

## Strategy 1 Strengthen primary market functions to support real economic development (2/2)

### 3. Enhance supervision and information transparency of TWSE/TPEX-listed companies

- Utilize SupTech to enhance supervision efficacy of TWSE/TPEX-listed companies
- Enhance management of primary TWSE/TPEX-listed companies
- Improve quality of disclosure of material information
- Optimize accessibility of the Market Observation Post System to enhance freedom of information

### 4. Expand responsibilities and management of securities market specialists

- Establish higher standards for specialist reports on ESG
- Establish higher standards for specialist reports on the acquisition and disposal of assets or public tender offers for securities of public companies
- Evaluate strengthening management and increasing responsibilities of IPO and SPO specialists

### 5. Improve audit quality

- Enhance transparency of CPA firms' governance
- Establish differentiation supervision of CPA firms
- Improve quality of professional accounting practices and revise current standards in line with international frameworks
- Enhance self-discipline of accountants and revise standards of professional ethics

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## Strategy 2 Activate the market and increase efficiency and liquidity (1/2)

### 1. Promote intraday odd lot trading and expand market participation

- Study odd lot trading conditions and feasibility of shorter matching cycles
- Expand participation of securities firms and discuss additional measures for odd lot trading

### 2. Develop market-making system and stimulate market trading

- Promote Taiwan market-making system; evaluate market-making criteria, qualifications, and other items following launch

### 3. Enhance clearing and settlement fund system, strengthen stock market risk management

- Establish maximum limit borne by clearing and settlement fund, revise order of priority in disposal of funds in cases of violation
- Evaluate adjustment of clearing and settlement fund calculation method

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## Strategy 2 Activate the market and increase efficiency and liquidity (2/2)

### 4. Improve market transparency and investor risk management

- Evaluate improvement of pre-trading information disclosure quality
- Evaluate additional information disclosure in the period of disposition measures
- Evaluate the addition of MWP orders to enhance risk management for individual investors

### 5. Establish investment-friendly taxation, creating win-win for market momentum and tax revenue

- Lower securities transaction tax for securities firms engaging in hedging trades for legal market making activities
- Consider urging MOF to extend day trading tax cut

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## Strategy 3 Attract domestic and foreign investment and improve international visibility (1/2)

### 1. Improve convenience and efficiency for foreign investment

- Provide user-friendly English query system and enhanced English information disclosure
- Establish electronic operation platform and paperless environment
- Allow foreign investment in ETN
- Add applicable products with dynamic price banding mechanism
- Enrich after-hours futures trading
- Study overseas Chinese and foreign investment with domestic leverage transaction merchants in leverage contracts

### 2. Promote Taiwan capital market and strengthen international cooperation to improve international visibility

- Enhance exchange and cooperation with international securities and futures institutions
- Continue hosting investment promotion events to promote Taiwan's spot and futures markets
- Actively participate in organizations, conferences, and events related to international securities and futures markets
- Encourage international financial institutions to expand operations and put down roots in Taiwan

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### Strategy 3 Attract domestic and foreign investment and improve international visibility (2/2)

#### 3. Increase investor protection and education

- Lay out comprehensive education for promoting securities investment and futures trading in line with the trend of aging society, using digital fintech and targeting various investor types
- Enhance functions of the Securities and Futures Investors Protection Center in line with the amended Securities Investor and Futures Trader Protection Act and Commercial Case Adjudication Act; empower shareholder activism
- Encourage TWSE/TPEX-listed companies to improve shareholder meetings and communications

#### 4. Achieve status of QCCP for domestic futures CCP under Basel III framework

- Urge relevant competent authorities to recognize QCCP status of TAIFEX OTC derivative clearing operations

#### 5. Continue to attract domestic capital

- Encourage companies to host or participate in investor conferences to improve visibility

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### Strategy 4 Boost functions and competitiveness of financial intermediaries (1/3)

#### 1. Integrate fintech to promote digital transformation and SupTech

- Optimize process of opening accounts online
- Provide asset integrated information services for investors
- Encourage securities and futures sector to promote open securities
- Promote digital transformation by assisting securities firms to set up virtual service points or provide digital financial services at physical locations
- Encourage technological development in investment trust and consulting sector
- Strengthen monitoring of investment trust and consulting sector through technological applications
- Enhance real-time monitoring mechanism of TWSE and TPEX on financial products offered by securities firms and related risks
- Utilize SupTech to establish futures market supervision and information platform
- Supervise TDCC to promote securities and futures market digital oversight mechanism

