

TDCC

Taiwan Depository & Clearing Corporation

臺灣集中保管結算所



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TDCC Releases Internationally Recognized CSR Report

As the first internationally recognized Corporate Social Responsibility (CSR) report among the securities & futures peripheral organizations in Taiwan, the 2017 CSR report of TDCC was certified by the world renowned DNV GL conforming to VeriSustain™ protocol and AA1000 from AccountAbility™.

All entities are carrying out and contributing to their corporate social responsibilities worldwide. For the sustainability of the market development, here in TDCC, everyone is vigorously participating in all charitable events, when possible; realizing the very notion of giving back to the society for many years. In addition to popularization of finance education and the awareness of environmental protection, TDCC also puts our care for the communities into action, successfully implementing 13 of the 17 UNDP's Sustainable Development Goals (SDGs) with our professional knowledge.

In the recent years, TDCC has been sincerely zealous for the industry's digitization, and advocating the platform concept in innovative thinking, hence broadening the connections among platform operators, information communication technology industry and FinTech companies. The range of our services has also been widened from the conventional B2B to various B2C categories such as ePassbook and StockVote.

The content of TDCC's first CSR report is in accordance with G4 Sustainability Reporting Guidelines of Global Reporting Initiative and validated by DNV GL.



The 2017 CSR report of TDCC was released in our shareholders' meeting and distributed to our stakeholders, including stockholders and participants with great significance. Our prospects for the future continue to be actively caring and giving back to our community, fulfilling our corporate social responsibilities and questing for a better society so as to fuel benevolent and uplift energy to the world.

TDCC and Broadridge Achieve 100% E-voting for Shareholder Meetings in Taiwan

Automation of shareholder voting a big step forward in enhancing corporate governance and increasing transparency in annual general meetings

Taiwan Depository & Clearing Corporation (TDCC) and Broadridge Financial Solutions, Inc. (NYSE:BR), a leading provider of technology-driven solutions for financial firms and corporate issuers globally, are pleased to announce that the Taiwan market has achieved 100 percent e-voting for shareholder meetings. This milestone brings with it increased transparency for annual general meetings (AGM) for shareholders in Taiwan and enhanced corporate governance.

Sherman Lin, Chairman and CEO of TDCC, commented: "TDCC has been continuously developing services that enhance active ownership, and promoting e-voting and the stewardship code among institutional investors in Taiwan. As a result, wider participation of institutional investors has been achieved, and the shareholders' meetings have become more effective and efficient concerning voting by poll as well as a nomination system for candidates of directors and supervisors. All of these services have contributed to a better corporate governance in Taiwan."

Achieving 100 percent e-voting follows an August 2014 agreement between Broadridge and TDCC to establish direct links between Broadridge's global proxy service and the Taiwan bourse's then newly adopted electronic voting system, StockVote. This link brought the benefits of StockVote to foreign shareholders voting in Taiwan for global custodians and their institutional investor clients. Prior to this development, voting in Taiwan was handled primarily by local banks and often required locally registered shareholders to physically attend meetings, a stipulation that complicated participation by overseas shareholders.

Demi Derem, General Manager of Broadridge's Investor Communications Solutions International, commented: "We are proud to have worked with TDCC to help transition the Taiwan Stock Market to 100 percent e-voting in less than four years. The adoption of Broadridge's direct vote submission service enabled the Taiwan market to replace manual processing of shareholder voting with straight-through processing (STP) via electronic file. STP enables a standardized and automated cross-border voting process that ensures smooth, accurate and cost-effective execution for custodian banks."

According to Derem, Broadridge has seen increased interest from central clearing houses globally in STP for electronic shareholder voting. Broadridge provides governance solutions in approximately 100 markets, processing 80 percent of outstanding shares in the United States and over 50 percent for the rest of the world.

