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Ding, kung-Wha



# Letter to Shareholders

### Dear shareholders,

Looking back at 2013, the major securities markets around the world regained their footing along with the easing of the European debt crisis, expansion of manufacturing in the three major economies, and the US Federal Reserve Board's clear stance on its expansionary monetary policy. Overall performance in the US was positive, as indicated by data on employment, production, and consumer confidence. The Federal Reserve announced it would begin to taper its quantitative easing, and the Dow Jones Industrial Average closed at 16,577 for the year, beating the record high prior to the financial crisis of 2008. In the Euro zone, manufacturing began to show growth for the first time in 2 years. While unemployment remained high and some countries remained mired in stagnation, the European Central Bank announced it was cutting interest rates and the repayment terms of bailout loans to Portugal and Ireland were expended, with the result that European stocks also showed gains across the board. Germany's DAX index rose to 9,552 and reached a historical high in November.

Growth showed signs of slowing in China as it focused on the reform and structural transformation of its economy, trends that affected its stock market momentum. Despite the positive effects from China's promotion of a pilot free trade zone in Shanghai, which to some extent helped revive economic growth, performance on the Shanghai Composite Index was less than ideal as it fell to 2,116 for the year. After taking office, Prime Minister Shinzo Abe in Japan offered up "Abenomics" to help shake off its long-term economic stagnation, effectively

stimulating the economy to move away from deflation and toward an appropriate rate of inflation. Announced GDP figures exceeded expectations, and the Bank of Japan took a more active stance toward controlling exchange rates. The Japanese stock market enjoyed a vigorous rise, as the Nikkei Stock Average rose to 16,291 for the year, up 56.7 percent from the previous year. Taken together, these trends showed stock markets around the world generally rebounding as they recovery from financial crisis and the European debt crisis.

As a member of world economy, Taiwan has been affected by the slowing economies in the US and the EU as well as the structural adjustments being made in China. The economic growth rate was revised down three times. This in turn affected stock market performance, which was also negatively impacted by the re-imposition of a capital gains tax, questions about food safety, and environmental protection issues. Average daily trading volume was only TWD 98.2 billion, and the government proposed some measures to increase momentum to the market and stimulate economic development. Those included allowing day trades in spot securities by investors, allowing short sales below the previous day's closing price for an expanded range of subjects, and temporary measures allowing securities dealers to give quotes for purchase or sale quotes for securities at the limit-up or limit-down price. These measures, together with continuing development of financial business across the Taiwan Strait and the effects of international monetary easing, meant that the Taiwan Stock Exchange Capitalization Weighted Stock Index rose to 8,611 as of the end of for the year, while daily trading volumes rose in step into TWD 100 billion. The stock trading value on Taiwan Stock Exchange (TWSE) exceeded TWD 18.9409 trillion, a reduction of about 6.4 percent from the level of over TWD 20.2381 trillion in 2013. The stock trading value on GreTai Securities Market (GTSM) amounted to TWD 4.308 trillion, an increase of about 36.54 percent from the preceding year's TWD 2.9519 trillion. Trading value of emerging stocks exceeded TWD 289.1 billion, an increase of about 86.75 percent from the figure of TWD 154.8 billion in 2013.

In 2013, under the guidance of the competent authority, Taiwan Depository & Clearing Corporation (TDCC) successfully promoted a number of operations to keep in line with the development in the stock, bonds, and bills 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 2013, there were 2,257 participant firms, and a total market value for all



types of securities and short-term bills under custody of TWD 34.8722 trillion. 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 27.8164 trillion. Corporate bonds, financial bonds, local government bonds, and international bonds totaled TWD 2.8087 trillion; short-term bills totaled TWD 1.3041 trillion, and others totaled 2.943 trillion.

In promoting the e-transformation of central custody operations, TDCC has completed its system of electronic review and management of account statements for participants. This provides participants with functions allowing them, through the Network Statement Transmission and Query System, to make inquiries and download historical statement files, while also enhancing operations connected with information database preservation. In doing so, efficiency in retrieving historical statements is greatly enhanced.

### 2. Book-entry transfer services

In 2013 TDCC handled book-entry transfers for equity securities transactions amounting to 1,088,063,003,000 shares, including 907,821,462,000 shares of TWSE listed securities, 173,214,040,000 shares of GTSM listed securities, and 7,027,501,000 shares of emerging stock company shares. Its clearing and settlement of short-term bills totuled TWD 54.2913 trillion in outright and repo transactions and exercise amounts. Settlements through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 25.6688 trillion.

To coordinate with the competent authority's measures to stimulate market momentum, along with the TWSE and GTSM measures of allowing day trading, TDCC put in place the necessary clearing and settlement operations and made the necessary adjustments to its computer systems. TDCC has established book-entry transfer operations for day trading, which will aid in providing truly comprehensive trading mechanisms and hedging opportunities for investors. This brings Taiwan in line with international stock markets in terms of day trading and will enhance the efficiency of investors' capital utilization.

### 3. Market services

To facilitate shareholder activism and to strengthen corporate governance, the competent authority has vigorously encouraged TWSE and GTSM listed companies to adopt electronic voting for shareholders' meetings. With TDCC's actively promotion, in 2013 there were 114 companies adopting STOCKVOTE for their

shareholders to cast votes electronically. A total of 91,316 votes were cast through STOCKVOTE, representing about 119.6 billion shares which accounts for 35.13 percent of shares represented by shareholders in attendance of shareholders' meeting.

To meet market demands, TDCC now additionally provides a number of services, including registration and book-entry transfer operations, connected with Renminbidenominated stocks and ETFs. TDCC is also planning to provide clearing and settlement of Renminbi bills through the Financial Information Service Corporation's foreign exchange settlement platform and foreign exchange clearing banks, as well as single-window service for provision of the required tax collection information to tax bureau. Also, to increase the liquidity and international visibility of Formosa Bonds business, TDCC has actively cooperated with ICSDs such as Euroclear and Clearstream and made efforts to attract foreign institutional investors to invest Formosa Bonds, to jointly promote Formosa Bonds market.

### 4. International cooperation and exchanges

TDCC has enhanced its visibility in international securities markets through active participation of international meetings and activities, including the 38<sup>th</sup> annual meeting of the International Organization of Securities Commissions (IOSCO), the 12<sup>th</sup> Conference of Central Securities Depositories (CSD 12), and the 17<sup>th</sup> annual meeting of the Asia-Pacific Central Securities Depository Group (ACG 17). To learn from the business development experience of overseas clearing and custody institutions and bring about further information exchange and cooperation with other institutions abroad, a Memorandum of Understanding (MOU) on management of securities museum between TDCC and Korea Securities Depository (KSD) was signed on March 14th, 2013. The MOU should serve to enhance information exchanges, exhibition loans, as well as museum operating experience sharing. In addition, TDCC assisted the competent authority in holding the 9th Taipei Corporate Governance Forum for the purpose of reinforcing the importance of corporate governance and raising competitiveness of Taiwan's enterprises.

### 5. Enhancing investors' personal data protection

To safeguard investors' rights and interests, reduce the risk of information leaks, and promote reasonable utilization of personal data, TDCC has implemented Taiwan Personal Information Protection and Administration System (TPIPAS). On 12 December 2013 it was awarded a certification mark, the Data Privacy Protection Mark (dp.mark), by the Ministry of Economic Affairs, making it the first non-electronic commerce enterprise to introduce the TPIPAS system. This award



enhances the prestige of TDCC and demonstrates its determination to abide by laws and regulations governing the protection of personal information, helping to further establish confidence among investors and the market as a whole.

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 2014, TDCC will continue its mission of serving the market 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 market services to provide participants with even more secure and efficient services. In addition to the business initiatives already under development in 2013, TDCC will maintain operation of the Taiwan Stock Museum and hold new exhibitions and activities to promote financial literacy in Taiwan. TDCC will also vigorously promote electronic voting for shareholders' meetings to bring about greater shareholder activism. It will expand foreign exchange clearing and settlement operations of Renminbi-denominated products. It will cooperate with international fund information transmission agencies to fully automate onshore and offshore fund information transmission services. It will respond to offshore securities units (OSUs) to provide operations relating to book-entry transfers for securities firms handling asset management. And it will also provide straightthrough processing (STP) service for cross-border voting in shareholders' meetings to further improve appraisals of corporate governance in Taiwan.

Looking toward the future, as a back-office service provider for the capital market, TDCC will strive to enhance the efficiency, operation of custody, clearing and bookentry of various financial products to provide the market with an even more secure, convenient and efficient operating environment, with the aim of further enhancing the international competitiveness of Taiwan's capital markets.



Horing L.