#### 2. Support securities firms to develop investment banking in line with international trends and improve global competitiveness

- Upgrade securities firms' role in direct financing, reinvigorating the real economy
- Propel asset management services forward to stay on top of new fintech developments
- Loosen regulations on sub-brokerage and international securities to capitalize on diversified financial opportunities
- Improve securities firms' utilization of funds to expand new financing channels
- Encourage securities firms to develop diverse financial products to invigorate new system for product listing

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## Strategy 4 Boost functions and competitiveness of financial intermediaries (2/3)

### 3. Encourage expanded operations of investment trust and consulting to boost competitiveness

- Explore allowing securities investment trust sector to launch and manage REITs
- Advise securities investment trust sector to take ESG factors into consideration in investment process, risk management, and other internal controls for asset management
- Encourage securities investment trust sector to join centralized clearing platform for onshore funds

### 4. Stimulate development in futures operations to serve the real economy and provide effective hedging

- Explore allowing futures dealers and their subsidiaries to engage in warrants, hedging, and other related businesses on the London Metal Exchange (LME)
- Strengthen risk management mechanism of futures market and assess adjusting ANC ratio formula of futures dealers
- Evaluate expanding leverage contracts of leverage transaction merchants

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## Strategy 4 Boost functions and competitiveness of financial intermediaries (3/3)

