

Business Achievements in 2009

Under the direction of the competent authority, TWSE implemented various measures in accordance with its annual plan to promote the healthy development of the securities market. The major achievements were as follows:

LISTING

1. Expansion of the Securities Market Scale

a) Encouraging domestic public companies to list on TWSE

Twenty-two companies applied for the listing of their stocks on TWSE in 2009, and 26 companies were newly listed during the year.

b) Encouraging foreign companies to list on TWSE

(1) Revision of rules in line with practical operating needs

TWSE relaxed the restrictions on the primary listing application of foreign technology companies. A new provision was added to allow TDRs to extend their listing deadline, subject to approval from the competent authority. Entities having issued stocks or DRs overseas can now be exempted on the guidance of the securities underwriter.

(2) Stock-listing seminars were held in Taiwan and overseas to explain policies and regulations regarding listing on TWSE so as to attract outstanding foreign high-tech companies with good potential to list on TWSE.

(3) Results

By the end of 2009, a total of 18 foreign companies had applied for listing on TWSE, and 10 of them were newly listed during the year.

2. Strengthening Administration of Listed Companies

a) Reinforcement of disclosure and verification of material information

25,545 pieces of material information were disclosed and verified in 2009. 209 of them were made in the form of press conferences. TWSE also carried out 736 random-sampling inspections on material information.

b) Reinforcement of corporate governance

TWSE held a "Corporate Social Responsibility and Sustainable Operation Investment Seminar" and a "Listed Company Shareholder Voting and Participation: Global Development Trends and the Taiwan Experience Round Table Forum." In the third quarter of 2009, a series of "Responsible Persons of Listed Companies – Investor Relations Seminars" and related training sessions were organized.

c) Implementation of the XBRL (eXtensible Business Reporting Language) Plan

TWSE devised classification standards for four major financial statements of the companies operating in various industries, including general purpose, financial holding, finance, insurance, securities and futures companies, as well as classification standards for four major consolidated financial statements of cross-industry companies. TWSE also developed filing tools be used by corporate users free of charge for XBRL financial reporting. Numerous promotion meetings and training courses were held, and a consultation service task force was set up to help participating companies carry out tests on reporting.

d) Strengthening the reviews of financial reports and forecasts published by listed companies

TWSE implemented 2,941 form reviews and 241 substance reviews of the financial reports of listed companies, and 12 form reviews of financial forecasts of listed companies.

e) TWSE conducted 128 audits on the internal control systems of listed companies (including 35 on-site audits), and 236 follow-up audits, in accordance with "Directions for Auditing the Internal Control Systems of Listed Companies".



f) Carrying out Routine and Exceptional Audits on listed companies

In accordance with "Procedures for Routine and Exceptional Audits on Financial and Business Affairs of Listed Companies", TWSE carried out 367 analyses and eight exceptional audits on listed companies having material events.

g) Encouraging the use of International Accounting Standards in Taiwan

TWSE provided listed companies with IFRS conversion cases for their reference, set up an IFRS special area on TWSE web-site, summarized the major differences between IFRS and Taiwan GAAP, collected foreign data regarding the differences in financial reports before and after adopting IFRS, and continued to update and collect case studies of problems encountered by foreign companies introducing IFRS. These were compiled into a practical guide. TWSE also cooperated with the GreTai Securities Market to hold eleven IFRS educational meetings, and continued to implement a promotion plan in accordance with the working schedule of the second subgroup of "The Task Force for Promoting the Adoption of International Accounting Standards in Taiwan".

3. Warrants Issuance and Related Businesses

a) Examination of the issuance of warrants by securities firms

TWSE examined 6,120 applications for the issuance of warrants with a value of NT\$122,300 million in 2009.

b) Measures to invigorate the warrant market

TWSE abolished the rule requiring ownership dispersion prior to the listing of warrants, and launched a liquidity provider mechanism on Jan. 5, 2009. In coordination with the competent authority, TWSE allowed issuers to use listed TDRs as underlying assets for warrants. In addition, TWSE permitted issuers to use indices published by TWSE for underlying warrants effective from May 11, and to use two listed ETFs or two listed overseas ETFs for underlying warrants from July 31.

c) Plans to diversify product lines of warrants

TWSE submitted plans to increase the variety of warrant products to the competent authority for consideration. These plans include allowing warrants based on foreign exchange indices, securities, and ETFs, and the listing of domestic callable bull/bear contracts.



TRADING

1. Market Reforms

- a) Trading-related measures have been improved to upgrade Taiwan's stock market to developed-market status.
 - (1) The competent authority agreed, in principle, to allow the transfer of assets under the "Others" category so long as such transfer does not violate off-exchange trading rules.
 - (2) Block trading by omnibus trading accounts was permitted starting May 25, 2009. The amount allocated to each foreign investor is no longer subject to the restriction on the minimum amount standard for block-trading. Odd lots may be combined into round lots for buying or selling through omnibus accounts, and trades carried out via personal accounts can be redirected to omnibus accounts for average-price distribution.
- b) Promotion of continuous trading

As part of the process of the internationalization of the trading system, TWSE initially submitted approval for continuous trading on warrants, approval was granted by the competent authority on Dec. 21, 2009, and the measure will come into effect from June 28, 2010.
- c) Relaxation of investment in Taiwan from mainland China

TWSE revised related regulations in accordance with the "Guidelines Governing Securities Investment and Futures Trading in Taiwan by investors from mainland China", announced by the competent authority on Apr. 30, 2009. Except where special regulations apply, the management model for mainland Chinese investors is now the same as that for overseas Chinese and foreigners.
- d) TWSE formulated methods for the sale of stocks by foreign and mainland Chinese shareholders and employees of foreign enterprises listed in Taiwan.
- e) Implementation of T+2 DVP settlement of funds and securities in the securities market

To bring the clearing and settlement system of Taiwan's securities market in line with international practice, TWSE implemented T+2 DVP settlement from Feb. 2, 2009.