In 2017, TDCC conducted data analysis on Taiwan's e-voting. The study has shown that the StockVote solution has had a significant impact on both shareholder meetings and shareholder voting patterns in Taiwan. This includes higher efficiency through cutting the duration of shareholder meetings, increasing the incidence of voting participation among local and offshore shareholders and enhanced corporate governance based on the positive correlation between companies that have adopted e-voting and higher corporate governance ratings. By achieving 100% e-voting among all listed companies, Taiwan's market will see a better corporate governance environment from this point forward.

TDCC Provides Foreign Issuers with Call (Put) Warrants Book-Entry Operation Services

The warrant market in Taiwan has been booming. Take 2017 for example, there were 28,515 call (put) warrants issued in total, with turnover in value reaching NT\$ 810.9 billion. This development has given rise to foreign institutions' issuance of call (put) warrants in Taiwan. The authority hence stipulated conditions for foreign issuers to acquire warrant issuance qualifications. Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) also enacted regulations on foreign call (put) warrant issuers' market making and hedging. TDCC has accordingly created book-entry services to meet not only the requirements of authorities' management of securities dealers and foreign investors but also participant's demands for operation.

In compliance with regulations from the authority, TWSE and TPEX, TDCC regulates that foreign institutions' branch or its subsidiary's branch in Taiwan as participant of TDCC and provides call (put) warrants book-entry services, including issuing registration, clearing and settlement for both transaction and exercise, cancellation and write-offs at due date.

The complete and efficient back-office function created by TDCC for securities firms' call (put) warrants book-entry has a positive effect on market activity. Since the service has been launched in Jan 2018, the number of call (put) warrants issued by foreign issuers was about 750 at the end of April 2018.

TDCC Promotes Issuers' Electronic Application for Commercial Paper Registration

To comply with the authority's policy and meet the market demands, TDCC promoted CP2 and CP in foreign currencies issued in the form of registration, and the procedure went live on September 18, 2017. From the inception to May 9, 2018, TDCC finished almost 3,200 registration accounts opened for issuers and processed 41 thousand CP2 registrations with the total amount of NT\$ 8.1 trillion by 2,725 issuers.

In response to the authority Financial Supervisory Commission, whose efforts in FinTech promotion, TDCC actively implements CP2 issuer's electronic application for registration, and has worked with leading well-known issuers, currently including government-owned companies, financial holding companies, securities firms and large private enterprises, etc. These businesses have already adopted electronic application for registration as a part of Corporate Social Responsibility. TDCC will continue to promote electronic registration and hope there will be more enterprises adopting this new mode. This new measure means that labor cost and manual handling risk will be reduced and that market operation efficiency will be drastically improved; therefore, government policy of establishing a digital financial environment will be implemented.



TDCC's Cross-Border Custody Service

TDCC has successfully accomplished Authority's mission to provide custody service for insurance industry that assists them in comply with the regulation for Foreign Bond (listed in Taiwan) in 2017.

TDCC has performed the custody service to overseas Bond market since 1991, creating the linkage to major market players, the Euroclear and Clearstream, by working closely with each other. In 2015, with Authority's policy of "Financial Import Substitution", TDCC was assigned to support insurance industry to move their overseas' investment back to Taiwan, and TDCC has broaden its business scope and created added values to this service. Up to now, 100% of Foreign Bond (listed in Taiwan) held by insurance industry has been under custody by TDCC.

By establishing Cross-Border Custody Service (CBCS), TDCC provides a bilingual interface to create user-friendly functions. The CBCS system has also adopted SWIFT automation mechanism in settlement transactions and corporate actions processes that generate great efficiency and effectiveness to users. In 2018, TDCC is scheduling to widen its product line to equity market, which will include United States, United Kingdom, France, Germany, Japan, Singapore and Hong Kong.

TDCC has endeavored itself to provide secure and convenient services to Taiwan market. TDCC's cross-border service not only supports insurance industry, but also becomes a good solution to securities firms and domestic banks for overseas assets management.