# **Business Report**

# Foreword

In 2013, the average daily transaction value on Taiwan Stock Exchange (TWSE) was TWD 79.7 billion, and on the GreTai Securities Market (GTSM) was TWD 17.3 billion, while on the Emerging Stock Market the figure was TWD 1.2 billion. The total daily average was approximately TWD 98.2 billion, an increase of 1.97% from the 2012 daily average of TWD 96.3 billion. In the bonds market, government bond issuance volume in 2013 was TWD 611.9 billion, financial debenture issuance stood at TWD 86.6 billion, and corporate bond issuance amounted to TWD 405.5 billion. In the bills market, short-term bills issues in 2013 amounted to a total of TWD 9.41 trillion, with outright purchases and sales in the secondary market of TWD 16.5253 trillion and repo transactions amounting to TWD 18.9035 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 2013 and the business plan for 2014.

# 1 2013 Business Report

### 1. Major Tasks

### (1) Setting up book-entry transfer functions for securities day trading

In coordination with the competent authority's measures to stimulate stock market momentum by allowing investors to engage in day trading of securities, TDCC has newly added and adjusted securities clearing, settlement and book-entry operation functions connected with day trading. Intended to provide investors with channels for hedging and to encourage stock market momentum, these measures were publicly announced on 26 September 2013, and to coordinate with the competent authority's schedule for implementation, the new operations formally came on line on 6 January 2014.

### (2) Vigorous promotion of electronic shareholder voting to give rein to shareholder activism

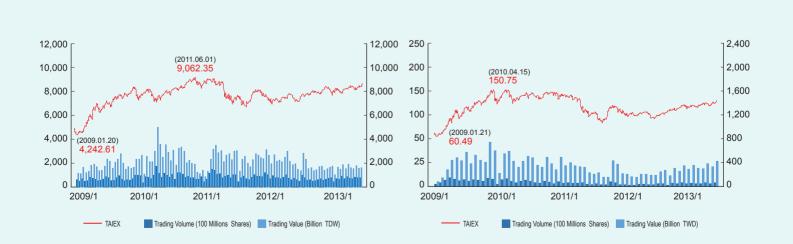
In coordination with the competent authority's promotion of electronic shareholder voting, TDCC has vigorously implemented the necessary mechanisms. It has strengthened promotion and advocacy to implement of shareholder activism. In 2013 a total of 114 TWSE and GTSM listed companies used TDCC's "STOCKVOTE". Electronic voting operations were smoothly completed for all. In 2013, a total of 91,316 votes at shareholders meetings were cast electronically, representing about 119.6 billion shares, compared to the 34,461 votes cast and 67.6 billion shares represented in 2012. This represents a marked increase of about 265 percent in terms of votes cast and 177 percent in shares represented. Among those, institutional shareholder votes (including by custodian banks, securities investment trust corporations, and insurance companies) increased by 47.2 billion shares, an increase of 173 percent.

### (3) Realizing the Stock Museum's original goal of popular financial literary education

The establishments of the Stock Museum witness the development of the Taiwan Stock markets. In addition to displaying stock-related artifacts and holding activities in connection with themed exhibits, the Museum continues to engage in collection, preservation, and exchanges of knowledge regarding historical items, so as to promote financial knowledge and education. The Museum continues to establish long-term cooperative relationships with schools and provide practical experience and workplace training for internships in extending the knowledge and skills gained in the classroom, thus helping to train more qualified personnel. In the end of 2013, the Stock Museum celebrated its anniversary. There were 1,480 visiting sessions with more than 19,000 people, showing that the Museum is achieving its founding purposes of further spreading financial knowledge and education.

Statistics of TWSE Market

Statistics of GTSM Market



# (4) Comprehensive strengthening of personal data protection and introduction of the Taiwan Personal Information Protection and Administration System (TPIPAS)

TDCC introduced the Taiwan Personal Information Protection and Administration System (TPIPAS), in response to amendment of the Personal Information Protection Act and the goals of reducing the risk of information leaks and promoting reasonable utilization of personal data, while also devoting effort to establishing mechanisms for information security and the protection of personal information. TDCC passed TPIPAS certification, and on 12 December 2013 was awarded a certification mark, the Data Privacy Protection Mark (dp.mark), by the Ministry of Economic Affairs. TDCC's efforts which show the protection and management of personal information instill confidence in investors and the market as a whole.

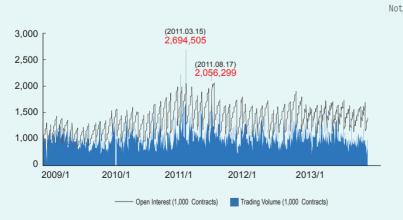
### (5) Registration and book-entry transfers for RMB-denominated securities

In cooperation with the government's promotion of financial business serving both sides of the Taiwan Strait, TDCC provides operations connected with the registration and book-entry transfer of RMB-denominated formosa bonds. TDCC has actively encouraged International Central Securities Depositories (ICSDs) to open accounts in Taiwan to expand the circulation of formosa bonds and enhance Taiwan's international visibility. By the end of December 2013, TDCC had completed book-entry registration and payment of distributions for 13 issues of RMB-denominated formosa bonds, with a total value of 10.6 billion RMB, from 9 issuers.

# (6) Coordinating with Central Bank open market operations by providing book-entry transfer operations for outright purchases and sales and repo transactions in bills and bonds

To meet the needs of the Central Bank for new open market operations in financial debentures and short-

### Statistics of Futures Market



Note: Trading Volume includes contracts of TAIEX Futures (1998.7.21 launched), Electronic Sector Index Futures (1999.7.21 launched), Finance Sector Index Futures (1999.7.21 launched), Mini-TAIEX Futures (2001.4.9 launched), TAIEX Options (2001.12.24 launched), Equity Options (2003.1.20 and 2004.9.27 launched), TAIWAN 50 Futures (2003.6.30 launched), 10- Year Government Bond Futures (2004.1.2 launched), 30-Day Commercial Paper Interest Rate Futures (2004.5.31 launched) Electronic Sector Index Options and Finance Sector Index Options (2005.3.28 launched), TAIFEX Gold Futures and TAIFEX MSCI Index Futures, TAIFEX MSCI Taiwan Index Options (2006.3.27 launched), NonFinance NonElectronics Sub-Index Futures, NonFinance NonElectronics Sub-Index Ontions, GreTai Securities Market Stock Index Eutures, GreTai Securities Market Stock Index Options (2007.10.8 launched), TAIFEX NT Dollar Gold Future (2008.1.28 launched), Gold Options (2009.1.19 launched), and Single Stock Futures (2010.1.25 launched)

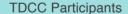
term bills, TDCC provided book-entry transfer operations for the Central Bank's outright purchases and sales and repo transactions in bills and bonds. These operations help the Central Bank to execute market stabilization measures and increase the flexibility of its open market operations, and will increase the stability of Taiwan's financial markets. TDCC began implementing these new operations from 14 January 2013.

### (7) Switch to electronic files for offshore structured products registration documents

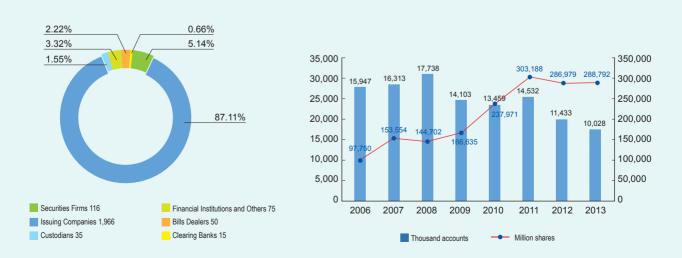
TDCC has provided new functionality to the Offshore Structured Notes Market Observation System, including registration for new products, changes in existing product registrations, and early redemptions. This allows for a switch from paper documents to electronic processing, and should help enhance the operating efficiency of issuers and master agents, reduce postage costs, meet low-carbon energy-saving standards, and achieve the goal of paperless operations, as well as reduce costs for the market as a whole. The new functions became operational on 28 October 2013.

# (8) Electronic trading customers allowed changing basic custodial book-entry account information with electronic certificates

In consideration of uniform operations for both securities firms and customers, those electronic trading investors were allowed to use electronic certificates to change their basic information, avoiding the inconvenience of having to do so in person. In addition, securities firms may also, upon application by a customer, change the basic information for both the customer's trading account and central depository book-entry account at the same time in order to maintain consistency of information. These functions became operational from 16 December 2013.



### Statistics of Book-Entry Distribution for Equities



# (9) Functions established for the transmission of electronic files on book-entry creation and cancellation of pledges

To coordinate with domestic financial institutions developing loan business for foreign nationals who are not domiciled in Taiwan, TDCC provided new functions allowing the use for electronic media transmissions in batch processing of pledges and deliveries. The new functions enable the need of multiple pledge establishments and cancellations in one procedure for foreign investors. The new operations accord with measures taken by the Central Bank to encourage foreign investors to borrow from domestic banks for stock market investment. The new functions became operational on 31 July 2013.

