



# MARKET ACTIVITY

## Significant Events in 2001

### January

**January 2** Trading hours on Taiwan's stock market were extended by 90 minutes to four-and-a-half hours beginning January 2. The previous trading hours from 9:00 a.m. to 12:00 noon would be extended to 1:30 p.m., but trading on Saturdays would be cancelled.

### March

**March 21** The Executive Yuan (Cabinet) passed the draft bill proposed by the Ministry of Finance (MOF) to set up financial holding companies in Taiwan.

**March 27** The SFC announced the revision of the "Guidelines for Handling Offering and Issuance of Securities by Issuers" which focuses on warrants attached to bonds and preferred shares.

### May

**May 9** The SFC relaxed rules for stocks that must be deposited with the Taiwan Securities Central Depository Corp. by companies seeking to transfer their listing to the TSEC from OTC market. If the variation of a company's share price was less than 1/3 over the three most recent years, the length of time that the company's stocks are held at the central depository may be reduced.

**May 10** The MOF announced that the validity of inward remittances of approved equity funds by qualified foreign institutional investors (QFIs) will be extended to two years from the current one year following the approval of their investment applications.

**May 23** The SFC revised how listed companies report significant event announcements. Such announcements must now be reported to TSEC at the beginning of the trading session on the next day after the event occurred, instead of two days as at present.

### June

**June 11** Mr. Jong-shong Lin and Mr. Fortune Ju were sworn in as the new chairman and president, respectively, of the TSEC.

**June 26** The SFC announced that it would raise the minimum amount of guarantee funds required for short-selling of shares on the TSEC and the OTC market to 150% from 120% of the value of shares that investors plan to sell short-sell.

**June 27** The Legislative Yuan (Parliament) approved the much-awaited Financial Holding Company Act, which creates a regulatory framework for local financial institutions to merge with or acquire others so as to form financial holding companies. The new law will take effect from November 1, 2001. Other important reform measures passed include the Bills Finance Management Law, Rules for the Establishment and Management of a Financial Rehabilitation Fund, and changes to the Business Tax Law.

### July

**July 1** The minimum paid-in capital requirement for companies wishing to list on the TSEC will be raised to NT\$600 million from the original NT\$300 million for the two most recent fiscal years.

**July 6** The MOF announced that it will allow mutual funds to invest up to 25% of their assets on futures products from the current 15% to help them hedge operation risks. The MOF also said that it will allow open-end balance funds as well as those funds consigned for discretionary securities investments to invest up to 15% of their net asset value in futures products for hedge operations.

### August

**July 8** The SFC lowered the minimum margin requirement for short-selling shares on the TSEC and the OTC market to 90% from 150%. The SFC also raised the ceiling for margin loans that investors can borrow to 50% from 40% of the value of shares that investors plan to buy on the OTC market. The SFC also raised the ceilings for margin loans as well as short-selling imposed on a single individual and a single listed firm.

**July 12** The MOF announced that the requirement banning stocks with market price lower than par value from short selling was cancelled. The New Taiwan dollar closed at NT\$35.05 against the US dollar, its lowest level since February 5, 1987.

**August 7** TSEC implemented a new margin transaction account allocation system. An integrated credit reporting system for securities firms is expected to come online by October.

**August 10** A task force, including officials from the MOF, Central Bank of China, Central Deposit Insurance Corp. and four major state-run banks, was dispatched to take supervisory control of 36 debt-ridden grassroots financial institutions.

**August 26** The cross-strait panel of the Economic Development Advisory Committee unanimously proposed that the "no haste, be patient" policy be replaced with an "active opening, effective management" policy concerning future investments in Mainland China.

**August 29** The Cabinet approved a proposal to cut the land value incremental tax rate -- a capital gains tax for property transactions -- by 50% for a period of two years.

### September

**September 12** The massive terrorist attacks in the United States on September 11 caused Taiwan's stock, futures and foreign exchange markets to suspend trading.

**September 13** TSEC resumed trading. The MOF adopted three emergency measures to help stabilize the stock market: 1) enhance market monitoring mechanisms; 2) permit mutual fund managers to block redemptions when necessary; 3) allow investors to postpone their collateral settlements with the permission of securities financing institutions by up to six months.

**September 14** Ten major local banks assigned by the MOF officially took over 35 debt-ridden grassroots financial institutions, which had accumulated around NT\$60 billion in non-performing loans before the takeover. The new Resolution Trust Fund will absorb the total losses.

**September 17** Taiwan's stock, foreign exchange and futures markets were closed as the island reeled from the impact of Typhoon Nari, which pounded northern Taiwan.

**September 18** The stock market remained closed for a second day. The MOF decided to halve the daily down limit on share prices to 3.5% from 7% until September 28 in the wake of Typhoon Nari and market jitters over the possible retaliation actions by the US.

**September 19** A total of 48 companies transferred their listing from the OTC market to the TSEC.

**September 24** The MOF restored the down limit for share prices to the regular 7% beginning from the temporary 3.5% imposed on September 18.

## Significant Events in 2001

### October

- October 4** The Cabinet introduced the Emerging Stock Market (ESM), a new market where shares of companies which are not listed either on the TSEC or the OTC market will trade through direct negotiations between investors and securities houses. The ESM will offer a third channel for domestic small- and medium-sized businesses to raise funds and will commence trading on January 1, 2002.
- October 25** Parliament officially ratified changes to the Company Law that will make it much easier for small- and medium-sized enterprises to raise capital and allow shareholders to more easily form, merge or split their companies. Firms that are not listed may privately raise debts in the form of corporate bonds.
- October 31** Parliament officially ratified an amendment to the Securities and Exchange Law, allowing local companies to flexibly set the book value for their stocks, which is currently set at NT\$10 per share. The revision also eases restrictions on trading of unlisted stocks, allowing traders to set transaction terms by themselves.

### November

- November 2** Taiwan Asset Management Corp., the first asset management on the island, and Taiwan Financial Assets Service Company, the first financial asset service company, began operations with the aim of aimed at slashing the banking industry's overdue loan ratio.
- November 7** The Cabinet officially replaced the five-year-old "no haste, be patient" policy with an "active opening, effective management" policy concerning future investments in China.
- November 11** Members of the World Trade Organization (WTO) unanimously approved Taiwan's membership at their ministerial conference in Qatar, marking the end of a 12-year quest for entry into the trade body. Membership will become effective on January 1, 2002.
- November 12** The MOF raised the ceiling on stock investment by each qualified foreign institutional investor (QFII) to US\$3 billion from US\$2 billion, effective immediately. The ministry will also simplify the screening procedures for QFIIs. Under the new measures, QFIIs won't have to apply for qualification approval for each investment. However, foreign investors are still subject to government review on the amount for each investment.
- November 16** The Directorate General of Budget, Accounting and Statistics (DGBAS) reported that Taiwan's economy contracted 4.21% in the third quarter of 2001, the steepest quarterly decline in 26 years. The statistics agency also lowered its 2001 GDP forecast for 2001 to -2.12%, which would be Taiwan's first ever economic contraction on record.
- November 28** The MOF officially approved 6 applications to establish financial holding companies as part of its efforts to push for consolidation in the crowded financial services industry. The 6 were China Development Industrial Bank, the Fubon Group, Cathay Life Insurance, Hua Nan Commercial Bank, Chinatrust Commercial Bank and Bank SinoPac.

### December

- December 21** TSEC celebrated its 40-year anniversary by hosting a seminar on the future development of Taiwan's capital markets.
- December 24** Taiwan Futures Exchange officially launched the trading of newly introduced index options, which are new financial derivatives that allow local investors to hedge against possible stock investment losses.