintain secured market operation and provide market participants with a more efficient operating environment. It will continue to promote STOCKVOTE for shareholders' meetings, to further enhance corporate governance, guarantee shareholder rights and interests, and create market synergies. TDCC will also continue to operate the Stock Museum and to participate in implementation of the competent authority's plan for promoting financial knowledge for rank and file, to fulfill our social responsibility and to more broadly and deeply to disseminate financial knowledge to every corner of society.

In addition, TDCC will innovate its business by actively supporting the promotion of the competent authority's 12 major development strategies. It TDCC will also learn from foreign depository institutions to conform to international practices and expand the scope of its services. It will launch brand-new policies and services in the areas of cross-border business, payment mechanism and integration of market information, to contribute to the joint effort to advance Taiwan's capital markets. In the process, TDCC aims to make greater strides in its business development, and to transform itself into an even more international and diversified back-office services provider, one that can be compared favorably with any other depository and clearing institution in the international market.

Major Events of the Company



1/16

TDCC sponsored the "Young Artist Nurturing Program" of Shihding Elementary School, New Taipei City, and was honored a Gratitude Certificate at the end-of-semester achievement presentation ceremony from the principal, Mr. Shui-De Lee.

1/19-25

President Lin led delegates to visit Calastone in London and attended the 18th GSF Summit held in Luxembourg.

2/7

Delegates from KSD visited TDCC and exchanged opinions with TDCC representatives, followed by a tour of the Taiwan Stock Museum.

2/25-28

TDCC sent delegates to attend the 8th Clearing, Settlement & Custody Asia Forum held in Singapore.

3/4

Delegates from Calastone visited TDCC and exchanged opinions with President Lin.

3/25-27

TDCC sent delegates to Beijing to visit China Securities Depository and Clearing Corporation Limited (CSDC) and China Central Depository & Clearing Co., Ltd. (CCDC).

3/27

The 17th "TFF-Bloomberg Best Fund Award" was held at Far Eastern Plaza Hotel, and TDCC was awarded a Commendation for Charity.

3/28

Delegates from Tokyo Stock Exchange visited TDCC and exchanged opinions with President Lin.

4/13

TDCC joined the Yilan branch of the Taiwan Fund for Children & Families in organizing a Family Day for Disadvantaged Children at Toucheng Farm to offer aid to those families.

4/15

Delegates from State Street Bank visited TDCC and exchanged opinions with President Lin.

4/15

TDCC and Clearstream held a commemorative ceremony for Clearstream's participation in the TDCC. Clearstream became the first international central securities depository to open a direct account at the TDCC and link up with the securities market in Taiwan. The relationship led to a higher degree of foreign investors' participation in the international bonds market in Taiwan.

4/3

TDCC, Euroclear Bank, and Citibank held a launch ceremony for a tri-party link service for the international bonds market. Foreign investors will be able to directly invest Formosa bonds through Euroclear accounts.



5/12

To improve corporate governance, TDCC organized the Launching Ceremony for Pili International Multimedia Inc. to endorse for Stockvote Platform at the Red House in Taipei's Ximen space. TDCC invited Pili's puppet show star Su Huan-Jen to serve as the spokesperson for the Stockvote Platform and this would be an initiative to support local cultural and creative industries.

5/15-24

President Lin led delegates to attend the Formosa Bonds Seminar held in London and the 17th Annual ISSA Conference held in Switzerland.

5/24

TDCC participated in the "2014 Finance Career and Employment Expo" organized by Taiwan Financial Services Roundtable (TFSR). TDCC exhibited its main businesses and assigned specific staffs to offer consulting services at the recruiting booth section.

5/25

TDCC conducted the first 2014 Business Continuity Plan Drill and practiced offsite backup mechanism drill on the operations for securities and futures markets. It was the first time that certain participants were also involved in the drills. The drills was concluded smoothly and successfully.

5/26-31

TDCC sent delegates to attend the 10th anniversary of Korea Securities Depository's museum and visited Lidao Museum of Securities in Shanghai.

6/12

Delegates from Omgeo visited TDCC and exchanged opinions with TDCC staff.

6/18

TDCC convened the 2014 shareholders meeting in which Chairman Ding thanked all employees for their devotion to job responsibilities for operations, ranging from implementing new services, improving service quality, promoting international services, to enforcing IT security, all concluded smoothly and successfully.

6/20

TDCC invited IBM to organize the launch meeting for the securities depository system improvement project. TDCC is expected to possess a new-generation, world-class depository information system by 2016, and bring better information services to Taiwan capital market.





6/23

Mr. Dorji Phuntsho, CEO of Royal Securities Exchange of Bhutan (RSEB), led delegates to visit TDCC and exchanged opinions with President Lin.

7/14-19

TDCC sent delegates to attend the 2014 Greater China RMB Business Workshops held in Shanghai and Hong Kong.

7/25

TDCC and Euroclear Bank organized the "Formosa Bonds Operation Seminar", which was attended by Euroclear participants from Taiwan, Hong Kong, Singapore, and other Asia-Pacific countries.

7/12

TDCC participated in the "2014 Financial Services Caring Community" garden party organized by TFSR and Changhua County Government. TDCC exhibited its main businesses in the public interactive section and assigned specific staffs to offer consulting services.

7/16-19

TDCC sent delegates to attend the 2014 IBM Member Meeting held in Chengdu China.

7/25, 8/29

To promote financial literacy education and to advertise the Taiwan Stock Museum, TDCC held two "Taiwan Stocks Market Development & Outlook Seminars and Taiwan Stock Museum Visits" for teachers and administrators of primary and secondary schools.

7/22

TDCC held the public prize draw ceremony for the Stockvote Million Dollar Prize. A total of 2,041 prizes, including TWD 50,000 in postal gift coupons, were drawn.

7/14

To effectively control risks of clearing and settlement operations for bills and bonds, TDCC launched the uninterruptible mechanism, which was jointly developed with assistance of the Central Bank of the Republic of China (Taiwan), for delivery versus payment system for bills and bonds markets.

