

Business Achievements in 2008

In line with government policy and in compliance with instructions from the competent authorities, the TWSE carried out the following major tasks in 2008:

Listing

1. Promotion of Listing by Eminent Companies

31 companies were newly listed on the TWSE in 2008, 19 of which were previously listed on the GreTai Securities Market.

2. Strengthened Administration of Listed Companies

- a) The TWSE conducted 284 regular audits and 17 exceptional audits in 2008.
- b) Investigation and Disclosure of Material Information
Inspection and disclosure of 26,549 pieces of material information were carried out in 2008. Random inspections were made in 722 cases, and 210 press conferences were held to explain material information.
- c) Monitoring of Stock Transfers by Insiders
Investigations were conducted into 15,797 stock transfers by insiders of listed companies in 2008.
- d) Review of Listed-company Financial Reports and Forecasts

The TWSE carried out 2,841 formal reviews and 284 substantial reviews of financial reports, and 14 formal reviews of listed companies' financial forecast.

e) Auditing and Follow-up of Internal Control Systems

A total of 133 audits and 206 follow-up audits of the internal control systems of listed companies were carried out.

3. Issuance of Warrants

The TWSE carried out 3,773 reviews of applications for the issuance of warrants in 2008, raised the issuance ratio of underlying stocks from 17.5% to 22%, inaugurated the overseas issuance of warrants by brokers, initiated the establishment of a "Warrants Zone" on company websites, held warrants seminars together with issuers, increased the number of ETFs of stocks underlying listed warrants to 10, opened the use of listed TDRs and TWSE indices as underlying assets for warrants, abolished the rule that the daily projected hedging position of issuers may not vary more than 20% either way from the actual hedging position, implemented a warrant liquidity provider mechanism, rescinded the requirement for the pre-listing decentralization of shares, and abolished the requirement for issuers to post performance bonds before listing warrants.



Trading

1. Administration of and Services for Securities Firms

a) Auditing of Securities Firms

51 regular audits were carried out, along with 531 selected and special audits, 17 preliminary audits related to IPOs, 237 reviews of the financial reports of securities firms, and 2,188 reviews of the monthly balance sheets, capital adequacy reports, and other financial data of securities firms.

b) Early Warning of Operating Risk for Securities Firms

The operations of securities brokers are monitored using business indices, and people are sent to investigate when early-warning signs appear.

c) Administration of Consigned Electronic Transactions by Securities Firms

Electronic transactions (Internet and telephone) accounted for 20% of all trading during this year, with 619,649 trading accounts and 65 securities firms undertaking electronic consigned transactions.

d) Foreign-investment reporting was simplified and 2,457 cases of investment by foreign nationals and overseas Chinese within Taiwan and abroad were handled during the year.

e) Assistance in the Operation of the Internal Control Systems of Securities Firms

The TWSE examined 4,286 internal audits of branches of securities firms, and held seminars to communicate with the employees of securities firms on a regular basis.

f) Implementation of the New Capital Adequacy System for Securities Firms

To bring the capital adequacy management

and risk management capabilities of Taiwan's securities firms up to international standards, and to enhance the accuracy of capital charge and the efficiency of asset allocation, TWSE referred to Basel II in working out a new measure for the capital adequacy of securities firms. The new system was announced by the competent authority on Dec. 23, 2008; the first stage of its implementation was directed at the securities subsidiaries of domestic financial holding companies, and it was first applied to December 2008 data reported in January 2009. The second stage will be to apply the new system, as required by the regulations, to integrated securities firms not belonging to financial holding companies

2. Clearing and Settlement Services

To bring Taiwan's securities market into closer conformity with the international definition of the delivery versus payment (DVP) system, TWSE implemented the T+2 DVP system in the securities market so as to reduce settlement risk, heighten settlement efficiency, and increase the nimbleness of investors in the use of securities assets.

3. Market Surveillance

To maintain order in stock-market trading TWSE draws the attention of investors to securities that are behaving abnormally by announcing their names and trading information. When an abnormal situation continues, TWSE asks securities firms to undertake the prior collection of some or all of the securities involved from the consignors of large trades so as to lower the risk of default. When securities exhibit abnormal behavior during trading hours, the consigning securities firm is asked to be wary of settlement security. If the abnormal trading involves illegal behavior, the relevant data are sent to the competent authority for action.

Computer Applications and Information Services

1. Management of Trading Information

a) Visits to User Applicants

The TWSE carries out selective investigation visits to domestic and overseas information companies, media organizations, telecommunications firms, Internet operators, TV companies, and other user applicants. The headquarters of 7 companies and 27 apparatus rooms were visited during this year.

b) Information Access and Dissemination

The TWSE promotes the signing of contracts for the transmission of trading information by domestic and foreign information companies. 2 user applicants, Citi and Tenfore, signed the "Agreement on the Supply and Use of Trading Information" with the TWSE during this year, bringing the total number of signatories to 38.