### (10) Assisting investors in relinquishing delisted securities with no corporate action units

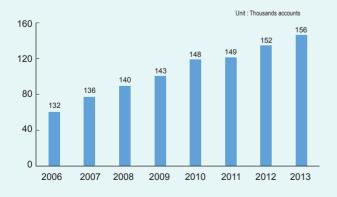
TDCC acquires an explanation from the Department of Commerce of the Ministry of Economic Affairs (MOEA), that investors who wish to relinquish stocks they hold in companies with no corporate action units need only serve an expression of their intent to relinquish the stocks on the registered address of the issuer, and relinquishment will then become effective. For the convenience, an investor may carry out relinquishment of stocks in a central depository account with notice to the issuer given by means of a documented certified letter indicating intent to relinquish the stocks. TDCC completed development of the relevant system functions and they became operational on 1 April 2013. By the end of December 2013, a total of 1,532 applications for account transfer had been handled in cases where stocks were relinquished.

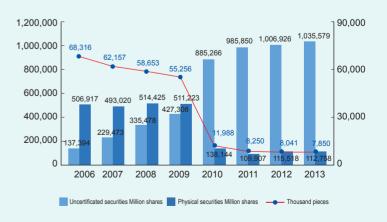
# (11) Management of corporate action operations enhanced to protect shareholder rights and interests

TDCC drafted Directions for Handling Applications by a TWSE Listed, GTSM Listed, or Emerging

Statistics for Accumulated Book-Entry Account

Statistics of Equities in Custody





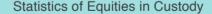
Stock Company for a Change of Transfer Agent and also drafted Directions for Review of Applications by Shareholders of a TWSE Listed, GTSM Listed, or Emerging Stock Company Who Handle their Own Corporate Action Affairs for the Handling of Shareholders Meeting Matters by a Transfer Agent. The purpose of these new Directions is to coordinate with the competent authority's addition of new provisions in the Regulations Governing the Administration of Shareholder Services of Public Companies. The two sets of Directions were respectively approved by the competent authority on 16 July and 21 October 2013 for implementation.

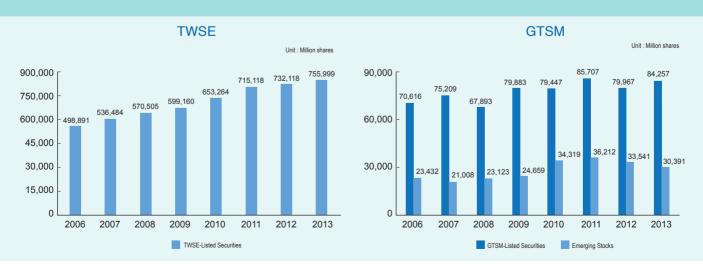
# (12) Adoption of management rules for corporate action of public companies that are neither TWSE nor GTSM listed or Emerging Stock Companies

To provide a basis that can be followed when public companies that are neither TWSE nor GTSM 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. 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. The above Rules were implemented on 2 December 2013 following approval by the competent authority.

# (13) Registers of securities owners provided to persons authorized to convene issuers' shareholders meetings

TDCC, in accordance with a letter of interpretation from the Ministry of Economic Affairs, makes available registers of securities owners with limited but sufficient information to notify shareholders that a shareholders meeting will be convened. The purpose is to guarantee the right to convene shareholders meetings granted to minority shareholders and supervisors by the Company Act. The information







provided is limited to that necessary for notification of meetings. The securities owners' registers are provided directly to the transfer agent engaged by the convener of the meeting in order to guarantee investors' rights and interests. This matter was publicly announced and implemented on 25 November 2013.

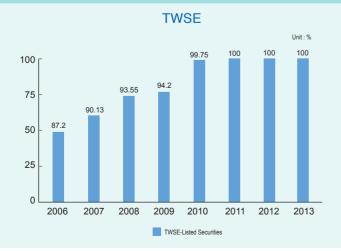
### (14) Database system for inquiries established to provide inquiry functionality

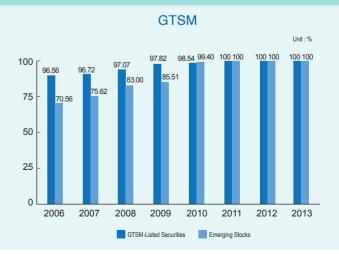
To allow investors, securities firms, and related agencies to make timely inquiries and effectively reduce operating costs, TDCC has integrated different types of information into a single interface for inquiries and has development and installed an information platform to handle inquiries from outside agencies. The result is uniform handling of applications, reviews, requisitioning of information for review, secondary reviews, and delivery to the applicant agency for retention. The database inquiry system became operational in September 2013, 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 2013, a total of 70,490 inquiries had been handled, serving a total of 87,180 persons.

# (15) New generation network transmission and inquiry system for statements established to provide quicker and more secure services

To provide more secure operations for participants and transfer agents and reduce the processing cost, TDCC established a new generation system for network transmission of depository information statements and related inquiries. The statement generation function for the securities depository system using the AFP (Advanced Function Presentation) of the IBM host has been switched to an open host system, using the PDF format that is the industry standard in the software utilities sector. Important statements are transmitted to the participant with an electronic signature, replacing the manual process of signature approval and delivery of paper documents. In addition, to enhance the security of information transmission and system usage, the system was designed so that each delivery of a statement or each

### Ratio of Equities in Custody





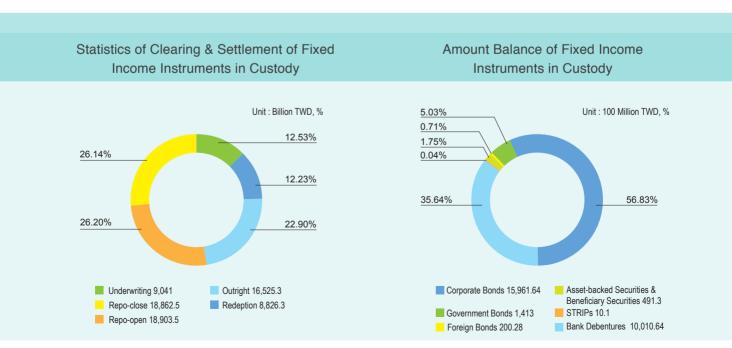
internet inquiry function would be encrypted and verified with the public key of the user agency, thus complying with requirements for protection of personal information and ensuring secure transmission.

# (16) Assisting executing courts and securities firms to clear securities left in court auction accounts or registration sub-accounts to their beneficial owners

In accordance with the 7 March 2011 resolution of a meeting of the Civil Department, Ministry of Justice, on "Study of Control and Management of Bonus Share and Dividend Entries and Account Clearing in the Auction Accounts of District Courts," TDCC provided mechanisms for securities firm inquiries regarding investor account information relating to auction accounts, helping increase the speed with which securities firms can clear those accounts. Inquiries on court auction accounts by TDCC showed 33 court auction accounts with insufficiently identified positions, accounting for as many as 17,543,804 shares. After the securities firms associated with the accounts used the inquiry mechanism provided by TDCC, and with the active assistance of related banks and securities firms to clear the accounts, by the end of December 2013, only 18 accounts still had insufficiently identified positions, accounting for 882,308 shares, or a rate of clearing as high as 94.97 percent.

# (17) Continued strengthening and achievement of information and communications security management

To provide for the needs of custody, clearing, and settlement of bills and strengthen security controls over information and communications systems, in order to reduce information and communications security risks and achieve 3 major goals of confidentiality, information integrity, and usability of information and communication systems, TDCC obtained ISO/IEC 27001 certification, and from the beginning of 2013, undertook the telecommunications ISO/IEC 27011 extended audit and certification. TDCC passed the certification on 17 May 2013.



# (18) Personnel dispatched by TDCC for study with participants to better understand their operations and needs

To gain an understanding the business needs of participants, TDCC arranged to send a number of its personnel to securities firms, custodian banks, securities investment trust enterprises, and bond or bills dealers. TDCC gains a deeper understanding of participants' operations, which would be useful in planning services to meet their needs and will build a closer communication and contact with participants. By the end of December 2013, TDCC had resolved 49 matters recommended by the participants to increase operational efficiency and lower participants' operating costs.