7/24

TDCC completed the signing of a Memorandum of Understanding and a Non-Disclosure Agreement with Broadridge Financial Solutions Limited, the world's largest provider of electronic proxy voting platform. This signified the beginning of Straight Through Processing (STP), for cross-border voting, which allowed foreign shareholders to exercise voting rights in Taiwan's local shareholders' meetings.

7/30-31

Mr. D.Bayarsaikhan, Chairman of Financial Regulatory Commission of Mongolia, Mr. J.Tsedenragch, Chairman of Mongolian Association of Securities Dealer, Mr. O.Ser-Od, Chairman of MSCH & CD and Ms. T.Gandulam, Executive Director of MSCH & CD, visited TDCC and exchanged opinions with Chairman Ding and President Lin, followed by a tour of the Taiwan Stock Museum.



8/4

In response to the tragic loss of life and property caused by the gas explosion in Kaohsiung, TDCC donated TWD 8 million to the disaster relief and rebuilding efforts, and urged the community to join the effort to restore normality.

8/7

Mr. Jeffrey Williams, Asia Pacific Regional Head of Direct Custody and Clearing of Citibank, visited TDCC and exchanged opinions with President Lin.

8/8

Delegates from the Singapore Branch of Northern Trust Company visited TDCC and exchanged opinions with TDCC staff.

8/12

Delegates from the Hong Kong Branch of Standard Chartered Bank visited TDCC and exchanged opinions with TDCC staff.

8/21

TDCC and R.O.C. Bills Finance Association teamed up to support the New Taipei City Government's issue of the first municipal treasury bills in Taiwan. TDCC completed registration and delivery of dematerialized municipal treasury bills in an efficient electronic system on the same day, August 21, which represented another milestone in the bills market in Taiwan.

8/28-9/2

President Lin led delegates to accompany Mr. Ming-Chung Tseng, Chairman of Financial Supervisory Commission (FSC), and Mr. Yui-Chun Wu, Director-General of Securities and Futures Bureau, visited Mongolia and exchanged opinions with Financial Regulatory Commission of Mongolia and MSCH&CD.

9/3

Minister San-Cheng Chang, Chairman of the Executive Yuan's National Information and Communication

Security Taskforce, led an audit team to audit TDCC, and the results included strengths and recommendations for optimization in terms of strategy, management, and the technical aspect.

9/5

For the first time, TDCC processed the registration of RMB 4 billion Formosa Bonds issued in dematerialized form by the Taipei branches of Bank of China and China Construction Bank. These two banks not only registered and issued bonds through TDCC; they also entrusted TDCC with redemption services and interest payments.

9/6-14

TDCC sent delegates to attend the "2014 Germany and Luxembourg Trade Mission" organized by Chinese International Economic Cooperation Association.

9/16-26

TDCC and TPEx's organized 6 "Open-ended Fund Beneficiary Certificate Trading Platform and new ESM Stock Operation Seminars".

9/18

Mr. Charles Li, Chief Executive of Hong Kong Exchanges and Clearing Limited, led delegates to visit TDCC and exchanged opinions with Chairman Ding and President Lin, followed by a tour of the Taiwan Stock Museum.

9/26-10/4

TDCC sent delegates to attend the 39th IOSCO Conference held in Rio de Janeiro, Brazil.

9/28-10/5

President Lin led delegates to attend the 2014 SIBOS-SWIFT Conference held in Boston.

9/29

Delegates from Clearstream Banking visited TDCC and exchanged opinions with TDCC staff.

10/6-12

TDCC sent delegates to attend IBM Think Forum held in New York.

10/8

TDCC, TPEx and Clearstream jointly organized the "International Bonds Operation Seminar".

10/13-18

President Lin led delegates to attend the ACG18 General Meeting held in Xi'an China.

10/15-16

The Science & Technology Law Institute of the Institute for Information Industry, the certification agency of the Taiwan Personal Information Protection

and Administration System (TIIPAS), completed a midterm audit successfully without finding compliance failure.

10/15-20

TDCC sent delegates to attend the Cross-border RMB Business and RMB Clearing Seminar held in Beijing China.

10/28

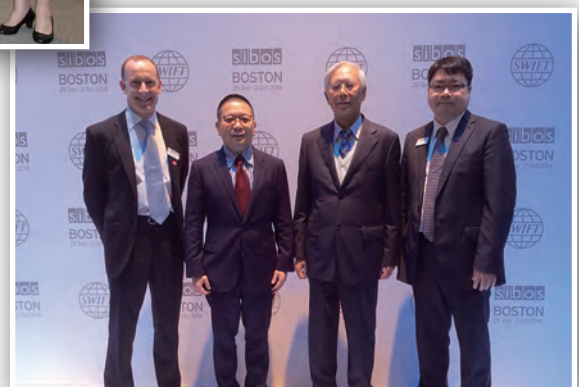
Delegates from Training Institute for Judges and Prosecutors visited TDCC and were given a briefing on settlement and custody systems of securities markets, followed by a tour of the Taiwan Stock Museum.

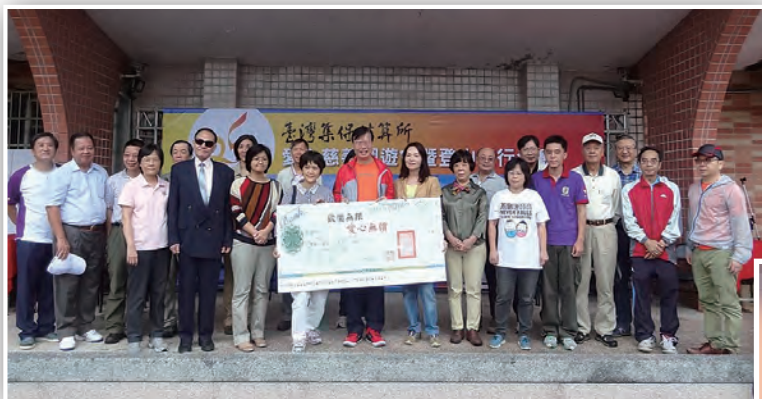
10/29-11/2

TDCC sent delegates to attend the 11th Asia-Oceania Central Counterparty Meeting held in Indonesia.

