# CLEARING AND SETTLEMENT

Clearing and settlement for the trades executed in the Exchange are carried out by the Clearing Department. Trade comparison is done at the time when the trade is executed, and confirmation is sent simultaneously. Clearing report is sent through computer-link devices to the back offices of the brokers/dealers on the trade (T) day. The Exchange adopts multilateral netting and T+2 rolling settlement convention.

The settlement mechanism underwent a historical change in 1990 when Taiwan Securities Central Depository Co., Ltd. (TSCD) was established and the new book-entry settlement mechanism became feasible. Since Feb. 4, 1995, it has become mandatory that investors have book-entry securities depository account as well as a bank account before the trade starts. On Sept. 2, 1996, the securities lending program was launched so as to solve some out-trades more efficiently.

The steps of clearing and settlement can be summarized as follows:

**T day (Clearing day)**

15:00 TSEC sends trade affirmation summary through computer-link devices to the back offices of the brokers/dealers.

21:00 Broker adjusts customer accounts for out trades and reports to TSEC and TSCD. TSCD generates "Settlement Summary Report" for TSEC, and adopts multilateral netting computation for net balances for each broker/dealer.

**T+1 day (Position day)**

12:00 Deadline for the customer to settle with broker.

18:00 Deadline for broker/dealer to deposit securities with TSCD. TSEC allows delay of delivery of securities with legitimate reason and 120 % paid-in collateral to TSEC.

**T+2 day (Settlement day)**

10:00 TSEC instructs its bank to disburse the same-day fund for net receiving broker/dealer and instructs TSCD to credit the securities account for receiving broker/dealer. However, if the said broker/dealer has to deliver same-day fund to TSEC, TSEC will instruct TSCD only after confirming receipt of due payment.