

TDCC held a seminar entitled "Meeting the New Era of Full Securities Dematerialization"

In this issue:

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Mr. Yuh Chang Chen, Chairperson of FSC, visited TDCC on May 25th, 2010.

On 15 April 2010, TDCC held a seminar entitled "Meeting the New Era of Full Securities Dematerialization," part of its efforts to vigorously promote the policies of the competent authority and to help issuers and investors understand the advantages of scripless securities issuance and the supporting implementation measures. Reflecting the desire to help Taiwan move into a new era of full securities dematerialization at an early date, representatives of the competent authority, academicians and experts, and industry members were invited to take part in a discussion which focused on the current status of securities dematerialization, operational practices, and related benefits.

TDCC Chairman, Dr. Tony C. C. Fan: Planned, Step-by-Step Implementation to Approach 80 Percent Target by Year-End

Currently 95 percent of investors' stocks are already held in centralized custody, and over 90 percent of issuing companies have experience with dematerialized issuance. For these reasons, we feel the time is ripe for promoting the final stage of "full" dematerialization. Successfully achieving that goal will require that we set up a comprehensive plan with clear steps for promoting dematerialization, one that can be smoothly carried to completion without impacting the rights and interests of investors.

To implement the policy of full



Speakers of "Meeting the New Era of Full Securities Dematerialization" Seminar

securities dematerialization, TDCC, in cooperation with the competent authority, is promoting the policy in two phases. The first phase involves simplifying operations and providing incentive packages to encourage issuing companies to convert their shares to dematerialized form. The number of issuers doing so is increasing every month, and by year-end we hope to reach the goal of conversion by as many as 80 percent of issuers. The second phase, to begin early next year, will involve amendments to relevant laws and regulations along with an appropriate grace period in which the remaining issuing companies will be required to follow suit. We anticipate that this phase will have been smoothly brought to completion by the end of 2012.

Wang Yung-hsin, Deputy Director, Securities and Futures Bureau: Full Dematerialization of Securities to be Completed by 2012

In December of 2009, because the conditions for implementation of full securities dematerialization had matured, the Financial Supervisory Commission announced that implementation would be phased in over a three-year period. In the first phase, exchange-listed, GreTai-listed, and emerging market companies with physical stock certificates still in circulation will be encouraged to convert their shares to scripless form. In the second phase, based on the effectiveness of implementation, there will be accompanying amendments to laws and regulations and an appropriate grace period, with full dematerialization of securities through mandatory dematerialization planned to take place by the end of 2012.

TDCC was especially charged with carrying out the work of dematerialization, and under the leadership of TDCC Chairman Dr. Tony C. C. Fan, in just three months it was able to hold over 20 informational meetings and visit more than 1,000 issuers and transfer agents. At the same time, it also offered numerous incentives and

measures to simplify operations to increase issuing companies' willingness to participate and to lower the related costs. Today I would like to once again recognize the efforts of TDCC in this area. In addition, I would like to call upon all exchange-listed, GreTai-listed, and emerging market companies to take advantage of each of these incentives and to do their utmost to cooperate with implementation of the dematerialization policy, so that Taiwan can enter the new era of dematerialized securities at the earliest possible opportunity.

Ting Ke-hua, Chairman, Securities and Futures Institute: The Development of Dematerialized Securities Will Come About Naturally Through an Orderly, Gradual Process

As we look back over the development of dematerialized securities in Taiwan, we should first mention the establishment of TDCC in 1989, which allowed transfers of physical certificates to be replaced by book-entry transfers. In 1995, the implementation of a system for fully book-entry transfers of funds and securities in all settlements further increased the ratio of securities under centralized custody, greatly reducing the volume of physical certificates in circulation and thus helping to "immobilize" securities. A system for dematerialization was introduced in 2000 and 2001, and beginning from 1 July 2006, the most crucial aspect of Taiwan's process of securities dematerialization took place when scripless issuance became mandatory for all initial public offerings by exchange-listed, GreTai-listed, and emerging market companies, and for new shares issued in capital increases.

The important phases of development mentioned above indicate the strong degree of confidence in the system for centralized custody and the mechanisms for registration of uncertificated securities. Investors quickly became accustomed to scripless operations, and their purchase and sale transactions are handled entirely through

book-entry transfers. Add to that the fact that nearly 90 percent of issuing companies have experience with scripless issues, and we can see that all the conditions are in place, and that full securities dematerialization is proceeding naturally in accordance with those conditions.

Dr. Len-Yu Liu, Professor of Law, National Chengchi University: Advanced Markets Show that Dematerialization is an International Trend

Two main points can be generalized from observing the process of implementing dematerialization of securities in various countries: The use of phased-in implementation and the accompanying amendment of laws and regulations.