### (19) Promoting international business

In keeping with the government's promotion of internationalized capital markets, and further strengthening its connections with the central depository and clearing institutions of other Asian countries, TDCC in March of 2013 signed a memorandum of understanding regarding cooperation and sharing of information on stock museums with the Korea Securities Depository, for information sharing, exchanges of exhibition items, and sharing their management and operating experience. TDCC actively participated in international organizations such as the worldwide Conference of Central Securities Depositories (CSD), 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 2,257 participants, with additional 1,012 branches, for a total of 3,269 participant head and branch offices.
- 2. TDCC handled book-entry operations for 907,821,462,000 shares traded on Taiwan Stock Exchange (TWSE), with a daily average of 3,690,331,000 shares.
- 3. TDCC handled book-entry operations for 173,214,040,000 shares traded on GreTai Securities Market (GTSM), with a daily average of 704,122,000 shares.
- 4. TDCC handled book-entry operations for 7,027,501,000 shares of emerging stocks processed through GTSM, with a daily average of 28,567,000 shares. The total trading volume was TWD 278.7 billion, with a daily average of TWD 1.2 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 2.128 trillion. TDCC handled book-entry DVP transfers for TWD denominated fixed-income securities in the amount of TWD 1.9977 trillion; account transfers for negotiated over-the-counter outright purchases and sales of TWD 1.2907 trillion; and bond passbook transactions representing TWD 7.4277 trillion.
- 6. TDCC carried out account transfers for 30 OTC negotiated outright trades in AUD-denominated international bonds of AUD 1.16 million. TDCC carried out transfers for 8 OTC negotiated outright trades in USD-denominated international bonds of USD 9.5 million, and 121 bond passbook transactions of USD 59.52 million. TDCC carried out 4 transactions of RMB-denominated international bonds through the GTSM bond trading system with a value of RMB 22 million; transfers

- for 74 OTC negotiated outright trades of RMB 901.05 million; 162 passbook transactions of RMB 1.22683 billion; 4 RMB inward remittances of RMB 300 million; 1 outward remittance of RMB 85 million; and transfer for 1 OTC negotiated outright trades of JPY- denominated international bonds of 2 billion.
- 7. TDCC carried out TWD-denominated short-term bills clearing and settlement operations including TWD 9.41 trillion in underwriting and initial purchases, TWD 8.8263 trillion in redemptions, TWD 16.5253 trillion in outright trades, TWD 18.9035 trillion in repo transactions, and TWD 18.8625 trillion in exercises of repo transactions, and a daily average clearing volume of TWD 291 billion in the primary and secondary markets. Settlements through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 25.6688 trillion.
- 8. TDCC handled clearing and settlement for onshore USD-denominated bills, including underwriting and initial purchases of USD 32 million, redemptions of USD 32.39 million, and outright, repo, and repo exercise transactions of USD 67.12 million, and a daily average clearing volume of USD 530,000 in the primary and secondary markets. Funds settlements through US Dollar clearing banks totaled USD 59.99 million.

### (2) Book-Entry Operations

- 1. TDCC recorded 32,845 registrations of dematerialized equities and 140 registrations of dematerialized debt securities.
- 2. TDCC operations in the area of dematerialized open-ended beneficial certificates included registrations of 615 issues for 39 issuers, as well as 66 private placements of beneficial certificates, for a total of 681 offerings and placements.
- 3. TDCC handled book-entry transfer of 111,953,107,000 shares in margin trading of equity securities, with a daily average of 451,424,000 shares.
- 4. TDCC handled book entry transfer for deliveries of pledged equity securities totaling 9,017,496,000 shares, on a total balance of 51,015,076,000 shares of pledged securities; there was a balance of TWD 4.5265 billion in pledged debt-type securities; balances of pledged international bonds were AUD 3.22 million and RMB 30.2 million; the balance of pledged short-term bills was TWD 4.7331 billion.
- 5. TDCC handled book-entry operations for 10,027,703 distributions of equity securities, making distributions of 288,792,392,000 shares to a total of 32,981 accounts, for a monthly average of 2,748 distributions; TDCC handled book-entry operations for a total distribution amount of TWD 508,480,500,000 for debt-type securities to a total of 1,188 accounts, with a total of 142 distributions and a monthly average of about 12 distributions.
- 6. TDCC handled 8,931,376 book-entry delivery operations for a total of 228,629,085 units, a total of 148,169 book-entry deliveries and a monthly average of about 12,347 deliveries.

### (3) Securities Depository Operations

- 1. The total number of TWSE-listed securities under custody was 755,999,350,000. The total number of GTSM- listed shares under custody was 84,256,997,000 shares, and for emerging-stock company shares, the total was 30,390,871,000. The overall total of TWSE-listed, GTSM-listed, and emerging-stock company shares under custody was 870,647,218,000.
  - In addition there were a total of 277,689,480,000 shares under custody whose TWSE or GTSM listing had been terminated, or which were unlisted shares placed in custody at the request of the Central Bank's Department of the Treasury. Those shares included 112,757,890,000 physical certificates, or

7,850,020 lots, and 164,931,590,000 dematerialized shares.

To summarize, there are a total of 1,148,336,698,000 shares of equity securities under TDCC custody with a total market value of TWD 30.7594 trillion.

- The inventory balance of fixed income securities under centralized custody was TWD 2.8087 trillion, including domestic bonds of TWD 2.7887 trillion, and international bonds of AUD 57.59 million, RMB 3.4755 billion, and JPY 5 billion.
- 3. TDCC placed 4,447,372,000 shares under special depository control, and released special depository control on 3,932,886,000, for a remaining balance of 5,026,455,000 shares.
- 4. There was a balance of TWD 1.3041 trillion in short-term bills under custody.

### (4) Computer Linkages with Participants

- 1. Computer links have been established with 1,046 securities firms (including 960 branches) and 93 bills houses.
- 2. Participants have submitted 723 applications for links to TDCC computers; of those, 362 were for links to the "TDCC networks," and 361 were for links to the "Quadruple combined networks."
- 3. A total of 15,625,152 depository accounts have been opened by investors.
- 4. A total of 16,864 account statements and reports of various kinds were produced by TDCC on behalf of securities firms.
- 5. A total of 184,228,935 book entry transactions were handled on behalf of securities firms.
- 6. TDCC Network Communications Center provided 36,450 consultations to connected securities firms, for an average of about 147 inquiries per day
- 7. Voice query passwords for depository balances were created for 105,011 accounts, for a cumulative total to date of 7,544,878, and 22,082 voice queries were made, for a cumulative total to date of 3,642,764.

### (5) Offshore Funds Information Reporting, Announcement and Payment Operations

- 1. A total of 42 master agents are conducting offshore funds information reporting and announcement through TDCC's Fund Clear reporting system.
- 2. A total of 66 entities have been administering their offshore funds information transmission and payment and receipt operations through Fund Clear, including 42 master agents and 24 distributors.
- 3. TDCC provided offshore funds payment and receipt operations including TWD 20.15963 billion in subscriptions, TWD 18.46731 billion in redemptions and TWD 3.8145 billion in conversions.

# 2014 Business Plan

In its business development for 2014, 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 fund payment and receipt 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 2014 will be as follows:

### 1. Planning for establishment of Straight Through Process for cross-border voting

Establishment of these processes will allow the voting instructions of foreign institutional investors to directly take advantage of connection and transmission through international voting platforms and Taiwan voting platform, making the voting process more automatic and efficient (by means of straight through processing, STP). Foreign institutional investors will thus have a broader timeframe for voting, allowing more active participation on shareholders meeting resolutions. Resolutions for shareholders meetings will be more transparent and corporate governance enhanced.

# 2. Active implementation and promotion of an electronic voting platform for shareholders meetings

In conformance with the requirements of Article 177 of the Company Act, TDCC in 2014 will provide more intensive guidance for issuers and market users. In addition to its plan to individually visit the offices of each issuer required to use electronic voting, it will carry out trial runs of the "STOCKVOTE" transmission platform, giving all related participants a chance to become familiar with the system's operation and providing a picture of its performance that will be useful in actual future operations.

With respect to users such as custodian banks, SITEs, and investors, TDCC will make use of promotional materials, advertisements, the media, and websites to provide guidance and to promote the use of electronic voting, helping to establish a brand image for TDCC's electronic voting platform.

# **3.** Planning for establishment of book-entry trading platform for foreign currency and RMB-denominated products

TDCC will plan clearing and settlement and book-entry transfer operations to meet the needs of settlement for trades of foreign currency and RMB-denominated products in the centralized market, and to coordinate with additions to or amendment of laws and regulations or adjustments made for listing of foreign currency denominated products in the centralized market.

# 4. Planning connections to the Financial Information Service Co.'s foreign currency settlement platform for clearing and settlement of foreign currency bills

In March of 2013 Financial Information Service Corporation (FISC) established its foreign currency settlement platform, linking clearing banks for centralized handling of interbank clearing for domestic payment transactions in various currencies. Functionality was first provided for US Dollar remittances, after which RMB and other currencies were added. To make effective use of social resources and simplify procedures for settlement of payments for foreign currency bills, TDCC will coordinate with the progress of FISC and R.O.C. Bills Finance Association to develop links with FISC's foreign currency settlement platform to handle delivery-versus-payment (DVP) settlements and redemptions at maturity in the primary and secondary markets.

# **5.** Planning enhanced management of securities passbooks and passbook registration function

To assist participants with the use of securities passbooks by their customers, TDCC studied enhancing records of issuance, re-issuance, and replacement of passbooks lost, as a means of strengthening participants' management of passbooks. Further, based on practical needs of participants and customers, TDCC will also adjust the type of notation used for registering securities passbooks, and enhance management of customers without registered passbooks for the convenience of use for inquiries by participants and customers.