Transaction Flow: Segregate a/c



Supporting Taiwan Investors to Hold Global Assets

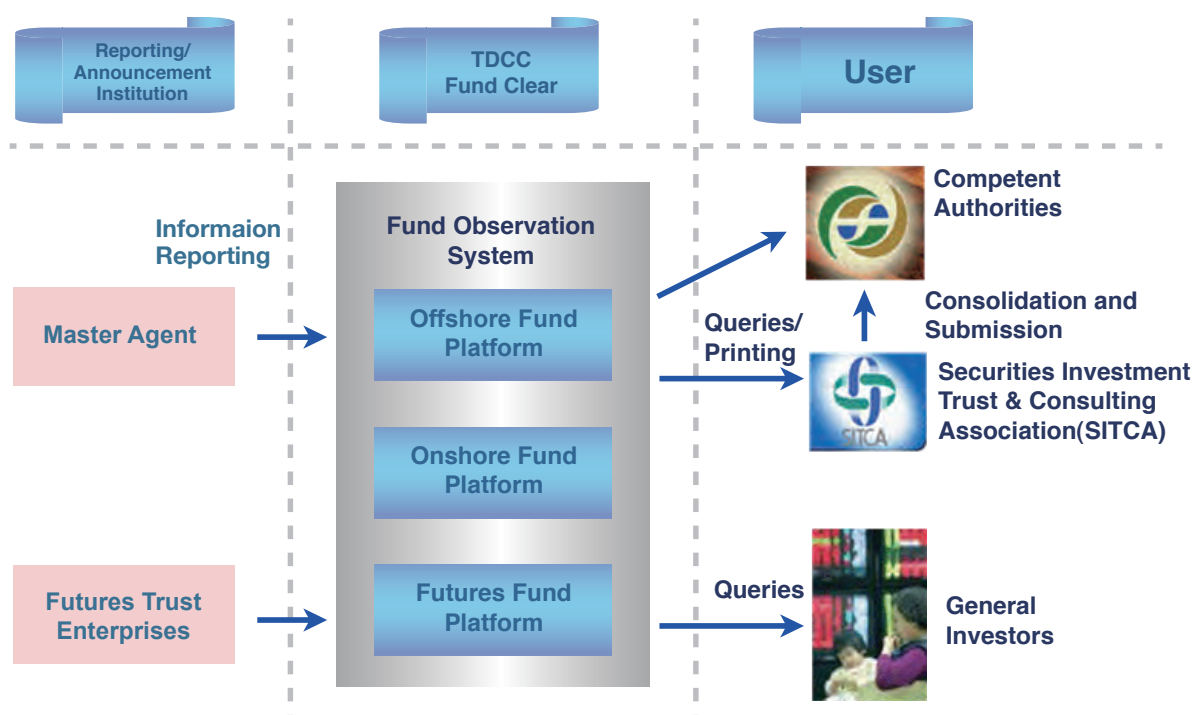
Optimal local solutions to link with global CSDs:

- ☐ Bilingual interface
- ☐ Consulting services
- ☐ Automation of all settlements and corporate actions

The Integration of Onshore and Offshore Funds Single-Entry Information Service Platform at TDCC

For years, investors have been relishing the convenience of the Offshore Fund Information Reporting and Announcement Platform. Occasionally, when the information about onshore funds was inquired, the investors, however, must go through separate channels, namely the Market Observation Post System by TWSE, and utilize the functions on the Securities Investment Trust & Consulting Association (SITCA) website. Based on the purpose of administering comprehensive fund information inquiry amenities, all the related data and statistics have been consolidated and made available for single-entry information queries under the “Fund Clear” of TDCC. Such integration has been actively serving the market since March of 2018.