Because dematerialization affects the market at many levels, adjustments to operations have to be made at each link in the chain, from issuing companies to securities firms and investors. For that reason, most markets adopt phased-in implementation, reducing the level of doubt and unfamiliarity that market participants experience with respect to dematerialization and allowing smooth implementation of the policy. Such phased-in implementations can be broadly divided into two types, based in the first case on the methods by which policy is executed, and in the other, on differing categories of financial products. The first approach is represented by France, which used the three phases of educational promotion, mandatory conversion, and mandatory processing of physical stock certificates, while Japan has taken the latter approach, applying dematerialization successively to commercial paper, bonds, and then stocks.

Huang Min-chu, Chairman, Taiwan Securities Association: Thoroughly Resolving Operational Risks to Securities Firms in Handling Physical Stock Certificates

Taiwan securities firms are all supportive of the government's policy of full securities dematerial-

ization. The Taiwan Securities Association, in cooperation with TDCC, has launched a service, "Collection of old stock certificates for full dematerialized securities," in which securities firms throughout Taiwan collect and convert stock certificates in cases where shareholders of issuing companies with fully dematerialized issues still hold physical certificates, assuming that those shares have not been pledged or transferred, or that transfer of title has been carried if transfers have taken place. The service is provided as a convenience for investors, who can make fewer trips to issuing companies and spend less time and money on mail deliveries.

Jiang Yu-sin, President, Public Company Shareholder Services Association of the ROC: Concurrent Use of Certificated and Uncertificated Shares is an Added Burden on Shareholder Services Operations

Currently, shares in Taiwan may be either certificated or uncertificated. This requires shareholder services units to maintain information systems and operational procedures to deal with both types, and introduces an extra risk of error into operations. If stock issuance were fully dematerialized, this two-tier system could be unified into a single set of procedures, which would both reduce administrative costs and significantly increase the efficiency and security of operations.

Wang Ying-jyun, Director, Wistron Group Shareholders Service Office(The former Director of Acer Shareholders Service Office) : Reducing Costs, Acer Leads the Way in Fully Dematerialized Issuance

Amendments to the Company Act in 2001 provided a legal foundation for dematerialized issuance of securities, and in 2002, following its merger, Acer became the first company in Taiwan with a fully dematerialized share issue. The move saved it over NT\$1 million in fees compared to the print-

ing of physical certificates, while also saving the time required for printing and certification and allowing the company's shares to resume trading at an earlier date.

Therefore, for issuing companies, not printing physical certificates allows them to save the time and the cost involved in printing and certification, as well as the extensive manpower and costs for custody of and inventory of physical certificates. In addition, dematerialization of shares has removed the previous risks of theft, counterfeiting, or alteration of the physical certificates.

Ye Long-guei, Chinatrust Vice President: Investor Rights and Interests are Fully Protected with Secure, Convenient Book-Entry Transfer Services

Currently, nearly 95 percent of stock transactions are carried out through passbooks held for stocks in centralized custody. Investors long ago became accustomed to not holding the physical shares themselves, which could be considered a kind of dematerialized securities holding system. The transition from physical shares to dematerialized issues by companies will not affect investors' rights and interests in any way. The transition will bring nothing but positive benefits for investors, who should be happy to see the era of dematerialization approaching.

Jerry G. Fong, Professor, National Chengchi University College of Law: Implementing Dematerialization through Appropriate Amendment of Laws and Regulations

From an international perspective, all countries that have carried out dematerialization have undertaken legislation to help achieve that goal, and this is an area that should not be neglected by Taiwan. The circumstances here in Taiwan seem suitable for a phased-in approach, in which basic laws are amended first (i.e., the Securities and Exchange Act and the Act Governing Bills Finance Business), after which TDCC would be provided with the

legal basis necessary to allow it to deal with any other issues in respect of dematerialized securities that develop as a consequence, and finally, laws such as the Securities Investment Trust and Consulting Act would be amended. This kind of phased-in implementation and amendment of individual laws can provide appropriate regulation for different kinds of securities and allow us to more easily achieve the government's goals for the implementation of securities dematerialization.

Meng Ching-li, Senior Executive Vice President, TDCC: TDCC is Vigorously Promoting the Securities Dematerialization Policy and Providing Preferential Measures

(1) The preferential rate program

During the period when issuers are encouraged to convert, TDCC will provide preferential fee rates for registration of uncertificated shares, account maintenance fees, pledge and delivery service fees, and fees for deposit and consolidation of odd lots. The implementation of this preferential rate program from 1 January 2010 has been publicly announced.