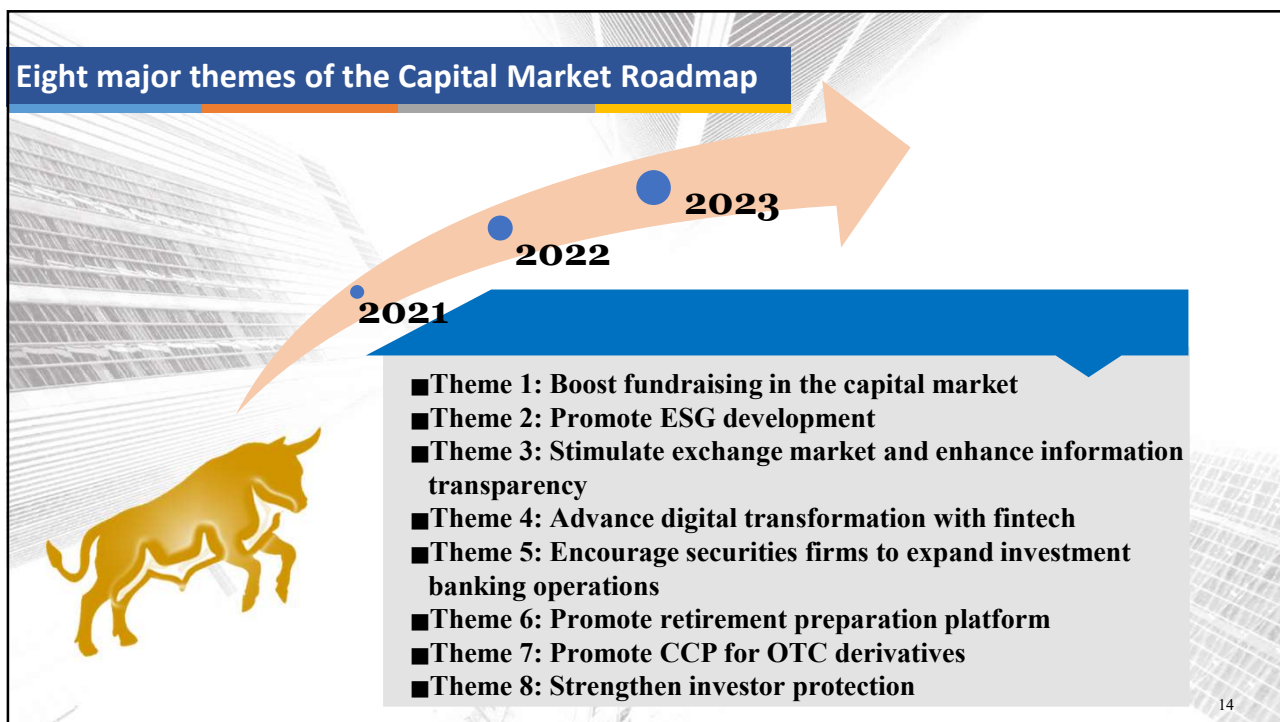
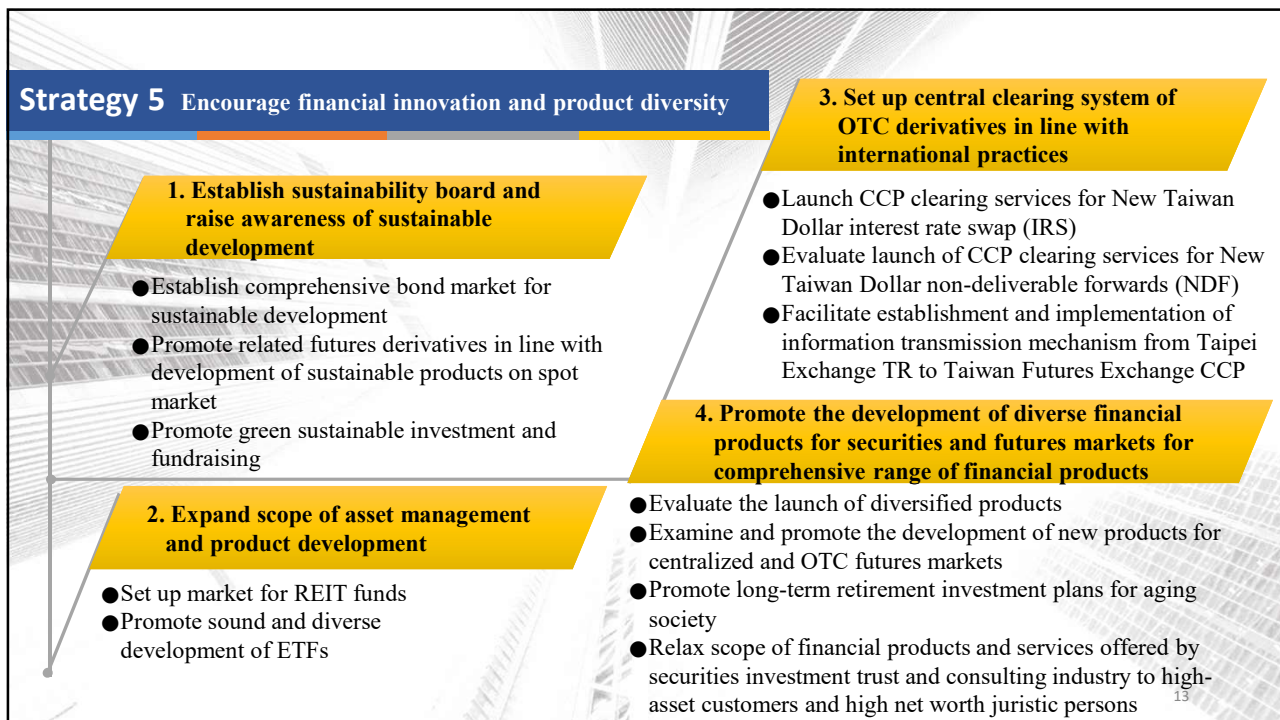
### 5. Enhance information security and ensure transaction network security

- Improve standards of information security to ensure safety of online services and uninterrupted operation
- Enhance information security of peripheral agencies
- Strengthen network security of securities and futures market, evaluate and certify transaction network security to ensure security and normal operation of market transactions