10/30-31

Mr. Jaehoon Yoo, Chairman of KSD, visited TDCC and exchanged opinions on RMB-denominated business with TDCC representatives, followed by a tour of the Taiwan Stock Museum.





11/1

TDCC participated in the "2014 Financial Services Caring Community (New Taipei City)" garden party organized by TFSR and New Taipei City Government. TDCC exhibited its main businesses in the public interactive section.

11/2

TDCC celebrated its 25th anniversary in grand style with a carnival and mountain hiking trip. To demonstrate TDCC's commitment to its corporate social responsibility and public interests, TDCC invited approximately 2,000 people, consisting of the competent authorities, securities related institutions, securities dealers, and bill dealers, to be part of the event. A total of TWD 3.38 million was received in charity auction proceeds and donations.

11/5

Mr. Philippe Seyll, Head of Investment Funds Services of Clearstream, led delegates to visit TDCC and exchanged opinions with President Lin.

11/5

Ms. Phan Thi Tuong Tam, President of Hochiminh Stock Exchange, led delegates visited TDCC and discussed Call (Put) Warrants Listings with TDCC representatives.

11/6

Experts were invited to share opinions during the "Open Data Application and Innovative Service Forum". The forum was intended as a venue for discussion and exchange to spark inspiration about where and how TDCC should progress in the future, while highlighting new open data applications and services.

11/10

Mr. Philip Brown, Executive Director of Clearstream, led delegates to visit TDCC and exchanged opinions with President Lin.

11/15-21

TDCC sent delegates to attend Gartner Symposium/ITxpo 2014 held in Australia.

11/18-19

Delegates from Indonesia IDX、KPEI、KSEI visited TDCC and exchanged opinions with TDCC representatives, followed by a tour of the Taiwan Stock Museum.

11/20-21

TDCC co-worked with the competent authorities to organize the 10th Taipei Corporate Governance Forum.

11/21

Representatives from Financial Regulatory Commission of Mongolia and UBSX visited TDCC and exchanged opinions with President Lin.

11/24

Delegates from BBH visited TDCC and exchanged opinions with TDCC representatives.

11/25-28

TDCC sent delegates to attend the Offshore RMB Seminar held in Singapore and to serve as the speaker for the section of "Cross-border RMB Clearing".

11/26-27

The U.K. certification agency, the British Standards Institutions (BSI), audited TDCC according to the new ISO 27001 standards for information security management systems. The results showed no compliance failure.

11/28

Delegates from JP Morgan visited TDCC and exchanged opinions with TDCC representatives.

12/11

In support of the government's promotion for corporate social responsibility, TDCC joined the Taiwan Teenage Football Charity Drive, witnessed by FSC Chairman Ming-Chung Tseng and Director-General Jow-Fei Ho of the Sports Administration, MOE. TDCC promised to donate a training fund to the junior high school football team at Pingtung Dong Gang High School.

12/12

TDCC's Compassionate Heart Society organized the "1212 Step Forward for Love" event and raised more than TWD 450,000. The amount was donated to the "An-An Slow Angels' Family Support Association", the "Kids Alive International – Christian Care for Children at Risk", the "Taipei Happy Life Charitable Foundation", the "Changhua Kanner Syndrome Family Support Association", and the "Huashan Social Welfare Foundation".

12/15-19

TDCC held a training program for delegates from MSCH&CD and exchanged opinions with each other, followed by a tour of the Taiwan Stock Museum.

12/18

To fulfill its corporate social responsibilities, TDCC held a "Blood Donation Campaign", in which, total of 204 bags of blood were donated and TDCC also donated 10,000 blood collection bags to Taipei Blood Center.

12/18

A delegation of financial institutions in Beijing China visited TDCC and exchanged opinions with TDCC representatives, followed by a tour of the Taiwan Stock Museum.

12/22

A special tea party was organized to celebrate the second anniversary of the Taiwan Stock Museum. Guests included FSC Vice Chairperson Tien-Mu Huang, securities related institutions, cooperative colleges and universities, and representatives of arts and culture.



Introduction of TDCC

I. Overview

After the merger with Debt Instruments Depository and Clearing Co., Ltd. (DIDC), Taiwan Securities Central Depository (TSCD) was renamed as Taiwan Depository and Clearing Corporation (TDCC).

To enhance market efficiency, reduce operational burden of processing paper securities and provide a secure and reliable central depository, the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission (FSC) drafted the Rules Governing Centralized Securities Depository Enterprises and the framework of book-entry settlement in January 1988 in accordance with the newly amended Securities Exchange Act as a prelude to the establishment of TSCD in October 1989 through joint venture of Taiwan Stock Exchange Corporation (TWSE), Yuanta Securities Finance Co., Ltd. and a number of securities brokers. The company started its business in January 1990 and provided services including central depository and book-entry transfer for securities, settlement of securities traded on TWSE and TPEx, clearing and settlement for both cash and securities for the Emerging Stocks, and registration of securities issued in dematerialized form. Entrusted by the SFB, TSCD was also responsible for auditing the corporate action operations carried out by the transfer agents of issuing companies.

To promote securities dematerialization and central clearing and settlement system in the short-term bills market, the Ministry of Finance promulgated the Regulations Governing Short-term Bills Clearing and Depository Organizations in June 2002. DIDC was then incorporated in August 2003 through the joint venture among local bills dealers, Financial Information Service Co., Ltd. (FISC) and other financial institutions and started operation in April 2004. In addition to the management of the central depository of short-term bills, the company provided clearing and settlement services on Delivery Versus Payment (DVP) basis via the linkage with the Inter-bank Fund Transfer System of the Central Bank.

With the growing trend of cross-industry operations in domestic financial sector, securities firms and bills dealers who have businesses across securities, bonds and bills market experienced a steady increase in transaction

volume. In July 2005, the FSC encouraged the merger between TSCD and DIDC with a view to providing convenience to market participants, avoiding duplicate investment and following the trend of back-office integration in global securities markets. It was anticipated that the integration of clearing, settlement and central depository infrastructures would help reduce costs and improve market efficiency, expand service scope, and stimulate market development. The two companies completed the merger on March 27, 2006, and TSCD was the surviving entity and renamed Taiwan Depository and Clearing Corporation.