2. Maintenance of Market Order

- a) Continuous implementation of market surveillance

A total of 1,549 notices to remind investors to watch the trading information of 266 listed companies was issued in 2009, and 110 disposition measures were adopted against 67 companies. News reports and Internet news were also monitored during trading hours, and 68 requests for clarifying announcements were issued when major pieces of news that affected the prices of listed stocks were announced. Twelve advisory circulars on inter-market surveillance were published.
- b) Review of securities firms' financial reports, and investigation of their financial and business affairs as well as internal auditing operations

TWSE reviewed 224 financial reports of securities firms, and a total of 2,131 other financial reports, covering monthly reports, and detailed charts of regulatory capital adequacy of securities firms. TWSE conducted 15 preliminary reviews of the offering and issuance of securities by securities firms. In addition, TWSE audited the financial, business, and internal auditing operations of securities firms, including 39 routine audits, and 521 general-selected/special audits.
- c) Implementation of risk management evaluation system in securities firms

To fully understand the implementation of risk management systems by securities firms, TWSE and GreTai Securities Market carried out evaluation of the risk management of 13 securities firms dealing in financial derivatives in accordance with the "Directions for the Risk Management Evaluation Systems of Securities Firms". TWSE was in charge of six of those evaluations.



COMPUTER APPLICATIONS AND INFORMATION SERVICES

1. Establishment of a New Computer Center

To break the bottleneck faced in the development of TWSE's Computer Center and to meet the need for an independent computer facility, a new securities trading computer center will be set up with help from Chunghwa Telecom. The new computer center, which is scheduled for completion in September of 2013, will meet the needs of the four securities and futures peripheral units.

2. Dealing with the ROC Centennial Bug in Computer Applications

In response to the internationalization of the market, an eight-digit Western dating system will be adopted.

3. Planning for Adoption of the International FIX Agreement in the Securities Market

To bring Taiwan in line with international stock markets by providing the Financial Information eXchange (FIX) protocol, TWSE has made plans to install the FIX platform to allow overseas exchanges and domestic and foreign securities companies, in addition to the existing Transaction Message Protocol (TMP), to use the FIX format directly with TWSE for various securities transaction operations such as placing orders and reporting back.

4. Establishment of a Japanese-language TWSE Website

A Japanese-language website was set up to provide better securities-related information so as to enhance Japanese investors' understanding of Taiwan stock market, and attract Japanese enterprises and capital to participate in Taiwan's capital market.

5. Internationalization of Information Services

A "Real-time Platform for Financial Information of Listed Companies on TWSE and GreTai Securities Market" was completed for the active and rapid transmission of data from TWSE to counterparty servers, thus facilitating value-added processing.

INTERNATIONALIZATION OF THE SECURITIES MARKET

TWSE actively participates in the annual meetings, working committee meetings, and seminars of international organizations such as the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF), and International Organization of Securities Commissions (IOSCO). To attract more foreign investment in Taiwan and to boost the development of the island's capital market, TWSE invited listed companies to hold "Taiwan Overseas Investment Seminars 2009" in Singapore, Hong Kong, London, Edinburgh, Paris, and New York. In addition, TWSE held a "Taiwan Investment Forum 2009 - Taipei" jointly with Merrill Lynch, and an "Asian Technology Forum" together with Credit Suisse.



INVESTORS EDUCATION

1. Carrying Out Education in Securities Investment

- TWSE held educational seminars on "Key Points of Revision and Matters for Attention in the Reporting of Derivatives Trading Information", "Operating Practices for Corporate Governance", and "Common Deficiencies in Internal Controls and Auditing" to promulgate new rules for information disclosure.
- TWSE held "Knowledge King of Securities Investment" educational quizzes and competitions at university campuses, "Summer Camps for Teachers from Primary and High Schools", and gave "Popularization Plan of Financial Knowledge: Invest in the Future" lectures at community colleges.
- TWSE received a total of 1,942 visitors, 37 visits from 34 schools or institutions, including the Prosecutor's Office of the Banqiao District Court, National Taiwan University Securities Camp, and Tunghai University Department of Finance during the year.
- Warrants Education Promotion Activities and Seminars
In order to strengthen investors' understanding of warrants, TWSE organized a "Warrants Exhibition", an "Internet Warrants Quiz", a "2009 Seminar for Warrants Business in Taiwan and Hong Kong", and an "Asian Warrant Market Development Forum". In addition, TWSE and warrants issuers jointly held a series of workshops for investors.

2. Business Promotion and Assistance in Employee Training

- TWSE held seminars on "Standard Rules for Internal Control Systems of Securities Firms", "Training by Securities Companies of Personnel Handling Securities Borrowing and Lending", and "Four Measures, Including the Opening of Block Trading by Omnibus Accounts". In addition, TWSE provided personnel training courses to assist securities firms in handling margin trading, and securities borrowing and lending businesses.
- TWSE used its online audiovisual system to provide "Direct Internet-broadcasting of Feeder Fund and Offshore ETF Trading Systems Seminars", and "Securities Firm Business Seminars for First-Half and Second-Half of 2009".

3. Promotion Activities for the Prevention of Insider Trading and the Management of Insider Ownership

- To advance knowledge about and compliance with insider trading regulations, TWSE carried out promotion activities for the prevention of insider trading, including organizing workshops, paying publicity visits to listed companies, holding insider trading-prevention quizzes, and distributing anti-insider trading promotional materials.
- TWSE held legal compliance workshops to enable unlisted public companies to gain sufficient knowledge about insider ownership management related provisions specified in the Securities and Exchange Act.