# 6. Reviewing of TWSE-listed, GTSM-listed, and emerging stock company filings made in accordance with the Regulations Governing Handling of Corporate Action by Public Companies

This includes reviews of applications made by TWSE-listed, GTSM-listed, and emerging stock companies to transfer corporate action affairs handled by transfer agents to in-house management, or applications by shareholders of companies whose corporate action affairs are handled in house to have a shareholders meeting handled by an external transfer agent. It also includes recordation of filings by TWSE-listed, GTSM-listed, and emerging stock companies for a change of their transfer agents, as well as filings and reviews in relation to the hiring or change of transfer agents handling their own corporate action affairs or at transfer agencies.

### 7. Maintaining Taiwan Stock Museum operations and holding exhibitions

Following the establishment of the Taiwan Stock Museum, TDCC continues to maintain the museum facilities, manage its exhibition pieces, and handle museum security matters while also holding various kinds of themed exhibition activities. TDCC continues to handle the acquisition and preservation of exhibition pieces as well as exchanges promoting knowledge regarding these cultural artifacts. Through its management of the museum, TDCC provides opportunities for greater understanding of the capital markets by general public as well as various school groups, helping to promote broader financial knowledge and contribute its efforts to cultivate future talents for Taiwan's capital markets.

# 8. Planning electronic management on application procedures for onshore and offshore funds

To enhance the efficiency of business operations for related enterprises, TDCC is planning online electronic application procedures for onshore and offshore funds in relation to platforms for dematerialized registration for funds, filings and public announcements by offshore and futures trust funds, offshore funds transactions, and fund information transmission, with respect to new or altered items issued by funds or basic information on entities using the platforms. In addition, to avoid inconvenience for entities using the platforms as a result of having to submit the same information or evidentiary documents multiple times when applying for more than one matter at the same time, TDCC is planning to integrate the application documents and processes for the various services provided.

### 9. Providing automated transmission of corporate action services information

To conform with international norms and enhance the efficiency of market operations, TDCC will look at international developments in corporate action services and corporate action information standards. It will study means of providing automated information exchange services for standardized corporate action

information, such as exchanges of information between transfer agents and custodian banks in regard to positions at the time of book closure for shareholders meetings, distributions of stock dividends and cash dividends, and customers taking advantage of tax incentives.

### 10. Setting up electronic transmission services for applications for split voting

To enhance the efficiency of market operations, TDCC is planning to set up a connection mechanism allowing custodian banks to make use of a TDCC platform through which they can apply with issuing companies for electronic transmission services for shareholder split voting operations.

### 11. Handling ETF book-entry transfer operations

To meet the needs of market development and new product designs by related operators, TDCC is actively planning book-entry transfer functions related to issuance and registration, custody, and subscription and redemption for new types of ETFs (such as futures ETFs). TDCC is also continuing to provide subscription and redemption platform functions and related book-entry transfer functions in response to issuance of ETFs by domestic securities investment trust enterprises and their listing on TWSE or GTSM.

### 12. Continuing work on improvement of securities depository system

Continuing its work on e 2012 project, TDCC completed the first phase in 2013, establishing the new e-Report subsystem and statement generating subsystem, replacing the original statement generating functions of the large, dedicated host computer, and at the same time enhancing security mechanisms for delivery of participants' statements and handling of inquiries. In 2014, TDCC will continue with phases 2 and 3, overall structural planning, and POC certification. It will also undertake purchasing and installation for the entire project, which will enhance the level of quality testing for the application system's functions and ensure that as business needs change, the new or modified information service functions and their quality will meet the needs of TDCC's long-term business development.

### 13. Replacement and renovation of the open system host

To ensure the information systems for TDCC's various types of business will remain stable operating condition over the long term, TDCC, on consideration of the service life of information equipment, in combination with the actual operations and usage requirements of the various types of business, will undertake a phased-in renovation of information equipment such as the operations hosts for different businesses.

# 14. Updating network and security control equipment in accordance with the Internet Protocol Upgrade and Promotion Program

TDCC will upgrade its network and security control equipment in line with the requirements of the Internet Protocol Upgrade and Promotion Program approved by the Executive Yuan. Because some of the network and security control equipment will reach the point when maintenance support service is no longer provided, to ensure the operational safety and continued stability of its internal networks and networks with external links, TDCC, in accordance with the above plan, will require that all new equipment is capable of

supporting IPv6 standards. By this way it will meet the plan's concept for implementing upgrades through normal replacement procedures. Upgrades are therefore planned to ensure that quality of the equipment is maintained.

### 15. Studying application of the Foreign Account Tax Compliance Act (FATCA)

In response to enforcement by the US of its Foreign Account Tax Compliance Act, and to coordinate with progress in the inter-governmental agreement signed between the competent authority and the US Internal Revenue Service, TDCC will study how exemption provisions in the FATCA are applied, and will carry out necessary measures in accordance with the instructions of the competent authority.

### 16. Continued promotion of international business

TDCC will continue to work with the competent authority for holding of various international conferences, and to actively promote all types of international business. In addition, it will continue to seek signing of memorandums of understanding with central depository companies around the world and to seek opportunities for cooperation on account opening. It will continue to collect information from both domestic and foreign sources on the operating systems for the clearing, settlement, custody, and shareholder services in the related securities, futures, financial and currency markets, and perform research on related issues as a reference for TDCC in planning its future business development.

# **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 in 2014, TDCC will continue to serve in various areas, such as holding exhibitions at the Taiwan Stock Museum and coordinating with implementation of the competent authority's policy initiatives and amendments to the Company Act. TDCC will also actively promote greater awareness of the competent authority's electronic voting policies, and will promote use of the "STOCKVOTE" shareholder voting platform to assist all sectors in understanding the electronic voting system and related operations, making possible greater shareholder activism. TDCC will devote efforts to obtaining certification for implementing data privacy and protection at a level sufficient for trusted international third-party certification. TDCC will also continue to strengthen its custody, book-entry transfer, and clearing and settlement functions, expand the range of its market services, and provide participants with even more secure and efficient service. In all these ways TDCC hopes to offer the synergies of an integrated provider of back-office services for the securities, bond, and bills markets. Beyond this, in order to respond to new developments in the global capital and financial markets, and domestically, the amendment of related laws and regulations and market development, TDCC, with the guidance of the competent authority, will actively develop new types of services and establish professional, efficient, and international service mechanisms. Through these measures TDCC will be able to provide a secure, convenient, and diverse array of services, helping to maintain the secure operation of the markets and enhance the efficiency of their operations, while creating even broader future potentials for our provision of services.

# Major Events of the Company

# Jan

### 1/12

TDCC sponsored the 2012 achievement presentation ceremony of the "Luminous Angel Program" of the rural elementary schools in New Taipei City, and was honored with a Gratitude Certificate at the ceremony from Director Yu-Ting Lin of New Taipei City Family Education Center.

### 1/21

In order to enhance transfer agents' professional knowledge, TDCC invited corporate action supervisors from issuing companies to attend the "Corporate Action Operation Forum".

# Feb

### 2/19,26,3/5,6

TDCC invited the Supreme Court justices to attend 4 sessions of "A Series of Lectures on the Practical Operations of Capital Market", followed by a tour of the Taiwan Stock Museum.

### 2/21

TDCC and the Securities and Futures Investors Protection Center (SFIPC) co-invited the Securities and Futures Bureau, the Department of Commerce in the Ministry of Economic Affairs, Taiwan Stock Exchange, GreTai Securities Market, and the Corporate Action Administration Associations to hold the forum on "How to Strengthen the Standards of Convening Shareholders' Meetings of Issuing

Companies which Handled Their Own Corporate Action Affairs?".

### 2/26-27

TDCC sent representatives to attend the 7th Clearing, Settlement & Custody Asia Forum in Singapore.

## Mar

### 3/12-18

TDCC invited issuing companies and transfer agents to attend 5 sessions of the "Operations of Proxy Solicitation and Exercise for Shareholders Meeting and Electronic Voting Seminar" in northern, central, and southern Taiwan.

### 3/14

TDCC signed Memorandum of Understanding (MOU) on management of securities museum with Korea Securities Depository (KSD) and the MOU was signed by Chairman Ding and Kim Kyung Dong, Chairman & CEO of KSD.













### 3/23

TDCC participated in "The 10th Securities Cup Tai Chi Competition" and won the 37 Form Tai Chi championship.

### 3/24

TDCC and the Keelung branch of the Taiwan Fund for Children & Families co-hosted a "Children's Day Out with TDCC" at Chinglin Ranch to offer aid to disadvantaged families.

# Apr

### 4/1

Delegates from Japan Securities
Depository Center, Inc. (JASDEC) and
Japan Securities Clearing Corporation
(JSCC) visited TDCC and exchanged
opinions with Chairman Ding.

### 4/17

Delegates from Industrial and Commercial Bank of China Limited (ICBC) visited TDCC and exchanged opinions with Chairman Ding.

### 4/17

Delegates from Euroclear Bank, HK, visited TDCC and exchanged opinions with President Lin.