In consideration of the voting operations for general meetings of shareholders are organized around the world in recent years, TDCC has been developing the electronic voting system for general meetings, and following the trends of integrating platforms and establishing global network connections in order to make voting easier and more efficient for international investors. Consequently, the board of directors of TDCC and the board of directors of the Taiwan Integrated Shareholder Service Company (TISSC) passed resolutions to proceed with a merger of the two companies in November 2013. The merger was completed on March 24, 2014, and TDCC became the continuing company. TISSC's Shareholders Meeting Electronic Voting Platform, after the merger, was replaced by TDCC's Stockvote platform as the single contact point in the market. Integration of the two platforms will not only save on operating costs for issuing companies, but also offer an easier-to-use and more integrated voting interface for investors in Taiwan. In addition, TDCC works with an international voting service provider to build a straight-through processing (STP) mechanism, which can be used to extend the voting deadlines for foreign shareholders and enhance timeliness for the cross-border voting process. As a result, the mechanism will serve to protect shareholder rights and improve market efficiency, while complying with the competent authority's vision of creating a "Corporate Governance Roadmap".

TDCC's business scope and eligible securities for the book-entry operation are listed as follows:

1. Major businesses of TDCC

- Custody of securities and of short-term bills in certificate form.
- Registration of issuance of dematerialized securities and short-term bills.
- Settlement, pledge and book-entry operations for securities and short-term bills
- Computer processing of securities book-entry transfer matters
- Distribution of securities through book-entry transfer
- Clearing and settlement of emerging stocks
- Payment processing of offshore fund transactions
- Presentment and redemption of short-term bills upon maturity, and payments and receipts in connection with underwriting, initial purchases, and redemptions upon maturity
- Settlement confirmation and account reconciliation for short-term bill
- Compilation of short-term bill interest rate indices
- Transmission and exchange of participants' business-related information
- Provide consultation and planning services on participant IT system backup and automation operation
- Other services approved by the competent authorities

2. Types of eligible securities for book-entry operation:

- Stocks, new share certificates, subscription payment certificates, preferred stocks with warrant and warrants listed on the centralized market
- Beneficiary certificates traded on the centralized market
- Depositary receipts traded on the centralized market
- Convertible corporate bonds, exchangeable corporate bonds, corporate bonds with warrant, corporate bonds and bond conversion certificates traded on the centralized market
- Bonds traded on the centralized market
- Call (put) warrants traded on the centralized market
- Beneficiary certificates and asset-backed securities traded on the centralized market
- Stocks, new share certificates, subscription payment certificates, and preferred stocks with warrant traded over-the-counter
- Beneficiary certificates traded over-the-counter
- Depositary receipts traded over-the-counter
- Convertible corporate bonds, exchangeable corporate bonds, corporate bonds with warrant, corporate bonds, bank debentures, and bond conversion certificate traded over-the-counter
- Bonds traded over-the-counter
- Call (put) warrants traded over-the-counter
- Beneficiary certificates and asset-backed securities traded over-the-counter
- Employee stock warrants
- Stocks issued by public companies that are printed in consolidated form representing the total number of the new shares in one issue or issued in dematerialized form
- Privately placed stocks, subscription payment certificates, bond conversion certificates, corporate bonds, and bank debentures issued by public company that are printed in consolidated form representing the total number in one issue or issued in dematerialized form
- Privately placed preferred stocks with warrant, corporate bonds with warrant, convertible corporate bonds, and exchangeable corporate bonds issued in dematerialized form by public company
- Open-end beneficiary certificates and bank debentures issued in dematerialized form
- Privately placed beneficiary certificates or asset-backed securities issued in dematerialized form by trust institution or special-purpose company
- Negotiable certificates of deposit, NCD
- RMB-denominated corporate bonds issued overseas by public companies where investors are offshore banking units of banks and the bonds are issued in dematerialized form
- Commercial paper I, CPI
- Commercial paper II, CPII
- USD-dominated commercial paper
- Bank acceptance
- Short-term beneficiary securities and asset-backed securities

- Municipal treasury bills
- Other securities or short-term debt certificates approved by the competent authorities.

II. Organization

The Board of Directors is the highest executive body of the company. The chairman convenes and presides over the Board meetings and represents the company. Following the chairman's order, the president executes the resolutions of the Board meetings and the shareholder meetings and manages all businesses pursuant to relevant laws, regulations and bylaws. One to two senior executive vice presidents are assigned to assist the president and handle company business. One secretary general is assigned to supervise documentation and coordination across departments and to assist the president and senior executive vice presidents in administrative management. One general auditor, being the head of the Internal Auditing Department, is in charge of internal control and internal audit. The Internal Auditing Department reports directly to the Board.

TDCC has nine business departments including Operation, Fixed Income Operation, Depository, Shareholder Affairs, System Development, Fixed Income Information Planning, Computer Operation, Planning, and Administration and five functional departments including Labor Safety, Auditing, Legal, Finance, and Internal Auditing. Headed by one senior vice president, each department carries out businesses with subordinate functional divisions. Two independent committees, the Risk Control Committee and the Research, Development and Fee Committee, directly report to the Board of Directors. Duties of the committees and the organizational structure are outlined as follows:

1. Committees

(1) Risk Control Committee

Pursuant to Article 27 of the Regulations Governing Central Depository and Clearing Institutions for Short-Term Bills, TDCC establishes the Risk Control Committee in charge of the risk control on operational flows of depository, clearing and settlement of short-term bills, computer system operation, and the operational flows between TDCC and participants. The Committee establishes risk control standards and auditing policies for participants and conducts periodic audit on participants risk management.