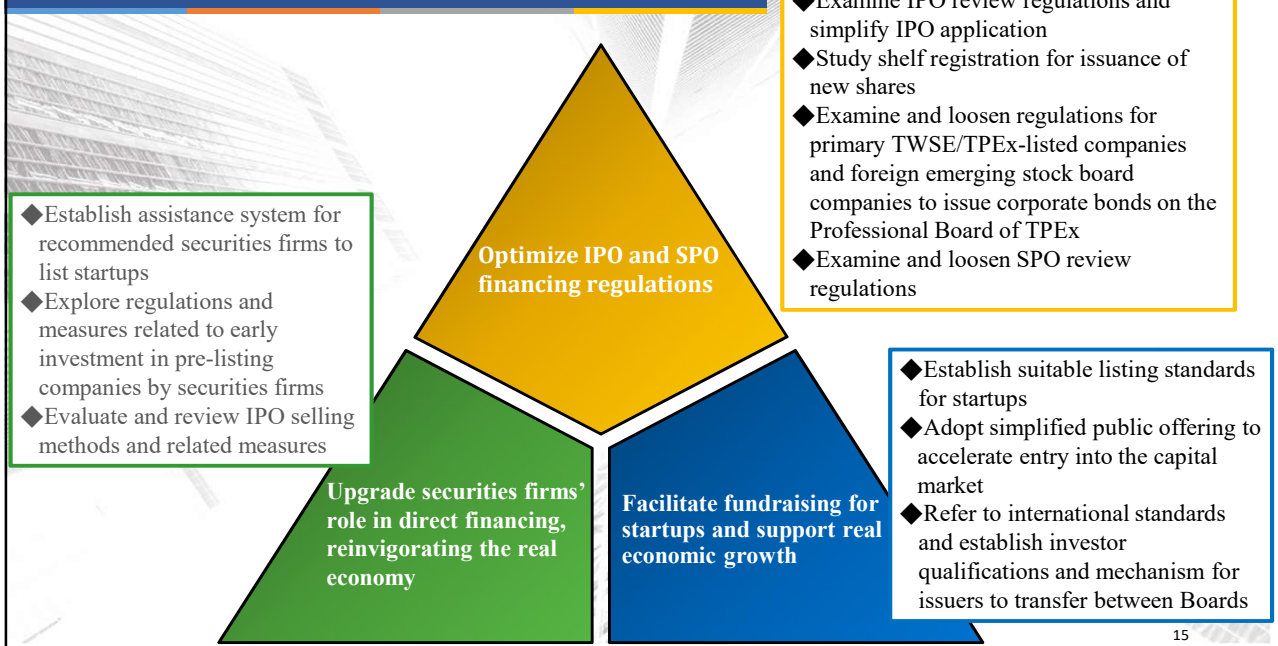
### 6. Cultivate financial professionals, enhance training and employment environment

- Conduct training of professional talent in line with policies by the competent authority
- Enhance professional competencies of those in the securities and futures sector
- Cultivate international and fintech talents
- Enhance cultivation of college and university talents for the capital market

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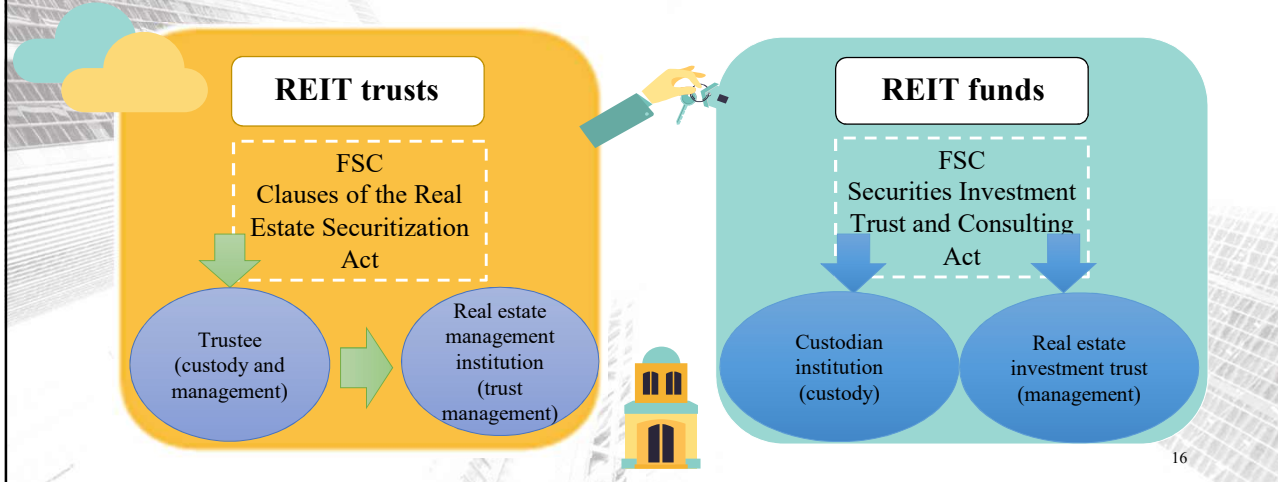