### 4/22-5/29

To promote the Financial Literacy Program and educate college students on financial market and investment concept, TDCC organized 15 "Financial investment concept deep into campuses" seminars in universities.

### 4/24-25,29-30

TDCC invited issuing companies and transfer agents to attend 4 sessions of briefings on the "Amendments to Standards of Internal Control for Corporate Action".

# May

### 5/8-9

Director Hui-Mei Lin of Department of Asset Disclosures by Public Functionaries, the Control Yuan, led delegates to visit TDCC and exchanged opinions with TDCC staff.

### 5/13

Delegates from China National Association of Finance Companies visited TDCC and exchanged opinions with Chairman Ding.

### 5/13-17

TDCC sent delegates to attend the 15th ACG Cross-Training Seminar in Hangzhou, China.

### 5/13-28

TDCC invited securities firms to 9 sessions of the "Depository Operation Seminar" held in Taipei, Taoyuan, Hisnchu, Taichung, Chiayi, Tainan and Kaohsiung.

### 5/18

TDCC conducted the first 2013
Business Continuity Plan (BCP)
Drill and practiced offsite backup
mechanism drill on Bills Clearing
and Settlement System. The drill was
concluded smoothly and successfully.

### 5/27-6/2

TDCC sent delegates to attend the 12th CSD Conference in St. Petersburg, Russia.

# Jun

### 6/1

TDCC participated in the "2013 Financial Services Caring Community" garden party which was held by Chiayi City Government and Taiwan Financial Services Roundtable (TFSR). TDCC exhibited its main businesses in the financial topic exhibition section and the public interactive section, and assigned specific staffs to offer consulting services.

### 6/5-7/19

To promote the Financial Literacy
Program and educate college students
on financial market and investment
concept, TDCC organized 5 "Financial
investment concept deep into
campuses" seminars in universities.









### 6/5

Taiwan Stock Museum has operated for six months and the cumulated number of visitors exceeded 10,000 on June 5 at 2:30 PM. Je-Tzu Lee, the graduate student of the Department of Business Administration, Shih Chien University in Taipei, was luckily the 10,000th visitor and was rewarded the certificate and souvenir by President Lin.

### 6/24

TDCC 2013 shareholders' meeting presided by Chairman Ding was held for the election of the 9th-term directors and supervisors, and a board meeting was held swiftly after the election, in which, Chairman Ding was elected as the chairman of the board and President Lin was reelected as the president.

### 6/27

TDCC sponsored the 2012 second semester achievement presentation ceremony of the "Young Artist Program" of Shiding Elementary School, New Taipei City, and was honored with a Gratitude Certificate at the ceremony from their Principal.

### 6/29

TDCC staff participated in the successful "Beach Cleanup Day" and uniform invoice donation drive organized by First Securities Investment Trust and co-sponsored by the National Tax Administration of Northern Taiwan Province, the Environmental Protection Department of New Taipei City Government, and peripheral securities units.

### 6/30

As of June 30, a total of 91,316 shareholders have exercised their voting rights electronically through TDCC's STOCKVOTE (Shareholders Meeting Electronic Voting Platform) this year.

# JU

### 7/9

A group of 11 delegates from First Financial AMC visited TDCC and exchanged opinions with TDCC staff.

### 7/14-19

To gain a greater understanding of international securities markets, TDCC sent delegates to participate in the GREAT seminar organized by the U.S. Depository Trust & Clearing Corporation (DTCC).

### 7/23

TDCC held a public raffle for the "E-vote through STOCKVOTE, Win Big Prizes Draw", and drew 565 winners for prizes including HTC smart phone, ASUS Tablet and gift certificates of the chain stores.

### 7/30

A group of 18 delegates from China Huarong Securities visited TDCC and exchanged opinions with TDCC staff.





# Aug

### 8/2

TDCC completed the 2013 ISO9001 audit on hardcopy documentation and was regarded as complying with the ISO standard.

### 8/14

A group of 14 teachers and students from the MBA of Ming Chuan University visited TDCC and were given a briefing on clearing and settlement system of securities markets, followed by a tour of the Taiwan Stock Museum.

### 8/20-9/24

Director Ying-Jin Chen of Administrative Enforcement Agency of the Ministry Justice, New Taipei Branch, led delegates to visit TDCC and exchanged opinions with TDCC staff.

### 8/28

A group of teachers and students who participated in the "Young Artist Program" of Shiding Elementary School, New Taipei City, visited TDCC's Taiwan Stock Museum and President Lin was honored with a Gratitude Certificate from their Principal for TDCC's long-term sponsoring and caring.

### 8/28-9/1

Chairman Ding attended the Shanghai-Taiwan Financial Cooperation Forum in Shanghai.

### 8/29

Six delegates from the Financial Regulatory Commission (FRC) of Mongolia visited TDCC and exchanged opinions with TDCC staff.

# Sep

### 9/2

A group of 28 delegates from China SeaLand Securities visited TDCC and exchanged opinions with TDCC staff.

### 9/11-14

TDCC sent a delegate to attend the 2013 Taiwan Microsoft Financial Services Industry CIO Summit in Tokyo.

### 9/12

TDCC invited experts from industry, the competent authorities, and academia to the "Challenges and Opportunities of Big Data Processing Seminar", and discuss and share experiences on the applications, opportunities and human resources of Big Data.

### 9/13

TDCC invited master agents to the session of "The Operations of Information Reporting and Announcement Platforms for Offshore Funds"







### 9/13-21

TDCC sent a delegate to attend the 38th IOSCO Annual Conference in Luxembourg.

### 9/15-21

President Lin led delegates to attend "2013 SIBOS-SWIFT Conference" in Dubai.

### 9/16

TDCC invited master agents to the session of "Electronic Registration for the Offshore Structured Notes"

### 9/23-26

TDCC successfully passed an organization-wide audit of TDCC's personal information management system conducted by the Taiwan Personal Information Protection & Administration System (TPIPAS) certification body, the Science & Technology Law Institute (STLI) of the III.

### 9/24-28

Chairman Ding attended the 18th Cross-Strait Financial Symposium in Beijing.

# Oct

### 10/3-11/25

To promote the Financial Literacy
Program and educate college students
on financial market and investment
concept, TDCC organized 9 "Financial
investment concept deep into
campuses" seminars in universities.

### 10/7

A group of 30 teachers and graduate students from the Collage of Law, National Taiwan University, visited TDCC and were given a briefing on clearing and settlement system of securities markets, followed by a tour of the Taiwan Stock Museum.

### 10/15-10/29

TDCC invited securities firms to 9 sessions of the "Depository Operation Seminar" held in Taipei, Taoyuan, Hisnchu, Taichung, Chiayi, Tainan and Kaohsiung.

### 10/17

Delegates from Hanoi Stock Exchange visited TDCC and exchanged opinions with TDCC staff.

### 10/18,23

A group of 18 delegates from the Training Institute for Judges and Prosecutors visited TDCC and were given a briefing on clearing and settlement system of securities markets, followed by a tour of the Taiwan Stock Museum.

### 10/18-22

TDCC sent delegates to attend the 17th ACG General Meeting in Bengladesh.

# Nov

### 11/10

TDCC celebrated its 24th anniversary by arranging a hiking event, during which Chairman Ding thanked all employees for their devotion to work and encouraged them to continue their efforts to better serve the securities market.

### 11/15

Delegates from Shanghai Securities Association visited TDCC and exchanged opinions with TDCC staff.

### 11/16

TDCC participated in the 27th
Securities Cup Table Tennis
Tournament and won championships
in women's group, men's doubles
competition, and women's doubles
competition.

### 11/22

TDCC conducted the second 2013
Business Continuity Plan (BCP)
Drill and practiced offsite backup
mechanism drill on the operations of
TDCC's core businesses. The drill was
concluded smoothly and successfully.

### 11/26

Delegates from Indonesian Central Securities Depository (KSEI) visited TDCC and exchanged opinions with TDCC staff.

### 11/27

Mr. David Wright, Secretary General of IOSCO, led delegates to visit TDCC and exchanged opinions with President Lin.

### 11/28-29

TDCC co-worked with the competent authorities to organize the 9th Taipei Corporate Governance Forum.

### 11/30

TDCC participated in the "2013 Financial Services Caring Community" garden party which was held by HsinChu County Government and TFSR. TDCC exhibited its main businesses in the public interactive section and assigned specific staffs to offer consulting services.









# Dec

### 12/6

To fulfill its corporate social responsibilities (CSR), TDCC held a "Blood Donation Campaign", in which, total of 190 bags of blood were donated and TDCC also donated 10,000 blood collection bags to Taipei Blood Center.

### 12/12

TDCC was awarded the Data Privacy Protection Mark (DP Mark) certificate at a ceremony held by the Ministry of Economic Affairs (MOEA).