(2) Research, Development and Fee Committee

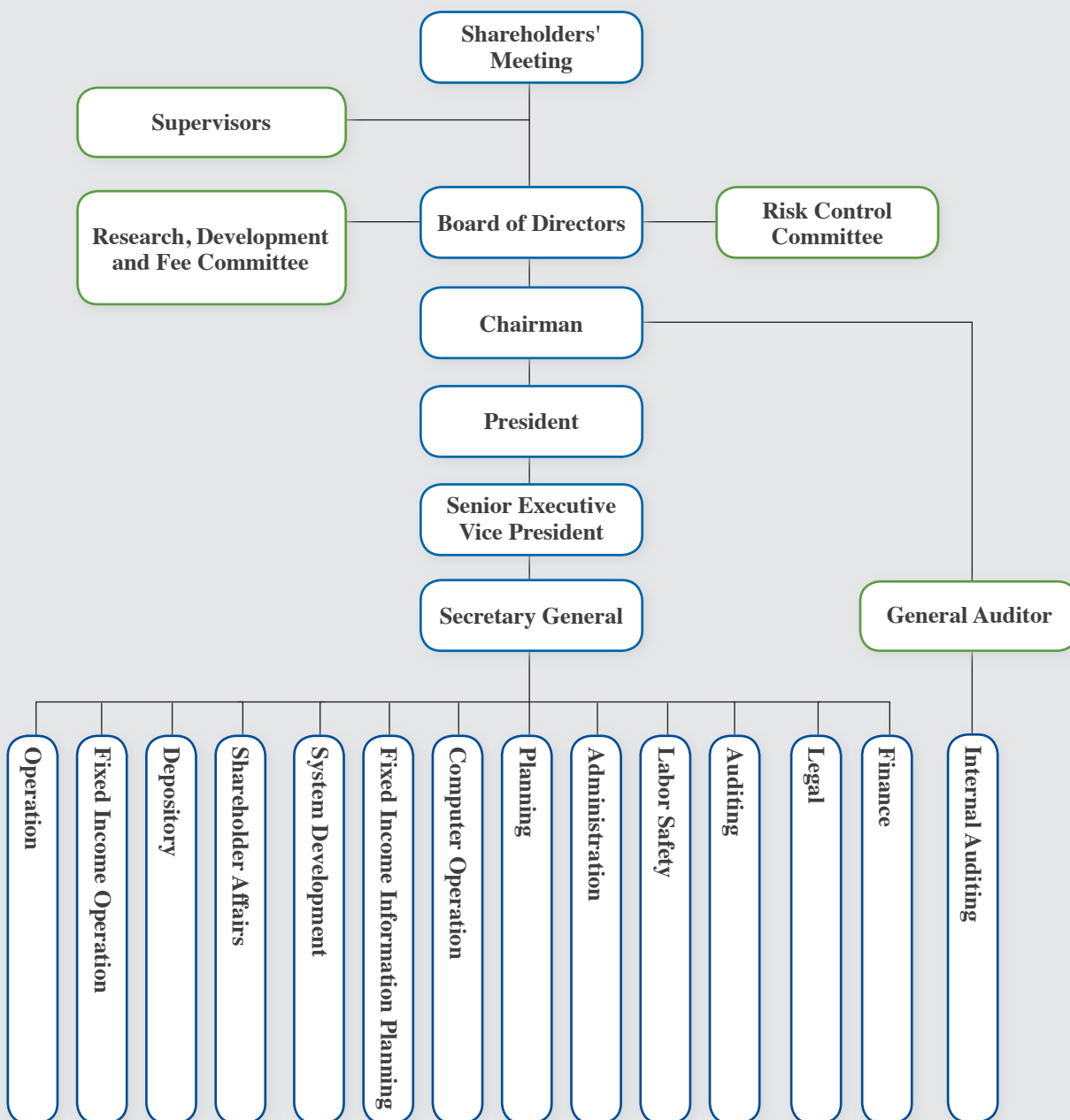
The Research, Development and Fee Committee is formed to ensure the business development and its service fee meet market needs. Main functions of the Committee include planning of business development and operational principles, reviewing the service fee for depository, registration of issuance, book-entry transfer, clearing and settlement services, reviewing major operational revisions and business initiatives.

2. Responsibilities of Departments

- (1) **Operation Department** is in charge of business planning and promotion, book-entry transfer, settlement, securities deposit and withdrawal, securities pledge, and clearing of emerging stocks. The department includes four divisions: Operations Promotion, Fund Service, Settlement, and Account Management.
- (2) **Fixed Income Operation Department** is in charge of fixed-income-product-related business planning and promotion, book-entry transfer, clearing and settlement, custody of physical bills. The department includes three divisions: Business Planning, Clearing Service, and Business Administration.
- (3) **Depository Department** is in charge of key-in and registration of securities information, storage inspection, labeling bar codes, write-off previous shareholders' rights, vault management, bond principal and interest paying, stock certificates printing specification and bar codes inspection. The department includes two divisions: Custody, and External Affairs.
- (4) **Shareholder Affairs Department** is in charge of registration of securities issued in dematerialized form, book-entry distribution, title transfer handling, and business coordination with issuing companies and their transfer agents. The department includes three divisions: Planning and Administration, Assets Service, and Marketing.
- (5) **System Development Department** is in charge of information system planning, development, design, testing, quality control, and design and promotion of information and communication security mechanism. The department includes four divisions: Securities Operations, Futures Operations, Administration, and Planning and Control.
- (6) **Fixed Income Information Planning Department** is in charge of information system related to fixed income products and second type telecommunication, system development, design, testing and quality control, providing IT consultation to participants, and design and promotion of information and communication security mechanism. The department includes three divisions: Development and Maintenance, System Planning, and System Control.
- (7) **Computer Operation Department** is in charge of deployment, maintenance, operation, management and connection of information system facilities. The department includes five divisions: System Engineering, System Operation, Information Service, Operational Control, and Network Engineering.
- (8) **Planning Department** is in charge of the Board-related matters, business planning, research and analysis, public relations, and international affairs. The department includes four divisions: Planning, Communication, International Affairs, and Research.