(2) Supporting measures

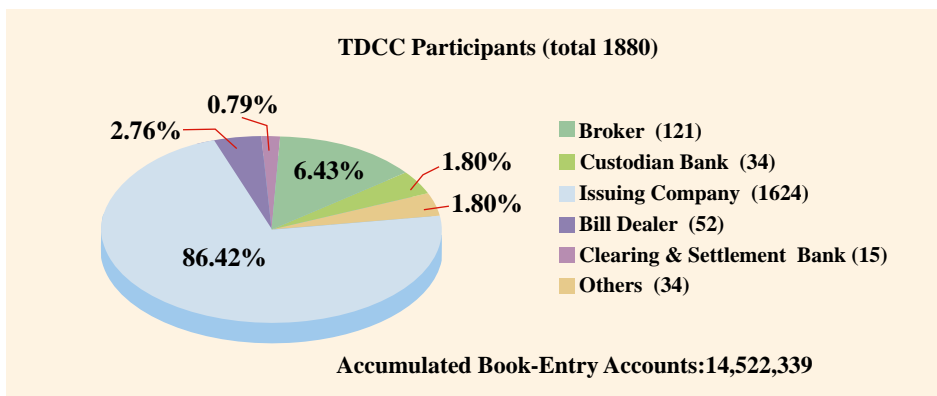
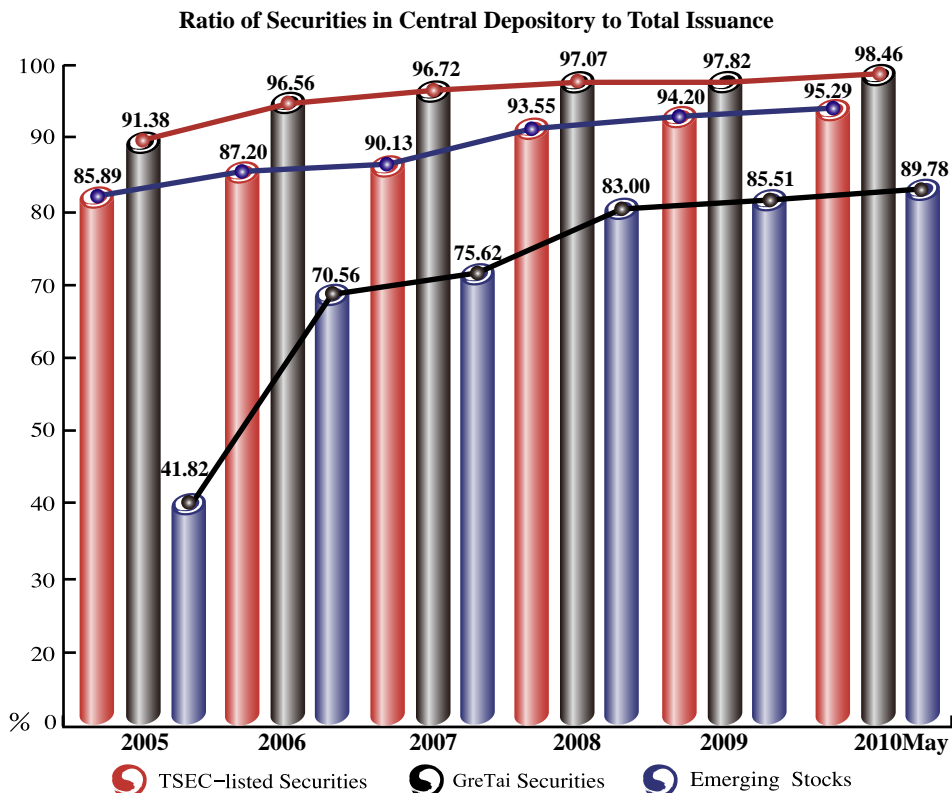
TDCC is also implementing a series of supporting measures:

1. Simplifying procedures for conversion of company stocks to dematerialized issues to allow completion of the procedures from 60 calendar days to 15 business days.

2. After full reissuance of shares in dematerialized form, TDCC will maintain custody of the company's cancelled share certificates free of charge for one year.

3. An incentive reward program totaling NT\$1 million for transfer agents, to help promote full dematerialization.

We anticipate that by June, many companies will have amended their articles of incorporation, and the percentage of companies with dematerialized share issues should grow rapidly.