To optimize the user experience and the web queries proficiency, TDCC has also made adjustments in the information reporting and announcement platform webpage for both the offshore funds and futures trust funds concurrently. With the friendly upgraded user interface of the “Fund Clear”, in addition to cinch market statistics and analysis for various types of funds in all regions and currencies, investors can now effortlessly attain the market insights by observing the Net Present Value Charts and the sorted listing of the price fluctuation. Moreover, they can easily access all the necessary fund documentations such as basic information (on/offshore funds), fund prospectus and investor brochures as well. Likewise, the competent authority can take instantaneous control and monitor the market so as to make policies accordingly with this single-entry information service platform.





TDCC's Core Information System Upgrade

The securities depository system is a key component of TDCC's information system. Since its establishment in 1989, the size of the system repair has become increasingly large and complex due to the company's business development, including the increase in the number of participants, the types of securities under custody, the business functions, and the category of accounts. Therefore, TDCC has decided to implement the relevant improvement plans for the securities depository system.

Core information system upgrade in two stages:

I .Stage One: establishment of the report production system

TDCC replaced the large dedicated host, which would take a long time to produce a variety of reports, with an open one with production software. This has effectively reduced the processing cost for participants in producing reports, and with data encryption, the operating safety and efficiency have been markedly enhanced. The production system was initiated on December 16, 2011, and officially came online on September 16, 2013. The system is capable of producing 886 different types of reports. Notably, a total of 12,000 reports are produced and distributed to 2,000 participants on a daily basis.

II .Stage Two: conversion of the core securities depository system

TDCC began the conversion project in June 2014 in collaboration with IBM. The main improvements are as follows:

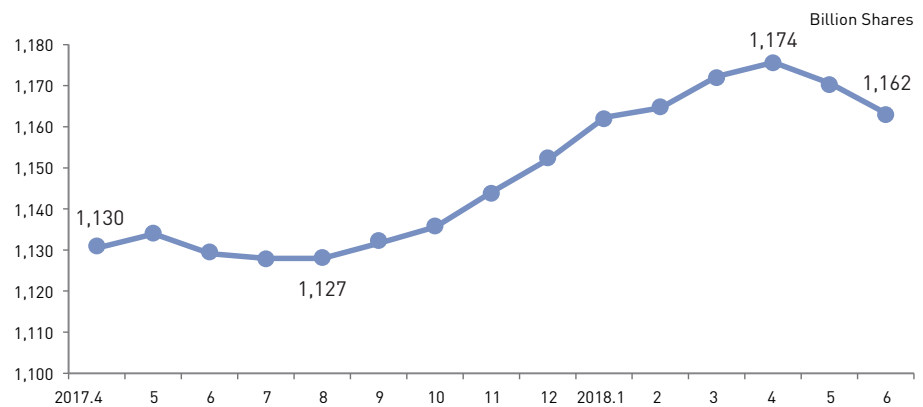
1. Switching to an open host from a dedicated one.
2. Replacing the hierarchical database with a relational database.
3. Improving the structure of core accounting and financial data.
4. Modularizing application functions, along with business optimization.

The system came on stream on April 9, 2018, after 46 months of system analysis, design, development, inspection and acceptance, as well as multiple rounds of test runs to make sure that the new system can perform the desired functions with satisfactory efficiency.