- (9) **Administration Department** is in charge of procurement, construction projects, general affairs, property management, documentation, intern and human resource management, training, and personnel review. The department includes four divisions: General Affairs, Administration, Document Management and Personnel.
- (10) **Labor Safety Department** is in charge of prevention of occupational accidents and management of health and safety of employees. The department does not have any division under it.
- (11) **Auditing Department** is in charge of providing participants with guidance on internal control related to TDCC operation and information and communication security, examining, in coordination with TWSE and TPEx, securities firms' TDCC-related operations, examining operations and securities related to corporate action of listed companies, promoting secured information communication, processing reports on participants' personnel shuffle, and auditing bills interest rate and transaction data transmitted by participants. The department has four divisions: Securities Firms Guidance, Shareholder Affairs Auditing, Planning and Control, and Risk Management.
- (12) **Legal Department** is in charge of providing legal opinions and compiling information on regulations and rules. The department has two divisions: Legal and Securities Query.
- (13) **Finance Department** is in charge of financing and accounting. The department includes two divisions: Budgeting and Accounting.
- (14) **Internal Auditing Department** is in charge of internal control and internal audit. The department includes two divisions: Internal Auditing and Data Control.

3. Organizational Chart



III. Workforce Background

As of the end of 2014, TDCC has 493 employees, of which 55.2% are male and 44.8% are female. The majority are between the ages of 50 and 59, and 38.1% have obtained a university or college degree.

IV. Shareholders Background

As of the end of 2014, TDCC has a total of 1,646 shareholders, consisting of 104 institutional and 1,542 individual shareholders. TWSE is the principal shareholder holding 50.43% of shares, followed by Yuanta Securities Finance Company (YSFC) holding 17.96%. The shareholding structure by the end of 2014 is shown as follows:

As of December 31, 2014

Shareholders	Shares	%
Taiwan Stock Exchange Corp. (TWSE)	169,187,370	50.43
Yuanta Securities Finance Co. (YSFC)	60,244,488	17.96
Financial institutions (securities firms, banks, bills dealers...) and individuals	106,089,320	31.61

V. Board of Directors and Supervisors

The Board of Directors consists of 7 directors representing TWSE, YSFC, and Fubon Securities respectively. There are three supervisors and one of them is the standing supervisor. A list of directors and supervisors is shown as follows:

As of December 31, 2014

Title	Name	Shareholder Represented
Chairman	Kung-Wha Ding	Taiwan Stock Exchange Corp.
Director	Huo-Dang Lin	Taiwan Stock Exchange Corp.
Director	Ho-Sheng Wang	Taiwan Stock Exchange Corp.
Director	Sherman Lin	Taiwan Stock Exchange Corp.
Director	Ko-Yang Wang	Taiwan Stock Exchange Corp.
Director	Chung Wu Lai	Yuanta Securities Finance Co.
Director	Ming-Chien Chen	Fubon Securities Co., Ltd.
Standing Supervisor	Hung-Wen Chien	Taiwan Securities Association
Supervisor	David S. Hong	Taiwan Securities Association
Supervisor	Ting-I Chan	Taiwan Futures Exchange Corp.

Management

Team





Senior Executive Vice President

Han-Chiang Chu

Senior Executive Vice President

Ching-Li Meng



Secretary General

Gloria Ching



General Auditor of Internal Auditing Dept.

Jenny Ho



Executive Vice President of FI Operation Dept.

Suh-Yann Tsaur



Executive Vice President of Depository Dept.

Olivia Chang



Senior Vice President of Operation Dept.

Jane Chang



Senior Vice President of Shareholder Affairs Dept.

Julie Wang



Senior Vice President of Administration Dept. & Labor Safety Dept.

Jennifer Chen



Senior Vice President of Auditing Dept.

Kuang-Hui Chen



Senior Vice President of Planning Dept.

Eric Hsu



Senior Vice President of Legal Dept.

Yuan-Hua Hsiao



Senior Vice President of Finance Dept.

Philip Lin



Senior Vice President of System Development Dept.

Andy Yeh



Senior Vice President of FI Information Planning Dept.

Win-Cheng Wang



Senior Vice President of Computer Operation Dept.

Cheng Hsu

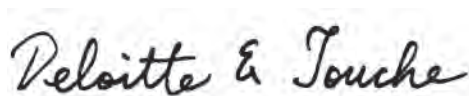
INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Taiwan Depository & Clearing Corporation

We have audited the accompanying balance sheets of Taiwan Depository & Clearing Corporation (the "Corporation") as of December 31, 2014 and 2013 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Depository & Clearing Corporation as of December 31, 2014 and 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and 2013, in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche". The signature is written in a cursive, flowing style.

March 11, 2015

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

Supervisors' Report

To the 2015 Annual Shareholders' Meeting,

Taiwan Depository & Clearing Corporation

The Board of directors have compiled and submitted to us for examination the 2014 balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows, operations report and proposal for earning distribution for year 2014 etc. The undersigned Supervisors, accompanied by Deloitte & Touche, CPAS have completed our examination and found them correct. This report is hereby prepared in accordance with Article 219 of the Company Act and submitted for your approval.

Taiwan Depository & Clearing Corporation

Standing Supervisor

Hung-Wen Chien

For and on behalf of

Taiwan Securities Association

A handwritten signature in black ink, reading 'Hung-Wen Chien'.

Supervisors

Dr. David S. Hong

For and on behalf of

Taiwan Securities Association

A handwritten signature in black ink, reading 'David S. Hong'.

Ting-I Chan

For and on behalf of

Taiwan Futures Exchange Corporation

A handwritten signature in black ink, reading 'Ting-I Chan'.

