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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 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 638 in 2002. 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 140 in 2002. 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 to securities derivatives, and continuing to promote the listing of eligible companies and transferring a group of Gre Tai Securities Market (GTSM) 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, QFIIs and investment trust companies, which have grown in their influence on the market relative to their weight in trading value. The structure of individual investors is also moving toward a younger and more educated category.

TSEC, being the sole centralized securities trading market in Taiwan, has proved its ability to adjust to the volatile market and played its role successfully by facilitating capital formation in the process of economic development. In the future, TSEC will continue striving towards maintaining an open, fair and efficient marketplace.

TSEC ORGANIZATION

TSEC was organized pursuant to the provisions of the Securities and Exchange Law and the Company Law. The purpose is to promote investment by enterprises, to enhance economic development, and to assist industrial and commercial enterprises in raising capital.

As a public-interest corporation, TSEC is governed by its Board of Directors consisting of fifteen directors and three supervisors. As stipulated by the Securities and Exchange Law, at least one third of the directors are securities professionals appointed by the SFC. The remaining positions are elected from among the shareholders at the shareholders' meeting.

The term of office for directors and supervisors is three years, and they may be re-designated or re-elected. The directors choose among themselves a Chairman who represents TSEC, and the supervisors choose among themselves one Resident Supervisor.