## 1. Boost fundraising in the capital market (1/2)



## 1. Boost fundraising in the capital market (2/2)

Adopt **dual track** of REIT trusts with the addition of **REIT funds** to stimulate securitization of real estate in Taiwan





## 2. Promote ESG development

### Establish sustainability board

- Establish sustainable bond market comprising domestic green bonds, social impact bonds, and sustainability bonds
- Explore expanding scope of sustainable bonds in line with international market dynamics
- Promote sustainability bonds to encourage participation by issuers and investors

### Develop ESG financial products

- Evaluate feasibility of compiling domestic ESG index comprising constituent companies of international ESG indices (DJSI, MSCI ESG, FTSE ESG), and compile related ESG index
- Encourage securities firms to issue ETNs tracking ESG index comprised of domestic companies which are constituents of international ESG indices
- Promote related futures derivatives in line with development of sustainable product on the spot market

### Promote ESG investing

- Promote green sustainable investing and fundraising
- Raise standards for TWSE/TPEX-listed companies in ESG reports, verification, and other internal control processes
- Advise securities investment trust sector to take ESG factors into consideration in investment, risk management, and other internal control processes

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## 3. Stimulate exchange market and enhance information transparency

### Lay out market maker system

- Market maker system of TWSE/TPEX-listed companies expected to be rolled out June 2021, in which securities firms act as market makers. Implementation results will be monitored and reviewed to loosen qualifications for incentivizing participants and to adjust criteria for market making targets.
- Due to the number of domestic institutional investors and with reference to international practices, study the inclusion of institutional investors into this plan at a suitable time to enhance their participation in Taiwan's market and boost market benefits

### Improve market transparency and investor risk management

To enhance risk management for investors, explore feasibility of restricting cancelling orders for a certain time prior to opening, additional information disclosure in the period of disposition measures, and the addition of MWP orders



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## 4. Advance digital transformation with fintech (1/3)

### Assist securities firms to set up virtual service points or provide digital financial services at physical locations

#### Digitalization of physical locations



- Establish operating procedures for digital services
- Expand scope of book-entry operations across securities firms' service locations

#### Standardization of virtual service points



- Establish regulations and application procedures for virtual service points and operations
- Assist securities firms to integrate digital back office services for electronic trading and CCP

2021 Study and evaluate  
2022 Amend regulations  
2023 Implementation

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## 4. Advance digital transformation with fintech (2/3)

### Assist technological development of investment trust and consulting sector

- Starting Aug. 10, 2017, allow securities investment consulting enterprises to provide robo-advisor services through algorithms, carry out re-balancing transactions under specific conditions

Support rise of robo-advisory services in Taiwan



#### Learn from global practices

- Amend current laws to loosen restrictions on automated re-balancing transactions

- Propose measures and review amendments on a rolling basis depending on business developments or operational difficulties

Look to the future

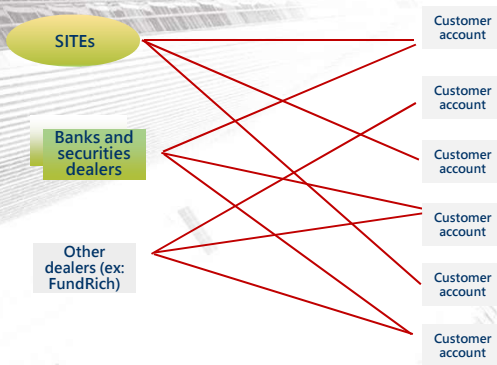
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## 4. Advance digital transformation with fintech (3/3)

Encourage securities investment trust sector to join centralized clearing platform for onshore funds