May 13, 2015

TAIWAN DEPOSITORY & CLEARING CORPORATION

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

	2014		2013	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,041,198	10	\$ 1,933,020	10
Financial assets at fair value through profit or loss				
- current	1,754,229	9	1,505,149	8
Held-to-maturity financial assets - current	751,850	4	653,405	3
Other financial assets - time deposits with original maturities of more than 3 months	3,736,904	18	3,657,004	18
Notes and accounts receivable, net				
Unrelated parties	201,846	1	174,613	1
Related parties	107,574	-	84,790	-
Other financial assets - other	187,995	1	495,125	3
Other current assets	71,560	-	50,615	-
Total current assets	8,853,156	43	8,553,721	43
NONCURRENT ASSETS				
Held-to-maturity financial assets - noncurrent	7,152,644	35	6,905,471	35
Available-for-sale financial assets - noncurrent	1,060,865	5	981,512	5
Default damage fund	2,145,694	11	2,033,327	10
Investments accounted for using the equity method	84,949	-	79,390	1
Property and equipment	586,933	3	590,344	3
Investment properties	238,247	1	241,524	1
Intangible assets	64,085	-	70,200	-
Goodwill	237,545	1	169,083	1
Deferred tax assets	10,383	-	10,364	-
Refundable deposits	138,427	1	137,773	1
Other noncurrent assets	277	-	277	-
Total noncurrent assets	11,720,049	57	11,219,265	57
TOTAL	\$ 20,573,205	100	\$ 19,772,986	100

(In Thousands of New Taiwan Dollars)

	2014		2013	
	Amount	%	Amount	%
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accrued expenses	\$ 484,773	2	\$ 458,112	2
Current tax liabilities	157,962	1	158,440	1
Receipts under custody	124,095	1	424,012	2
Other current liabilities	42,108	-	38,585	-
Total current liabilities	808,938	4	1,079,149	5
NONCURRENT LIABILITIES				
Deferred tax liabilities	29,036	-	262,870	1
Guarantee deposits	38,487	-	33,676	-
Accrued pension liabilities	327,446	2	294,207	2
Total noncurrent liabilities	394,969	2	590,753	3
Total liabilities	1,203,907	6	1,669,902	8
EQUITY				
Capital stock	3,355,211	16	3,273,377	17
Capital surplus	476,234	2	476,234	3
Legal reserve	1,918,076	9	1,791,996	9
Special reserve	10,953,487	53	10,449,168	53
Unappropriated earnings	1,735,425	9	1,260,797	6
Other equity - unrealized gain on available- for-sale financial assets	930,865	5	85,152	4
Total equity	19,369,298	94	18,103,084	92
TOTAL	\$ 20,573,205	100	\$ 19,772,986	100

TAIWAN DEPOSITORY & CLEARING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES				
Securities settlement	\$ 714,168	20	\$ 570,237	18
Securities recording	800,046	22	632,841	20
Maintenance services	357,018	10	331,732	11
Transfer processing services	443,909	12	372,291	12
Bills and bonds clearing and custodial services	798,629	22	721,763	23
Futures clearing services	135,718	4	199,180	7
Securities registration and distribution services	104,818	3	96,727	3
Others	233,020	7	182,243	6
Total operating revenues	3,587,326	100	3,107,014	100
OPERATING EXPENSES				
Personnel	1,025,316	29	976,774	31
General and administrative	881,103	24	837,372	27
Total operating expenses	1,906,419	53	1,814,146	58
OPERATING INCOME	1,680,907	47	1,292,868	42
NONOPERATING INCOME				
Interest income	210,069	6	212,753	7
Net gain arising on financial assets designated as at FVTPL	8,769	-	8,555	-
Share of profit of associates	17,188	1	15,985	1
Dividend income	33,247	1	35,311	1
Other income	13,392	-	14,120	-
Gain (loss) on deposit of property and equipment	49	-	(94)	-
Other expenses	(8,179)	-	(5,104)	-
Total nonoperating income	274,535	8	281,526	9

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,955,442	55	\$ 1,574,394	51
INCOME TAX EXPENSE	(377,675)	(11)	(266,419)	(9)
NET INCOME	1,577,767	44	1,307,975	42
OTHER COMPREHENSIVE INCOME				
Unrealized gain on available-for-sale financial assets	79,353	2	71,215	2
Actuarial gain (loss) arising from defined benefit plans	18,882	1	123,847	4
Share of the other comprehensive income of associates	(742)	-	532	-
Income tax relating to the components of other comprehensive income	126	-	53	-
Other comprehensive income for the period, net of income tax	97,619	3	195,647	6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,675,386	47	\$ 1,503,622	48
EARNINGS PER SHARE(NEW TAIWAN DOLLARS)				
Basic earnings per share	\$ 4.70		\$ 3.90	

TAIWAN DEPOSITORY & CLEARING CORPORATION
STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock		Capital Surplus
	Shares	Amount	
BALANCE, JANUARY 1, 2013	320,919	\$ 3,209,193	\$ 476,234
Appropriation of 2012 earnings:			
Legal reserve	-	-	-
Special reserve	-	-	-
Cash dividends - NT\$1.15 per share	-	-	-
Stock dividends - 2%	6,419	64,184	-
Net income in 2013	-	-	-
Other comprehensive income ended December 31, 2013, net of income tax	-	-	-
BALANCE, DECEMBER 31, 2013	327,338	3,273,377	476,234
Appropriation of 2013 earnings:			
Legal reserve	-	-	-
Special reserve	-	-	-
Cash dividends - NT\$1.25 per share	-	-	-
Stock dividends - 2.5%	8,183	81,834	-
Net income in 2014	-	-	-
Other comprehensive income ended December 31, 2014, net of income tax	-	-	-
BALANCE, DECEMBER 31, 2014	335,521	\$ 3,355,211	\$ 476,234

(In Thousands of New Taiwan Dollars and Shares, Except Dividends Per Share)

Retained Earnings				Other Equity	
Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Gain on Available -for-sale Financial Assets	Total Equity
\$ 1,671,349	\$ 9,785,610	\$ 1,045,836	\$ 12,502,795	\$ 780,297	\$ 16,968,519
120,647	-	(120,647)	-	-	-
-	663,558	(663,558)	-	-	-
-	-	(369,057)	(369,057)	-	(369,057)
-	-	(64,184)	(64,184)	-	-
-	-	1,307,975	1,307,975	-	1,307,975
-	-	124,432	124,432	71,215	195,647
1,791,996	10,449,168	1,260,797	13,501,961	851,512	18,103,084
126,080	-	(126,080)	-	-	-
-	504,319	(504,319)	-	-	-
-	-	(409,172)	(409,172)	-	(409,172)
-	-	(81,834)	(81,834)	-	-
-	-	1,577,767	1,577,767	-	1,577,767
-	-	18,266	18,266	79,353	97,619
\$ 1,918,076	\$ 10,953,487	\$ 1,735,425	\$ 14,606,988	\$ 930,865	\$ 19,369,298

