



August

- August 8 Dr. Jun-ji Shih succeeded as Chairman of FSC.
- August 10 Dr. Gordon S. Chen and Mr. Samuel J. S. Hsu succeeded as Chairman and President of TSEC, respectively.
- August 18 FSC allowed offshore overseas Chinese and foreign nationals to borrow securities from securities firms, and exempted them from the restrictions of the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals", which stipulates that foreign investors should not sell securities they do not hold, and that they should not provide collateral.
- August 25 TSEC Chairman, Dr. Gordon S. Chen, entered into a Memorandum of Understanding on a Market Alliance Project with the Tokyo Stock Exchange President & CEO, Mr. Taizo Nishimuro.
- August 25 FSC announced an amendment to the "Regulations Governing Securities Firms", allowing securities firms to engage in equity derivatives business, and requiring that a securities firm operating over-the-counter derivative financial product trading may not make any use of derivatives trading to carry out mergers or acquisitions or to carry out unlawful trades on its own behalf or in cooperation with its clients.
- August 31 Polaris Taiwan Mid-Cap 100 Tracker Fund issued by Polaris International Securities and Investment Trust Company Ltd. listed on TSEC and was the second ETF in Taiwan market.

September

- September 12 FTSE announced that the Taiwan securities market will remain on the "Watch List" for possible promotion to "Developed Market" status.
- September 12 Fubon Taiwan Technology Tracker Fund issued by Fubon Asset Management Co., Ltd. listed on TSEC and was the third ETF in Taiwan market.
- September 29 FSC amended the "Standards Governing Margin Purchase and Short Sale of Securities," allowing TDRs as well as ETFs listed on GTSM to be objectives for margin purchases and short sales.

October

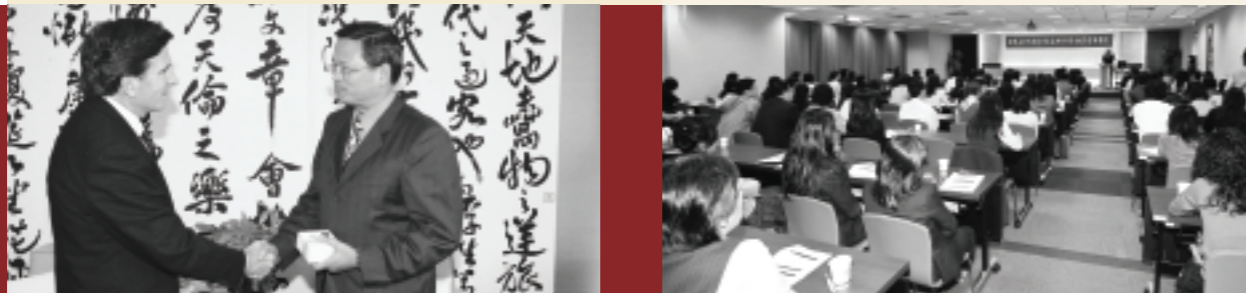
- October 13 FSC announced total quantity control rules for SBL: (1) The total shares sold under both the SBL and the margin trading system should not exceed 25 percent of the securities issued and outstanding; (2) Securities sold under the SBL on an accumulated basis should not exceed 10 percent of the issued and outstanding shares of a particular company.
- October 17 TSEC Chairman, Dr. Gordon S. Chen, signed a Memorandum of Understanding with Jean-François Théodore, Chairman & CEO of Euronext N.V. to enhance bilateral market developments and cooperation relations.

November

- November 14 TSEC revised the "Taiwan Stock Exchange Corporation Key Points for Classifying and Adjusting Categories of Industries of Listed Companies." Listed companies will be reclassified according to their 2006 financial reports.
- November 15 FSC allowed offshore overseas Chinese and foreign nationals investing in Taiwan securities to have New Taiwan Dollar loans from domestic financial institutions, exempted from the restrictions of the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals" that prohibit them from extending loans or providing collateral.
- November 28 TSEC held a ceremony to sign an agreement with BT Radianz for the shared market infrastructure project.

December

- December 11 FSC announced that the total payment from private placements must be paid in installments within one year in accordance with the resolution of the board of directors or the shareholders meeting.
- December 15 TSEC announced an amendment to the "Operating Rules of the Taiwan Stock Exchange Corporation." In cases where a company is degraded to the altered-trading-method category because its net worth is less than one-half of its share capital as stated in the financial report, TSEC will set an observation period and refer to its amount and the trend of the net worth shown on the annual and semi-annual financial statements to judge if this company may resume a normal settlement method.
- December 20 FSC clarified the definition of "a material asset or derivatives transaction" and "a material monetary loan, endorsement, or provision of guarantee" under the Securities and Exchange Act.