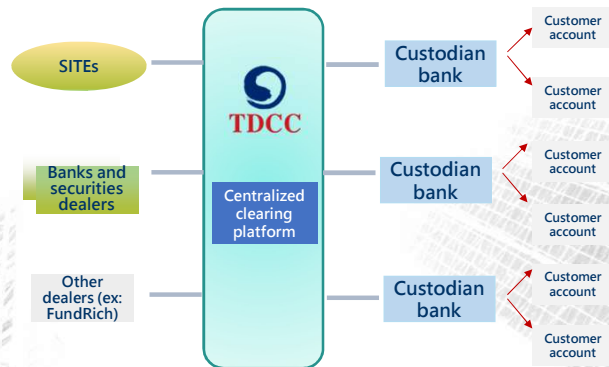
Current transaction model of onshore funds

All counterparties must handle separate accounts, resulting in complex processes and fees



Centralized clearing framework for onshore funds

Unified platform for all account processing, effectively lowering transaction fees



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## 5. Encourage securities firms to expand investment banking operations

01 Upgrading securities firms' role in direct financing, reinvigorating the real economy

- ◆ Establish assistance system for recommended securities firms to list startups
- ◆ Explore regulations and measures related to early investment in pre-listing companies by securities firms
- ◆ Evaluate and review IPO selling methods and related measures

02 Propel asset management services forward to stay on top of new fintech developments

- ◆ Explore other-interest-oriented stock trust operations by securities firms
- ◆ Explore feasibility of expanding scope of cash trust and security trust operations by securities firms
- ◆ Encourage securities firms to develop fintech and AI platforms for wealth management
- ◆ Explore feasibility of multiple payment channels of withdrawal and deposit for multiple accounts for each client



03 Loosen regulations on sub-brokerage and international securities to capitalize on diversified financial opportunities

- ◆ Explore allowing securities firms to brokerage orders of foreign securities on a fixed-period, fixed-amount basis
- ◆ Explore loosening of scope and credit rating of foreign securities for brokerage
- ◆ Explore lowering net asset value requirement of OSUs conducting account management operations

04 Improve securities firms' utilization of funds to expand new financing channels

- ◆ Explore allowing deposit-in-transit temporary advances during stock delivery by securities firms
- ◆ Allow lending in foreign currencies for brokerage orders of foreign securities by securities firms
- ◆ Allow OSUs to handle non-restricted purpose loans denominated in foreign currency

05 Encourage securities firms to develop diverse financial products to invigorate new system for product listing

- ◆ Encourage securities firms to issue ETNs tracking ESG indices
- ◆ Study OTC trading system for structure notes denominated in foreign currency offered by securities firms
- ◆ Explore feasibility of derivatives listing system on OTC market by securities firms

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## 6. Promote retirement preparation platform

Platform

**Retirement education**

Compute pension gap

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Retirement basics

What are the risks?  
Calculate your pension gap?  
How to invest for retirement?

**Quality funds**

Guide to placing orders

↓

Investment in action

Choose from high-quality funds  
Fixed-period, fixed-amount investment  
Lower investment fees

**Matching funds**

Social welfare

↓

Matching your investment

Matching campaign donates funds to provide emergency services for the elderly

Invest safely; insurance links are at your fingertips

**Expected benefits:**

- Increase pension preparedness
- Encourage development of products for retirement
- Enhance retirement quality of life
- Closing the coverage gap

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## 7. Promote CCP for OTC derivatives (1/2)

**Multilateral clearing procedure**

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**CCP**

Multilateral clearing procedure between financial institutions simplified to CCP

**Expected benefits**

- Strengthen foundations of Taiwan's financial market
  - Effectively lower default risk in financial markets and avoid systematic risk arising from domino effect of individual defaults
  - Simplify complicated clearing procedures, reduce operation costs, and lower capital requirements
- Enhance efficacy of monitoring of Taiwan's financial market
  - Clearly reveal risk exposures of financial institutions and provide early warning to competent authorities
  - Enhance market transparency, allowing the competent authority to stay on top of market conditions and take necessary actions

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## 7. Promote CCP for OTC derivatives (2/2)

### Specific measures

Launch CCP clearing services for NTD interest rate swap (IRS)

Evaluate launch of CCP clearing services for NTD non-deliverable forwards (NDF)

TAIFEX establishes regulations and information system for OTC derivatives CCP

TAIFEX collects data on CCP clearing services for NDFs by major foreign clearing houses

