

# Taiwan Stock Exchange Corporation

## Press Release

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Corporate Planning & Strategy Department

### **TWSE Hosted the International Forum as part of the "Honor 20 ETF Launches Wealth Expo", Exploring Opportunities in ETF Development**

Coinciding with the 20th anniversary of ETF listings, the Taiwan Stock Exchange (the TWSE) held the "Honor 20 ETF Launches Wealth Expo" on August 11-12. The international forum on ETFs took place on the morning of August 11, inviting foreign exchanges and international index companies to collectively explore the future trends of ETFs and indices. The international forum attracted more than 150 guests from the asset management and securities industries to participate in the event.

Mr. Lih-Chung Chien, President of the TWSE emphasized that Rome wasn't built in a day. The remarkable achievements of the ETF market's 20-year development are the result of the collective efforts of regulatory authorities, the TWSE, and industry players. They have diligently cultivated the ETF market, driving product diversification. Currently, there are over 230 ETFs, with a total AUM surpassing NT\$3 trillion, and the number of beneficiaries has exceeded 6.5 million, making ETF investment a new national movement. He expressed the hope that through forum discussions, more innovative products could be generated, leading everyone to look towards the future and write a new chapter in Taiwan's ETF market history.

The international forum consisted of two panel discussions. The first panel, titled "Unveiling the Next Generation of Global ETF," was moderated by TWSE Dr. Albert Chou, Vice President of Corporate Planning & Strategy Department. He highlighted that Taiwan's ETF market has experienced steady growth in terms of both the number of ETFs and their scale. Notably, the rapid growth of fixed income ETFs was observed, with an increase in demand for "stable dividend" investments since the exemption of the securities transaction tax for bond ETFs in 2017. This has led to a swift rise in the number of investors holding bond-related thematic ETFs. Furthermore, the TWSE launched the ETF integration information platform "ETFfortune" on August 11, 2023. This platform employs visual analytical tools to consolidate market statistics, providing the latest information on ETF products and investment-related multimedia content. Investors can also utilize quantitative or qualitative indicators to swiftly filter through ETF screener.

The first panel discussion speakers included Jean-Francois Mesnard-Sense, Head of Exchange Traded Products, Hong Kong Exchanges and Clearing Limited; Sung Chun Kim, Head of ETF Market, Korea Exchange; Joyce Ip, Head of APAC Index Licensing, Nasdaq; Keiji Maegawa, Senior Manager, New Listings & ETF Market Development

Department, Tokyo Stock Exchange, Inc. They shared insights on the current state and future trends of their respective markets, with a primary focus on innovative ETFs.

Japan, as the largest ETF market in Asia, possesses an overall ETF asset size of around 60 trillion yen. The Bank of Japan remains a predominant holder with about 80% of the market share. The use of ETFs by investors other than the BOJ is also steadily increasing. Last year, a significant portion of newly launched ETFs focused on foreign assets and thematic themes. This year, there are plans to list active ETFs in the coming fall. Furthermore, Japanese issuers are also devoted to developing new products, aiming to attract individual retail investors.

The ETF market in Hong Kong is characterized by product diversity. Last year, new listings included thematic ETFs such as low-carbon, green bonds, metaverse, and virtual assets. Following the footsteps of the United States, Canada, Brazil, and Australia, Hong Kong became the first in Asia to introduce a cryptocurrency asset ETF, demonstrating its leadership in product innovation and variety. Moreover, in July 2022, ETFs were inclusion into the Stock Connect program between China and Hong Kong, further enhancing the market's robust trading momentum.

In 2023, the newly launched ETFs in Korea primarily encompass sector-based, market capitalization-based, and bond-based ETFs. Among them, nearly half are active ETFs. Domestic fixed-income ETFs are gaining popularity among investors due to their ability to provide stable cash flows. Foreign securities ETFs, such as those tracking the U.S. stock market or technology sectors, are also gaining market favor. Looking ahead, the Korean exchange plans to further relax regulations on active ETFs and change current tick size for ETFs, aiming to invigorate the ETF market.

The global ETP market's AUM has reached \$10.38 trillion, with the U.S. market accounting for more than \$7.36 trillion across over 3,000 products. In the first half of this year, fixed-income ETPs in the U.S. witnessed higher inflows than equity-based products. Active ETFs have sustained their growth momentum, and their market share could quadruple to 20% within the next 5 years. Personalization and Customization indexing solutions are also expected to gain in popularity.

Looking ahead, fixed income, ESG, and active ETFs are expected to continue gaining favor among investors. ETP products will persist in leading the global investment trends and become an indispensable component of investment portfolios.

The second panel discussion, "The Evolution of Index Investing: Opportunities and Challenges in a Changing Landscape," was hosted by Ms. Christine Cho, the President of Taiwan Index Plus, the wholly-owned subsidiary of the Taiwan Stock Exchange. Ms. Cho began by stating that over the past seven years, Taiwan Index Plus has compiled nearly a hundred Taiwan stock indices with diversified characteristics to meet investment needs. These indices have been authorized for

the issuance of ETFs, ETNs, and were used by asset management institutions as performance benchmarks, showcasing their versatile applications. Taiwan Index Plus aspires to be the premier partner for index-based investment across Taiwan, fostering diversity in the capital market's offerings and achieving the goal of index innovation and value creation.

Panelists included Chris Williamson, Head of Asia Pacific Index Investments Group at FTSE Russell; Magnus Cattan, Vice President, Head of Fixed Income & Data Services, APAC at ICE; Douglas Walls, Managing Director, APAC Head of Index and Analytics at MSCI; and Tim Brennan, Managing Director, Global Head of Capital Markets and Exchange Strategy at S&P Dow Jones Indices. Initially, the panelists engaged in a profound discussion about the innovative trends and applications of index investing in the context of recent macroeconomic fluctuations caused by factors such as the COVID-19 pandemic, wars, and inflation. MSCI pointed out that the global economy and financial markets faced so many different headwinds simultaneously, and have intersected with longer-term, structural trends that are reshaping the investment landscape. This includes the expansion of index investing and the increased focus on climate change and its impact on portfolios. S&P DJI shared insights on index investing that are gaining in popularity during times of uncertainty and turbulence, highlighting that ETPs have become a mainstream investment tool for investors. ICE expounded on significant trends in thematic product development, including AI, high dividends, high yields, electric vehicles, and biotechnology. FTSE Russell mentioned that Taiwanese investors are increasingly showing interest in products related to other Asian regions, high dividends, high yields, and ESG themes.

Subsequently, the panelists delved into the topic of global net-zero, ESG index, and responsible investment development trends. Attendees unanimously acknowledged that issues related to low carbon, climate, and net-zero transformations have become crucial factors influencing investment decisions. More and more investors are focusing on achieving environmentally sustainable investment goals. They shared their perspectives on ESG and explored how to integrate ESG considerations into the investment process, assisting investors in addressing greenwashing.

The international forum has completed successfully, and we extend our gratitude to experts from both domestic and international arenas for sharing their knowledge and experiences. Their contribution has greatly enhanced international ETF development understanding and gained insight into the trends of index investing for participants in the domestic market. The TWSE will continue to position with international trends, enhance financial innovation, and deepen market promotion. We look forward to the next glorious twenty years of ETFs.



Mr. Lih-Chung Chien, President of the TWSE, delivers his remarks.



International forum guest group photo.



「Unveiling the Next Generation of Global ETF」 panel discussion



「The Evolution of Index Investing: Opportunities and Challenges in a Changing Landscape」 panel discussion.