May

- May 16 FSC announced that overseas Chinese and foreign nationals are allowed to invest in private securities investment trust funds placed by securities investment trust enterprises.
- May 22 TSEC allowed securities firms issuing warrants to hedge by trading options contracts of same underlying stocks.
- May 30 FSC promulgated "Regulations Governing the Scope of Material Information and Means of Its Disclosure", which defines the scope, the date of existence, the means of disclosing material information as well as the definition of the starting time of "12 hours" under Article 157-1, Paragraph 4, Securities and Exchange Act.

June

- June 7 FSC attended the "31st Annual Conference of the International Organization of Securities Commissions (IOSCO)" in Hong Kong with Taiwan securities-related organizations, and signed an Exchange of Letters and an MOU with the Financial Supervisory Authority of the Netherlands and Turkey, respectively.
- June 10 TSEC revised the "Taiwan Stock Exchange Corporation Rules Governing Information Reporting by Listed Companies" to require that the information on the remuneration of directors and supervisors should be included in the periodically disclosed information.
- June 13 FSC issued "Regulations Governing Securities Firms in Handling Securities Business Money Lending", which includes qualifications for securities firms who can carry out money lending, as well as the definition, the scope, the period, the collateral, and the amount limit of securities business money lending.



July

- July 3 TSEC adjusted the equal price allocation algorithm for trading omnibus accounts to make them more flexible. The equal price and the settled amount can be calculated based on the total trading of each day, and can be adjusted the next day.
- July 18 FSC announced that existing or potential conflicts of business interest owing to directors or managers of public companies conducting investment or business within the mainland China should be disclosed in accordance with the Securities and Exchange Act.
- July 26 FSC amended the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms", allowing directors, supervisors, or managers of a securities firm who meet certain conditions to concurrently serve as a responsible person of an invested company. In addition, the requirement that the responsible persons at the Taiwan branches of foreign securities firms should be qualified as senior associated persons has been lifted.

Market Activities

Major Events in 2006

January

- January 2 TSEC launched the "TAIEX Electronics Sector TRI" and the "TAIEX Finance Sector TRI" and discontinued compiling the "TSEC Composite Average" and the "TSEC Industrial Average."
- January 23 Financial Supervisory Commission (FSC) allowed securities firms to act as agents for clients in utilizing surplus securities trading funds.
- January 24 TSEC amended the "Taiwan Stock Exchange Corporation Securities Lending and Borrowing Regulations", adding a 3-day recall notice by a lender in a fixed-rate or a competitive auction transaction in addition to the existing 10-day notice.

February

- February 20 FSC allowed securities firms, who need to hedge their structured products deals, to hedge by selling the underlying securities through stock borrowing or short sales. In such cases, securities firms are exempted from the restrictions that the selling price is not below the previous closing price, and that they should not sell securities they do not hold.
- February 22 FSC announced that securities firms are now able to participate as lenders in the TSEC/GTSM securities and bonds lending centers. The source of securities for lending is limited to those acquired by proprietary trading, underwriting and investing, except for those held by borrowing or Repo trading.

March

- March 6 TSEC adjusted the minimum up/down stock price tick size of REITs to agree with that of ETFs. The tick size of REITs whose market price is below NT\$50 is \$0.01, while the tick size of REITs whose market price is above NT\$50 is \$0.05.
- March 6 TSEC revised the foreign investment quota control, which is applicable to 20 listed companies, during regular trading sessions. The selling amount will be added back to their quota trade by trade.
- March 10 FSC announced that the representatives of the government or juristic person may concurrently serve as a director or supervisor of a public company until the expiration of the term of office of the current directors or supervisors. Such representatives are exempted in this period from the current restrictions in Article 26-3 of the Securities and Exchange Act.
- March 27 TSEC and Taiwan Futures Exchange (TAIFEX) held a joint ceremony to sign an "Agreement on the use of real-time trading information for the compilation of indexes" and a "MSCI Master License Agreement" with Morgan Stanley Capital International Inc.
- March 29 FSC announced that financial holding companies, banks, bill finance companies, insurance companies, listed securities firms and securities firms under financial holding companies and non-financial listed companies with paid-in capital over NT\$50 billion must appoint independent directors, not less than two in number and not less than one-fifth of the total number of directors, in accordance with their articles of incorporation.



April

- April 12 The TSEC, GTSM, TAIFEX and Asian and Oceanian Stock Exchanges Federation (AOSEF) WC Harmonization & Coordination Task Force 3 held an "AOSEF Market Surveillance Roundtable" in Taipei.
- April 12 FSC announced that when overseas Chinese and foreign nationals located within the ROC invest in warrants whose underlying securities are subject to a cap of foreign ownership, they can only choose the cash-settled warrants.
- April 13 TSEC hosted the 25th AOSEF General Assembly and Working Committee Meeting in the Grand Hyatt, Taipei.
- April 14 FSC announced an amendment to the "Regulations Governing Securities Firms" to require securities firms underwriting securities keeping a file of the sales records, the amount of its own subscription, and other important data.