Launch CCP clearing services for NTD IRS clearing member proprietary trading

TAIFEX lays out CCP clearing services for NTD NDFs

Launch CCP clearing services for NTD IRS clearing member customer transactions

After gathering market feedback, TAIFEX expected to launch CCP clearing services for NTD NDF in 2024

2021

2022

2023



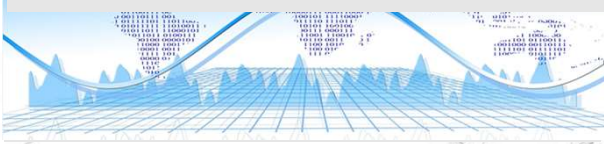
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## 8. Strengthen investor protection (1/2)

### Monitoring TWSE/TPEX- listed companies

#### Utilize SupTech to strengthen monitoring of TWSE/TPEX-listed companies

- **AI** – Gather data from news articles and social media (nonstructured data) and analyze risk-related keywords to improve monitoring and early warning
- **Big Data** – Analyze conditions and signs of abnormal transactions to review monitoring and supervision measures
- **RPA** – Replace manual labor with automation to produce monitoring reports and save time



### Monitoring businesses and products

- **Enhance real-time monitoring mechanism of financial products offered by securities firms and related risks:**
  - Strengthen controls over quotas of warrants and other financial products offered by securities firms and risk management mechanisms such as management action triggers and stress testing
  - Evaluate and amend securities firms' risk management assessment system
- **Strengthen monitoring of investment trust sector through technology:**
  - Establish fund monitoring information platform to compile and monitor concentration risks of all funds in single bonds or stocks, thereby ensuring investor protection
- **Strengthen data collection of supervision of domestic and foreign futures markets**
  - Utilize SupTech to establish futures market supervision and information platform to keep abreast of important news regarding domestic and foreign futures markets, provide advance warning, and further protect the rights of futures traders



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## 8. Strengthen investor protection (2/2)

### Enhance functions of Securities and Futures Investors Protection Center (SFIPC)

Exert external control of SFIPC

- Enhance awareness of disqualification mechanism of directors and supervisors within public companies and legal compliance in line with the implementation of the amended Securities Investor and Futures Trader Protection Act to implement corporate governance; proactively conduct representative litigation and dismissal litigation of disqualified directors to exert external control and protect investor rights
- In cases of disputes of corporate control, study methods to strengthen investor protection and proposal further measures


Response to Commercial Case Adjudication Act


- With the future establishment of Commercial Courts which handle commercial cases in a timely, appropriate, and professional manner, the SFIPC will continue to explore major legal issues based on court rulings and mediation cases and further refine litigation strategies and theories to better protect investor rights

### Education and promotion of securities and futures investment

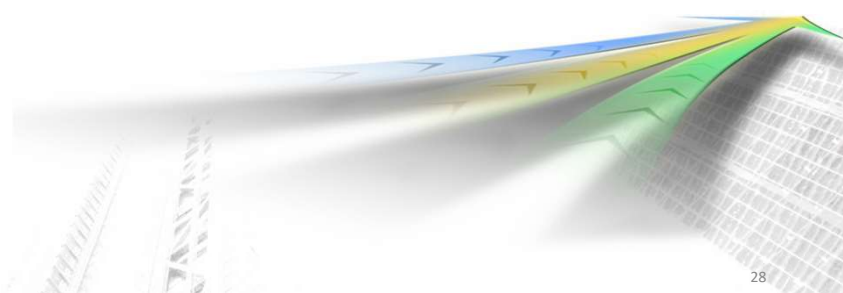
Enhance promotion of investors' financial education

- **Enhance education of the general public, the elderly and retirees, and young investors on issues related to ESG, digital technology, and aging society trends**
  - Topics include ESG, fintech, retirement planning, prevention against financial fraud, and other main investor protection issues
- **Boost awareness of correct investment principles and risk management in response to rising interest among young population in the stock market**
  - Host more campus or virtual competitions, campaigns, and activities
  - More accessible, youth-oriented financial education and promotion
    - Animation and short videos
    - Internet and social media
    - Engaging comics, e-books, and other literature





# Thank you



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