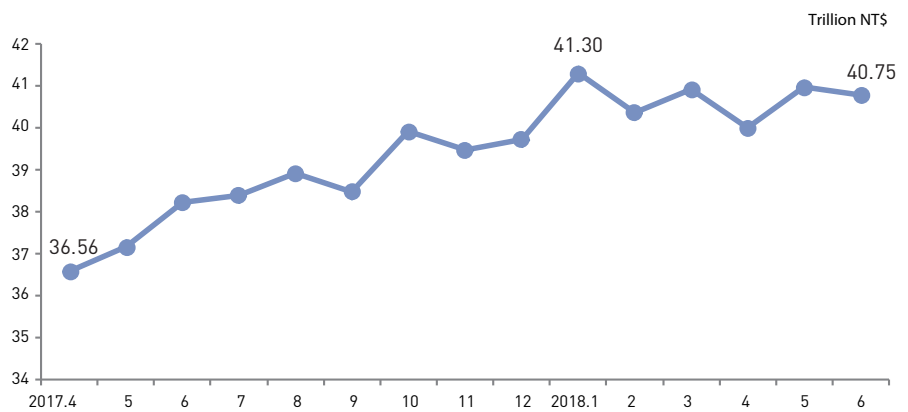
TDCC and IBM adopted the MQ COA/COS mechanism to synchronize the old and new systems, which means transactions taking place on the old system were also documented simultaneously on the new system. The development team ran the two systems in parallel for one year to make sure that the new system functions properly and consistently.

Going forward, TDCC will continue to improve the efficiency of the system through more optimization projects to ensure the best service quality for market participants.

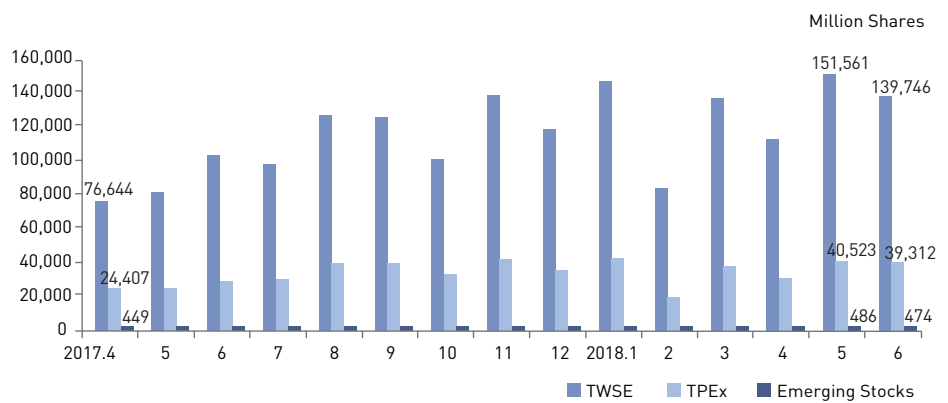
Equities in Custody
(Shares)



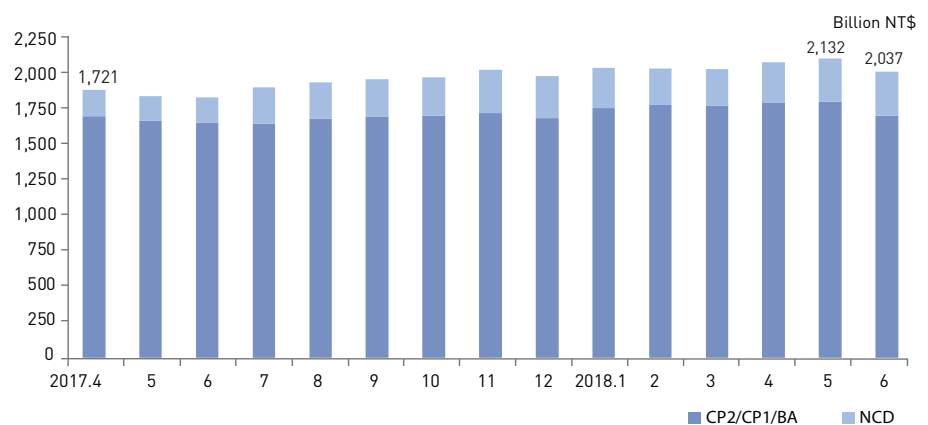
Equities in Custody
(Market Capitalization)



