

INTRODUCTION

TSEC was incorporated in October 1961 under the jurisdiction of the Securities and Exchange Commission. In the early years of its operations, TSEC started with a scant 16 equity securities, 4 corporate bonds and 4 government bonds.

In 1962, only 18 companies were listed with average daily trading value of NT\$1,647,760. The number of listed companies increased to 23 in 1963, and did not exceed 40 until 1971. It finally reached about 100 by 1980. During this period, the number of listed companies increased by six or seven each year. From 1980 to 1987, the activities in the marketplace remained relatively static.

Liberalization of securities firms' licenses in May 1988 had helped push the TAIEX to a historical high in 1990. The number of securities firms established and investors' accounts opened also exploded to an all-time high. However, the overheated market slid at such a fast pace in 1990 that we saw a difference of 10,000 points in TAIEX over a short eight-month period.

The number of listed companies keeps increasing rapidly from 199 in 1990 to 584 in 2001. Meanwhile, many securities firms have undertaken mergers in order to cope with the fierce market competition. The number of securities firms decreased from the all time high of 381 in 1990 to 190 in 2001. In 1997, average daily trading value reached a record high of NT\$130 billion despite the impact of Asian financial turmoil.

Under the supervision of the SFC, TSEC has made every endeavor to reshape the market discipline and broaden the market depth and breadth. The major measures adopted in recent years include strengthening the surveillance mechanism, implementation of mandatory book-entry settlement, introduction of securities derivatives, and continuing to promote the listing of eligible companies and transferring a group of R.O.C. Over-the-Counter Securities Exchange (ROSE) listed companies to be listed on TSEC. The market which used to be dominated by individual investors has also undergone some structural changes in the three groups of institutional investors, i.e. dealers, QFIs and investment trust companies, which have grown in their influence on the market relative to their weight in