### 12/20

TDCC's Compassionate Heart
Society organized the "Activities with
Love" event and raised a total of
NT\$337,000. The amount was donated
to the "An-An Slow Angels' Family
Support Association" and the "Kids
Alive International – Christian Care for
Children at Risk", the "Taipei Happy
Life Charitable Foundation" and the
"Syinlu Social Welfare Foundation".

### 12/24

To celebrate Taiwan Stock Museum's first anniversary, TDCC arranged a series of celebration activities of which the opening ceremony was presided by Chairman Ding and Mr. Yui-Chun Wu, Director-General of Securities and Futures Bureau, and TDCC also planed the special exhibition featuring "Patriotism and Salvation for the Country".

### 12/27

TDCC held the "Data Privacy Protection Mark (DP Mark) of TPIPAS Awarding Ceremony and Banquet" and Chairman Ding was awarded the DP Mark certificate from Mr. Reed Yu, Director-General of Department of Commerce, Ministry of Economic Affairs.







# Introduction of TDCC



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 bookentry 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 GreTai securities market (GTSM), 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.

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
- Depository 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
- Commercial paper I, CPI
- Commercial paper II, CPII
- USD-dominated commercial paper
- · Bank acceptance
- Short-term beneficiary securities and asset-backed securities
- Other securities or short-term debt certificates approved by the competent authorities.



# 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.

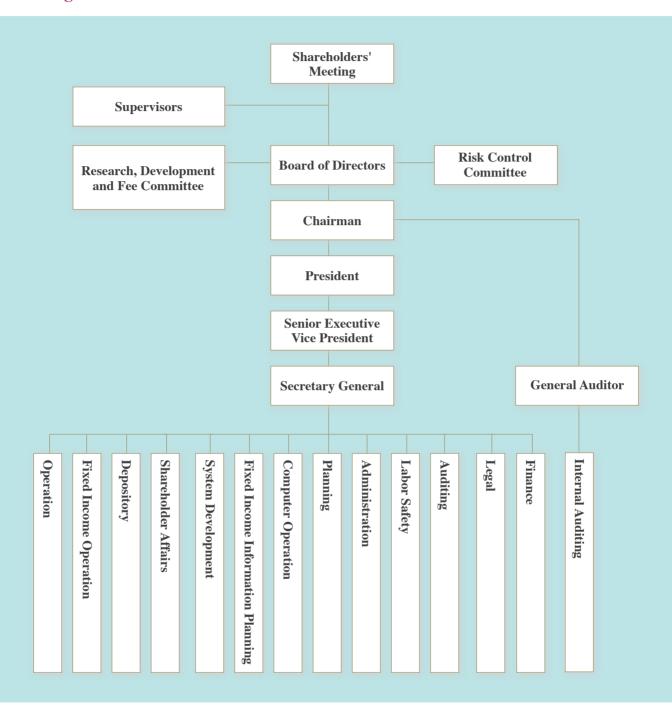
#### 2. Responsibilities of Departments

- (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 GTSM, 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



# **Workforce Background**

As of the end of 2013, TDCC has 505 employees, of which 54.9% are male and 45.1% are female. The majority are between the ages of 40 and 49, and 39.6% have obtained a university or college degree



## **Shareholders Background**

As of the end of 2013, TDCC has a total of 1,548 shareholders, consisting of 98 institutional and 1,450 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 2013 is shown as follows:

As of December 31, 2013

Shareholders	Shares	Amount Invested (TWD)	%
Taiwan Stock Exchange Corp. (TWSE)	165,060,849	1,650,608,490	50.43
Yuanta Securities Finance Co. (YSFC)	58,775,111	587,751,110	17.96
Financial institutions (securities firms, banks, bills dealers) and individuals	103,501,774	1,035,017,740	31.61



## **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, 2013

Title	Name	Shareholder Represented
Chairman	Kung-Wha Ding	Taiwan Stock Exchange Corp.
Director	Huo-Dang Lin	Taiwan Stock Exchange Corp.
Director	George Kuan	Taiwan Stock Exchange Corp.
Director	Sherman Lin	Taiwan Stock Exchange Corp.
Director	Yeali Sun	Taiwan Stock Exchange Corp.
Director	Tien Fu Lin	Yuanta Securities Finance Co.
Director	Ming-Chien Chen	Fubon Securities Co., Ltd.
Standing Supervisor	Hung-Wen Chien	Taiwan Securities Association
Supervisor	Sheng-Syan Chen	Taiwan Securities Association
Supervisor	Ting-I Chan	Taiwan Futures Exchange Corp.







- A. Senior Executive Vice President Ching-Li Meng
- B. Secretary General Gloria Ching
- C. Senior Executive Vice President Han-Chiang Chu



A. Executive Vice President of FI Operation Dept. **Suh-Yann Tsaur**B. General Auditor of Internal Auditing Dept. **Jenny Ho**C. Executive Vice President of Depository Dept. **Olivia Chang** 









- A. Senior Vice President of Operation Dept. Jane Chang
- B. Senior Vice President of Administration Dept.& Labor Safety Dept. **Jennifer Chen**
- C. Senior Vice President of Shareholder Affairs Dept. Julie Wang





- A. Senior Vice President of Auditing Dept. Kuang-Hui Chen
- B. Senior Vice President of Planning Dept. Eric Hsu
- C. Senior Vice President of Legal Dept. Yuan-Hua Hsiao
- D. Senior Vice President of Finance Dept.  $\begin{cal}Philip\end{cal}$





- A. Senior Vice President of System Development Dept.  $Andy\ Yeh$
- B. Senior Vice President of FI Information Planning Dept. Win-Cheng Wang
- C. Senior Vice President of Computer Operation Dept. Cheng Hsu





A. Senior Vice President Mei-Jung Hsu

B. Senior Vice President Sheng-Yuan Lien

## 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, 2013, December 31, 2012 and January 1, 2012 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and 2012, 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.

March 12, 2014

Deloitte & Touche

#### 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 2014 Annual Shareholders' Meeting,

Taiwan Depository & Clearing Corporation

The Board of directors have compiled and submitted to us for examination the 2013 balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows, operations report and proposal for earning distribution for year 2013 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.

Hang Wen Chien

Taiwan Depository & Clearing Corporation

#### **Standing Supervisor**

Hung-Wen Chien
For and on behalf of
Taiwan Securities Association

#### **Supervisors**

Dr. David S. Hong
For and on behalf of
Taiwan Securities Association

Ting-I Chan For and on behalf of

Taiwan Futures Exchange Corporation

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## **BALANCE SHEETS**

	December 31, 2013		December 31, 2012		January 1, 2	012
ASSETS	Amount	%	Amount	<u>%</u>	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,933,020	10	\$ 2,422,191	13	\$ 2,374,225	14
Financial assets at fair value through profit or loss						
- current	1,505,149	8	1,356,991	8	1,492,576	8
Held-to-maturity financial assets - current	653,405	3	1,800,088	10	996,646	6
Other financial assets - time deposits with original						
maturity of more than 3 months	3,657,004	18	3,219,004	18	3,115,554	18
Notes and accounts receivable, net						
Unrelated parties	174,613	1	141,074	1	136,183	1
Related parties	84,790	_	107,675	_	91,931	_
Other financial assets - other	495,125	3	216,867	1	131,500	1
Other current assets	50,615	_	56,752		46,611	
Total current assets	8,553,721	43	9,320,642	51_	8,385,226	48_
NONCURRENT ASSETS						
Held-to-maturity financial assets - noncurrent	6,905,471	35	4,958,184	27	5,209,048	30
Available-for-sale financial assets - noncurrent	981,512	5	910,297	5	823,965	5
Default damages fund	2,033,327	10	1,940,535	11	1,845,160	11
Investments accounted for using equity method	79,390	1	73,488	_	68,294	_
Property and equipment	590,344	3	820,026	4	714,189	4
Investment properties	241,524	1	79,497	_	63,541	_
Intangible assets	70,200	_	23,114	_	10,259	_
Goodwill	169,083	1	169,083	1	169,083	1
Deferred tax assets	10,364	_	7,115	_	6,408	-
Refundable deposits	137,773	1	137,356	1	136,819	1
Other noncurrent assets	277	_	277		277	
Total noncurrent assets	11,219,265	57	9,118,972	49_	9,047,043	52_
TOTAL	\$19,772,986	100	\$18,439,614		\$17,432,269	



(In Thousands of New Taiwan Dollars, Except Par Value)