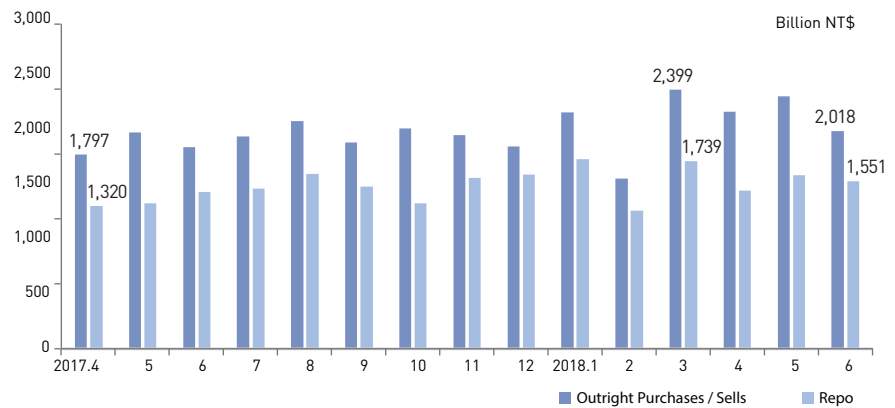
Book-Entry Operations
(Shares)



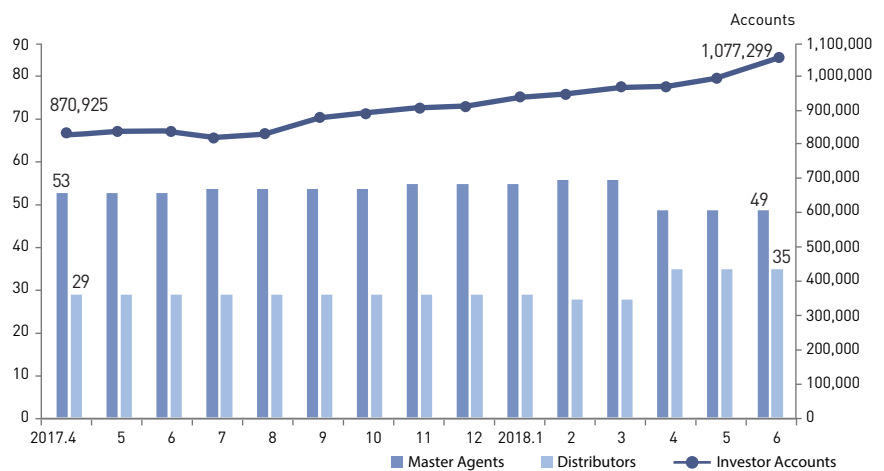
Short-Term
Bills in Custody



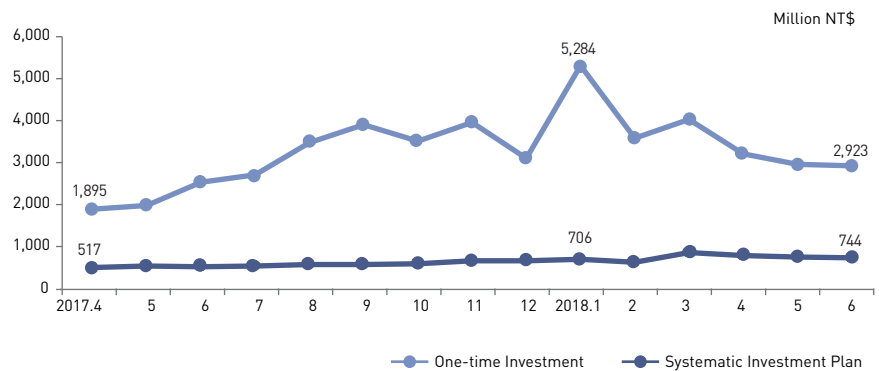
Secondary Market Clearing & Settlement of Short-Term Bills