TAIWAN DEPOSITORY & CLEARING CORPORATION
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,955,442	\$ 1,574,394
Adjustments for:		
Depreciation expenses	103,083	118,141
Amortization expenses	29,248	13,006
Share of profit of associates	(17,188)	(15,985)
Loss (gain) on disposal of property and equipment	(49)	94
Valuation adjustment on financial assets	6	36
Interest income	(210,069)	(212,753)
Dividend income	(33,247)	(35,311)
Net changes in operating assets and liabilities		
Increase in financial assets at fair value through		
profit or loss	(249,086)	(148,194)
Increase in notes and accounts receivable	(50,017)	(10,654)
Decrease (increase) in other financial assets - other	287,658	(297,668)
Decrease (increase) in other current assets	(20,932)	6,137
Increase (decrease) in accrued expenses	26,366	(36,355)
Increase (decrease) in receipts under custody	(299,917)	284,167
Increase (decrease) in other current liabilities	3,514	(44,871)
Increase in accrued pension liabilities	52,121	49,698
Cash generated from operations	1,576,933	1,243,882
Interest paid	253,824	251,164
Income tax paid	(612,006)	(196,966)
Net cash generated from operating activities	1,218,751	1,298,080

(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other financial assets - time deposits with original maturities of more than 3 months	(\$ 79,900)	(\$ 438,000)
Purchase of held-to-maturity financial assets	(1,169,600)	(2,620,322)
Repayment of held-to-maturity financial assets	800,000	1,800,000
Acquisition of property and equipment	(95,922)	(50,821)
Proceeds of the disposal of properties	269	241
Net cash outflow arising on combination	(70,435)	-
Increase in intangible assets	(21,863)	(60,092)
Increase in refundable deposits	(654)	(417)
Increase in default damage fund	(112,367)	(92,792)
Dividends received from associates	11,013	10,668
Dividends received from available-for-sale financial assets	33,247	35,311
Net cash used in investing activities	(706,212)	(1,416,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in guarantee deposits	4,811	(1,970)
Cash dividends paid	(409,172)	(369,057)
Net cash used in financing activities	(404,361)	(371,027)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,178	(489,171)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,933,020	2,422,191
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,041,198	\$ 1,933,020

TAIWAN DEPOSITORY & CLEARING CORPORATION

SCHEDULE FOR APPROPRIATION OF EARNINGS

FOR YEAR 2014

(In New Taiwan Dollars)

	Amount	Amount
Earnings, beginning of year		\$ 139,391,710
Add :		
Actuarial gains arising from defined benefit plans	\$ 18,882,125	
Share of the other comprehensive income of associates	(616,287)	18,265,838
Adjusted unappropriated retained earnings		157,657,548
Net income in 2014		1,577,767,219
Reserved items :		
Legal reserve(10%)	(157,776,722)	
Special reserve(55%)	(867,771,970)	(1,025,548,692)
Earnings available to appropriation in 2014		709,876,075
Appropriation of earnings :		
Stockholder's cash dividends(NT\$1.50 per share)	(503,281,767)	
Stockholder's stock dividends(NT\$0.25 per share)	(83,880,300)	(581,162,067)
Unappropriated retained earnings at end of 2014		\$ 122,714,008

Note: The amount of cash bonus to employees for the year 2014 was NT\$68,786,992.

Internal Control Statement

Based on self-inspection, the following declaration is made regarding the Taiwan Depository & Clearing Corporation (hereinafter referred to as TDCC) internal control system for the period from January 1, 2014 to December 31, 2014:

1. TDCC is fully aware that the establishment, implementation and maintenance of the company's internal control system are the responsibility of the board of directors and of the company's management. TDCC has already established an internal control system. The objective of the system's establishment was to provide a reasonable level of assurance that the company's goals for the efficiency and effectiveness of the company's operations (including profitability, performance and asset protection, etc.), the reliability of its financial reports and adherence to relevant laws and regulations can be met.
2. Any internal control system has certain pre-ordained limitations. No matter how carefully designed the system may be, even the most effective internal control system can only provide a reasonable level of assurance for the three objectives noted above. In addition, the effectiveness of the internal control system is liable to be affected at changes in the environment and circumstances. However, TDCC's internal control system has a self-monitoring function; as soon as any failing in the system comes to light, the company will immediately take steps to improve it.
3. TDCC has evaluated the result of the design and implementation of the internal control system in accordance with the inspection items from the Implementation Guidelines for the Establishment of Internal Control System by Securities and Futures Market Service Enterprises (hereinafter referred to as "the Implementation Guidelines"). The inspection items adopted by the Implement Guidelines are classified into five components in line with the management control procedures: (1) Control environment; (2) Risk evaluation; (3) Control operations; (4) Information and communication; (5) Supervision. Each components in turn contains a number of items. Please refer to the Implementation Guidelines for details of these items.
4. The above-mentioned internal control inspection items have been used by TDCC to inspect the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the inspection, TDCC believes that the design and implementation of the company's internal control system during the above mentioned period are acceptable in terms of the efficiency and effectiveness of the company's operations, the reliability of its financial reports and adherence to relevant laws and regulations, and can therefore provide a reasonable degree of assurance for the achievement of the above objectives.
6. The Declaration will become the major part of TDCC's annual report and will be released publicly. Any false, hidden or illegal matters will lead to lawsuit responsibility according to the Article 20, 32 171 and 174 of the Securities Exchange Act.
7. This Declaration was approved by TDCC's Board of Directors on February 11, 2015.

Taiwan Depository & Clearing Corporation

Chairman

Ding, Kung-Wha

Ding, Kung-Wha

President

Sherman Lin

Sherman Lin

February 11, 2015

Publisher: Ding, Kung-Wha


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11F, No.363, Fushin N. Rd., Taipei, Taiwan, ROC

TEL:886-2-27195805 / Fax: 886-2-27195403

<http://www.tdcc.com.tw>

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Taiwan Depository & Clearing Corporation

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