	December 31,	2013	December 31, 2	2012	January 1, 2012	
LIABILITIES AND EQUITY	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES						
Accrued expenses	\$ 458,112	2	\$ 494,467	3	\$ 436,818	3
Current tax liabilities	158,440	1	86,455	_	159,180	1
Receipts under custody	424,012	2	139,845	1	57,691	-
Other current liabilities	38,585	_	83,456		51,606	
Total current liabilities	1,079,149	5_	804,223	4_	705,295	4_
NONCURRENT LIABILITIES						
Deferred tax liabilities	262,870	1	262,870	2	250,738	1
Guarantee deposits	33,676	_	35,646	_	12,955	_
Accrued pension liabilities	294,207	2	368,356	2	290,223	2
Total noncurrent liabilities	590,753	3	666,872	4	553,916	3_
Total liabilities	1,669,902	8	1,471,095	8	1,259,211	7_
EQUITY						
Capital stock	3,273,377	17	3,209,193	17	3,130,920	18
Capital surplus	476,234	3	476,234	3	476,234	3
Legal reserve	1,791,996	9	1,671,349	9	1,513,870	9
Special reserve	10,449,168	53	9,785,610	53	8,844,494	51
Unappropriated earnings	1,260,797	6	1,045,836	6	1,513,575	8
Other equity - unrealized gain on available-						
for-sale financial assets	851,512	4	780,297	4_	693,965	4_
Total equity	18,103,084	92	16,968,519	92	16,173,058	93
TOTAL	\$ 19,772,986	100	\$ 18,439,614		\$ 17,432,269	

## STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December
------------------------------

	2013		2012		
	Amount	%	Amount	<u>%</u>	
OPERATING REVENUES					
Securities settlement	\$ 570,237	18	\$ 567,650	19	
Securities recording	632,841	20	657,782	22	
Maintenance services	331,732	11	317,002	11	
Transfer processing services	372,291	12	321,015	11	
Bills and bonds clearing and custodial services	721,763	23	589,895	20	
Futures clearing services	199,180	7	287,024	9	
Securities registration and distribution services	96,727	3	99,735	3	
Others	182,243_	6_	153,044	5_	
Total operating revenues	3,107,014	100_	2,993,147	_100_	
OPERATING EXPENSES					
Personnel	976,774	31	973,810	32	
General and administrative	837,372	27	835,460	28	
Total operating expenses	1,814,146	58_	1,809,270	60_	
OPERATING INCOME	1,292,868	42	1,183,877	40	
NONOPERATING INCOME					
Interest income	212,753	7	210,106	7	
Net gain arising on financial assets designated as at FVTPL	8,555	_	8,495	-	
Share of profit of associates	15,985	1	14,498	-	
Dividend income	35,311	1	39,750	1	
Other income	14,120	_	17,173	1	
Gain (loss) on deposit of property and equipment	( 94)	_	136	_	
Other expenses	( 5,104)		( 6,116)		
Total nonoperating income	281,526	9	284,042	9	



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

#### For the Years Ended December 31

	2013				2012		
		Amount			Amount	%	
INCOME BEFORE INCOME TAX	\$	1,574,394	51	\$	1,467,919	49	
INCOME TAX EXPENSE	(	266,419)	( 9)	_(	247,728)	( 8)	
NET INCOME		1,307,975	42_		1,220,191	41_	
OTHER COMPREHENSIVE INCOME							
Unrealized gain on available-for-sale financial assets		71,215	2		86,332	3	
Actuarial gain (loss) arising from defined benefit plans		123,847	4	(	41,424)	( 2)	
Share of the other comprehensive income of associates		532	_		_	_	
Income tax relating to the components of other							
comprehensive income		53_			_		
Other comprehensive income for the period,							
net of income tax		195,647	6		44,908	1_	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$	1,503,622	48	\$	1,265,099	42	
EARNINGS PER SHARE(New Taiwan Dollars)							
Basic earnings per share	\$	4.00		\$	3.73		

## STATEMENTS OF CHANGES IN EQUITY

Capital	Stock
---------	-------

	Shares	Amount	Capital Surplus
BALANCE, JANUARY 1, 2012	313,092	\$ 3,130,920	\$ 476,234
Special reserve under Rule			
No. 1010045022 issued by the FSC	-	-	-
Appropriation of prior yearly cornings.			
Appropriation of prior year's earnings:  Legal reserve	_	-	_
Special reserve	_	-	_
Cash dividends - NT\$1.50 per share	_	-	_
Stock dividends - 2.5%	7,827	78,273	-
Net income in 2012	-	-	-
Other comprehensive income			
ended December 31, 2012, net of			
income tax			
BALANCE, DECEMBER 31, 2012	320,919	3,209,193	476,234
Appropriation of prior year's 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



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

		Retained	Earı	nings					
Legal Reserve	Special	Reserve	Ur	nappropriated Earnings		Total		ized Gain on Available sale Financial Assets	Total Equity
\$ 1,513,870	\$ 7,	187,175	\$	3,170,894	\$	11,871,939	\$	693,965	\$ 16,173,058
	1	716,554	(	1,716,554)					
	1,	710,554	(	1,710,334)		-		-	-
157,479		_	(	157,479)		_		_	_
_		381,881	(	881,881)		_		_	_
_		_	(	469,638)	(	469,638)		_	( 469,638)
_		_	(	78,273)	(	78,273)		_	_
_		_		1,220,191		1,220,191		_	1,220,191
		_	(	41,424)	_(_	41,424)		86,332	44,908
1,671,349	9,	785,610		1,045,836		12,502,795		780,297	16,968,519
120,647		_	(	120,647)		_		_	_
		563,558	(	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

## STATEMENTS OF CASH FLOWS

For the	Vaare	Ended I	Dacam	har	21
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		2013	2012		
Earnings, beginning of year		2013		2012	
Income before income tax	\$	1,574,394	\$	1,467,919	
Adjustments for:					
Depreciation expenses		118,141		103,692	
Amortization expenses		13,006		4,531	
Share of profit of associates	(	15,985)	(	14,498)	
Loss (gain) on disposal of property and equipment		94	(	136)	
Valuation adjustment on financial assets		36		12	
Interest income	(	212,753)	(	210,106)	
Dividend income	(	35,311)	(	39,750)	
Net changes in operating assets and liabilities					
Decrease (Increase) in financial assets at fair value through					
profit or loss	(	148,194)		135,573	
Increase in notes and accounts receivable	(	10,654)	(	20,635)	
Increase in other financial assets-other	(	262,357)	(	44,705)	
Decrease (increase) in other current assets		6,137	(	10,141)	
Increase (Decrease) in accrued expenses	(	36,355)		57,649	
Increase in receipts under custody		284,167		82,154	
Increase (Decrease) in other current liabilities	(	44,871)		31,850	
Increase in accrued pension liabilities		49,698		36,709	
Cash generated from operations		1,279,193		1,580,118	
Interest paid		251,164		225,310	
Income tax paid	(	196,966)	_(	309,028)	
Net cash generated from operating activities		1,333,391		1,496,400	



(In Thousands of New Taiwan Dollars)

#### For the Years Ended December 31

		2013	2012		
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of other financial assets - time deposits with original					
maturity more than 3 months	(	438,000)	(	103,450)	
Purchase of held-to-maturity financial assets	(	2,620,322)	(	1,665,151)	
Repayment of held-to-maturity financial assets		1,800,000		1,096,457	
Acquisition of property and equipment	(	50,821)	(	226,757)	
Proceeds from the disposal of properties		241		1,408	
Increase in intangible assets	(	60,092)	(	17,386)	
Increase in refundable deposits	(	417)	(	537)	
Increase in default damages fund	(	92,792)	(	95,375)	
Dividend received from associates		10,668		9,304	
Net cash used in investing activities		1,451,535)	_(	1,001,487)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in guarantee deposits	(	1,970)		22,691	
Cash dividends paid		369,057)	_(	469,638)	
Net cash used in financing activities		371,027)		446,947)	
NET INCREASE (DECREASE) IN CASH AND CASH					
EQUIVALENTS	(	489,171)		47,966	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,422,191		2,374,225	
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	1,933,020	\$	2,422,191	

## SCHEDULE FOR APPROPRIATION OF EARNINGS

#### FOR YEAR 2013

(In New Taiwan Dollars)

	Amount		Amount	
Earnings, beginning of year			\$	201,355,012
Less : Adjustments for first-time adoption of IFRSs				(372,964,409)
Adjusted deficit, beginning of year				(171,609,397)
Add:				
Actuarial gain arising from defined benefit plans	\$	123,847,123		
Share of the other comprehensive income of associates		584,387		124,431,510
Adjusted deficit				(47,177,887)
Net income in 2013				1,307,974,524
Earnings, after offsetting the adjusted deficit				1,260,796,637
Reserved items :				
Legal reserve(10%)		(126,079,664)		
Special reserve(40%)		(504,318,655)		(630,398,319)
Earnings available to appropriation in 2013				630,398,318
Appropriation of earnings :				
Stockholders' cash dividends		(409,172,168)		
Stockholders' stock dividends		(81,834,440)		(491,006,608)
Unappropriated retained earnings at end of 2013			\$	139,391,710

Note: The amount of cash bonus to employees for the year 2013 was TWD 66,317,903.



## 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 1,2013 to December 31, 2013:

- 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 March 12, 2014.

Taiwan Depository & Clearing Corporation

Ding, Kung-Wha Ding, kund-Wha

**President** 

Sherman Lin

March 12, 2014





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