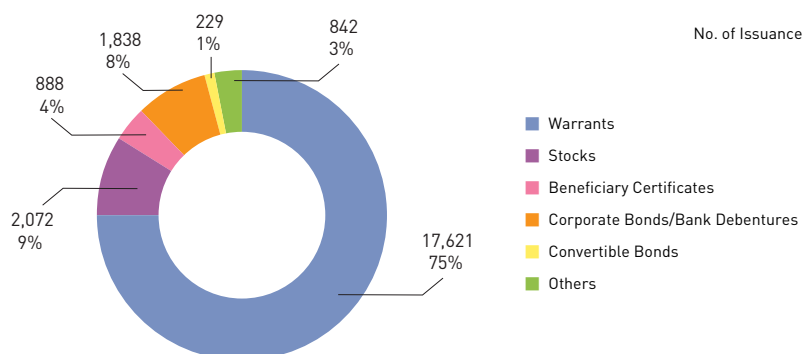
Offshore Fund Operations



Offshore Fund Subscriptions



Registration of Dematerialized Securities



Taiwan Stock Museum: Transition and Summarization Halls

Circular Theater: presenting a short play—the Happy Town

The short play explains the benefits and background of TDCC's establishment by presenting the loss, damage and forgery risks a retail investor could face with his or her securities in a humorous manner.

Eight checkpoints of centralized custody

Stock certificates handed to TDCC for centralized custody will go through eight checkpoints to ensure safety of the securities.



Vault management

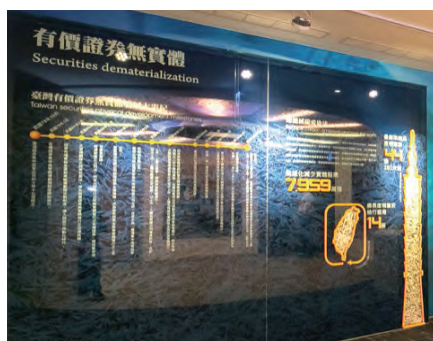
The vaults that TDCC uses to store physical securities are well-designed with fire-, rat- and moisture-proof mechanisms as well as a security system to prevent a break-in.

Special exhibition area

The themes of exhibition in this area change on a case-specific basis. Between the commencement of the museum and November 2013, this area showcased some of the government-issued securities in early days. From December 2013 to November 2014, the Patriot and National Salvation Bonds were presented to the public. The stocks of some of the famous family businesses in early days are currently on display.



Milestones and benefits of securities dematerialization



Acer was the first listed company in Taiwan that converted all its shares to dematerialized form in March 2002. In December 2009, the Financial Supervisory Commission requested TDCC to achieve full securities dematerialization in several phases over the next three years, and later approved the action plans and conversion projects proposed by TDCC. On July 29, 2011, TDCC achieved full dematerialization of securities, 17 months ahead of the original target. Since then, all companies listed on the TWSE and TPEx markets have issued shares in paperless form.

Securities dematerialization can reduce the issuance cost, enhance operating efficiency and safeties and eliminate risks of securities loss, damage and forgery. More importantly, it is in line with the government's policy to reduce carbon footprint, and will facilitate the globalization of Taiwan's securities industry as dematerialization is the market mainstream across the world.



Chairman & CEO Mr. Sherman Lin (second row, left 4) attended the First Presentation Conference on National Risk Assessment of Anti-Money Laundering on 2 May 2018, and took a group photo with Lai Ching-te (front, left 4), Premier, Executive Yuan of R.O.C., FSC Chairman Mr. Wellington L. Koo (front, left 3), Minister, Ministry of Justice Chiu Tai-san (front, right 4), and other officials.

TDCC president Mr. Ching-Li Meng (middle) donated a charity check to 7 primary and secondary schools on behalf of the company on April 14, 2018.



Chairman & CEO Mr. Sherman Lin (right 2) attended the 43rd IOSCO Annual Conference in Budapest between 7 and 11 May 2018, and took a group photo with Ms. Yung-Hsin Wang, Director-General, Securities and Futures Bureau, FSC (right 3), delegates of Vietnam Securities Depository (VSD), and other guests.



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