2. Management of the Trading Network

a) The TWSE established a "Securities Trading Computer System Remote Backup Center" in accordance with national information security policy so as to prevent regional disasters from influencing market trading and upgrade the security of market operations.

b) Automatic, synchronous satellite receiving, server timing systems were set up in computer rooms to avoid the risk of human error in the manual time adjustment and achieve accuracy in the opening and closing of trading markets. This facilitates the accuracy of international cross-platform operations and information exchange.

3. Management of Trading Networks – Upgrading of Network Monitoring Systems

The trading server system, competitive bidding equipment information system, and network monitoring system were integrated to achieve across-the-board network management and monitoring from server to network equipment (levels 1 through 7).

Strengthening of Investor Services and Protection of Investor Rights

The TWSE investigated 136 allegations by investors of violations by securities firms or their personnel. A total of 4,272 random inspections were also made of the non-registration of securities custodial accounts by securities firms, the sending of balance statements, and the erroneous reporting of large same-day transactions of NT\$50 million or more by consignors and securities houses. In addition, services were provided to 1,952 individual investors who made enquiries at the TWSE's offices.

Internationalization of the Securities Market

In 2008 the TWSE actively participated in meetings held by international securities organizations such as the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF), and International Organization of Securities Commissions (IOSCO). The TWSE also moved to strengthen the exchange of information with overseas securities organizations in 2008 by signing memorandums of understanding for cooperation with the HoChiMinh Stock Exchange, Warsaw Stock Exchange, International Securities Exchange, and Philadelphia Stock Exchange. To deepen the understanding of foreign institutional investors in the Taiwan market, the TWSE held Taiwan investment seminars in New York, Boston, San Francisco, London, Milan, Paris, Geneva, Zurich, Tokyo, Singapore, and Hong Kong. In addition, it received visits from 759 persons in 69 groups from 13 different countries.

Other Business

1. Securities Investment Education

a) To expand financial know-how and instill correct financial management concepts in the minds of the investing public, TWSE organized a total of 40 educational activities including "Training Camps for Elementary



and Middle School Teachers," "Training Camps for Technical College Instructors," "Community College Financial Management Seminars," and "Warrant Educational Seminars," and held 5 university campus "Securities Know-how King".

b) Publicity and Assistance in the Training of Employees

Securities Firms

TWSE held a total of 90 "Block Trading System Readjustment Seminars," "Seminars on Annual Clearing and Settlement Practice for Securities Firms," "Securities Market T+2 DVP Settlement Operations Seminars," "Business Publicity Seminars for Securities Firms," "Seminars on Opening of the Custody and Investment of Funds by Securities Firms on Behalf of Customers," "Seminars on Standard Rules for Internal Control Systems of Securities Firms," "Seminars on the Reporting of Foreign-Currency Account Transmissions and Approval Questions," "Business Seminars for Information Executives of Securities Firms," "Training for Securities Firm Personnel Handling the Securities Borrowing Business," "ETF Internet Courses for Securities Firm Employees," "Margin Trading for Securities Firms," and "Business Seminars for the Responsible Persons of Securities Firms."

Listed Companies

TWSE held 50 "Seminar Dinners for the Responsible Persons of Listed Companies," "Seminars on Important Information and the Reporting of Information by Listed Companies," "Listed Company Performance Presentations," "XBRL Publicity Activity," "Seminars for the Responsible Persons of Accounting Firms," Seminars on Financial Reporting by Companies Listed on the Stock and OTC Markets," and "Lectures on IPO Reporting Operations for Newly Listed Companies."

c) Publicity activities on insider trading were held and an "Insider Trading Prevention Web Page" was set up for a target audience including the insider and employees of listed companies, the responsible persons of securities firms, and the general investing public. 14 seminars were held and the number of participants in all publicity activities reached 73,000.

d) TWSE strengthened the dissemination of information on its major tasks and important information on the overall securities market on TV, radio, newspapers, and magazines, and received visits from 1,339 persons in 25 groups from schools and other institutions.

2. Digitization of Documents

a) TWSE actively promoted participation in the Financial Electronic Data Interchange (FEDI) System by listed and information companies, planning and producing promotional materials of various kinds. This included the printing of a "Financial Market FEDI System Manual," production of an "Online FEDI System Course," and holding of a "Seminar on the Promotion of Participation in the FEDI System by Listed and Information Companies." The aim was to achieve the use of FEDI throughout the securities and futures market and show off the effectiveness of G2B electronic data interchange and devote as much effort as possible to slowing global warming, protecting the environment, and saving energy.

b) In coordination with the government's promotion of a paperless online approval system, the TWSE implemented an "Online Approval System for Document Management" and publicized the effectiveness of going electronic with the aim of stimulating the corporate sector to follow the trend and work together to carry out the government's e-document policy.

Financial Supervisory Commission, Executive Yuan

The 5th Taipei Corporate Governance Roundtable