Statistics of Book-Entry Operations (1,000 Shares/10,000 NT)

Item Year Month	TSEC		GreTai		Emerging Stocks
	Total Trading Volume	Average Daily Trading Volume	Total Trading Volume	Average Daily Trading Volume	Trading Volume
2009 Jun	109,043,132	4,741,006	14,061,285	611,360	325,030
2009 Jul	111,444,428	4,845,410	16,583,323	721,014	431,814
2009 Aug	79,125,574	3,956,279	12,640,508	632,025	340,097
2009 Sep	93,096,525	4,231,660	16,509,059	750,412	534,002
2009 Oct	99,913,011	4,541,501	15,519,102	705,414	523,814
2009 Nov	81,744,357	3,892,588	13,488,888	642,328	431,728
2009 Dec	103,480,848	4,499,167	23,366,561	1,015,937	790,217
2010 Jan	106,392,874	5,319,644	20,733,209	1,036,660	573,514
2010 Feb	47,219,617	3,372,830	8,169,884	583,563	185,517
2010 Mar	81,095,086	3,525,873	19,297,083	839,004	462,979
2010 Apr	91,213,504	4,343,500	22,350,707	1,064,319	548,083
2010 May	73,264,043	3,488,764	16,021,301	762,919	439,003

Statistics of Bills Clearing & Settlement

Million NT

Item Year Month	Primary Market		Secondary Market				Total
	Underwriting/First	Redemption	Buy/Sell	Repo-Open	Repo-Close	Subtotal	
2009 Jun	454,592	482,400	927,036	1,851,260	1,846,228	4,624,524	5,561,516
2009 Jul	484,639	466,721	964,988	1,816,872	1,839,598	4,621,458	5,572,818
2009 Aug	422,058	445,924	891,548	1,699,048	1,735,128	4,343,724	5,211,706
2009 Sep	479,637	482,153	921,078	1,719,660	1,715,782	4,356,520	5,318,310
2009 Oct	471,571	463,462	995,794	1,667,906	1,679,848	4,343,548	5,278,581
2009 Nov	488,380	494,670	984,246	1,568,528	1,586,710	4,139,484	5,122,534
2009 Dec	527,243	551,971	997,172	1,936,192	1,912,898	4,846,262	5,925,476
2010 Jan	516,047	470,227	948,778	1,719,290	1,635,128	4,303,196	5,289,470
2010 Feb	386,212	347,162	727,552	1,426,798	1,415,970	3,570,320	4,303,694
2010 Mar	555,321	532,694	1,038,288	2,016,722	1,973,192	5,028,202	6,116,217
2010 Apr	468,467	474,296	951,838	1,926,886	1,983,014	4,861,738	5,804,501
2010 May	476,036	520,664	964,654	1,921,980	1,907,846	4,794,480	5,791,180

Par Value of Bills and Bonds Under Central Depository

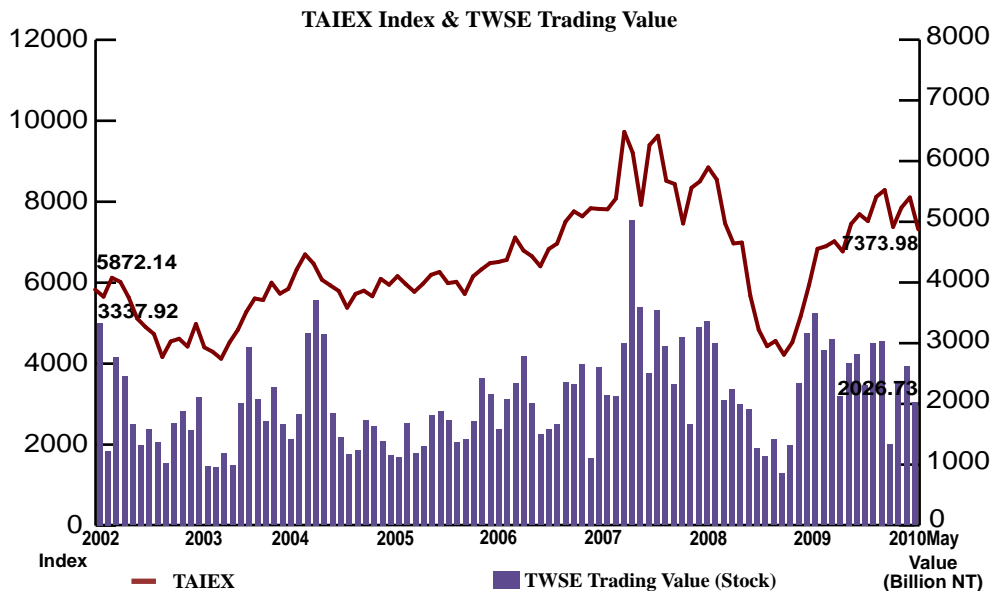
Million NT

Item Year Month	Bonds	Commercial Paper I	Commercial Paper II	Negotiable Certificate of Deposit	Bank Acceptance	Asset Backed Commercial Paper	Total
2009 Jun	1,517,382	120	686,656	5,001	199	35,845	2,245,203
2009 Jul	1,515,076	106	701,047	7,400	195	36,990	2,260,814
2009 Aug	1,535,236	101	673,932	10,977	213	36,652	2,257,111
2009 Sep	1,546,740	106	670,502	11,877	228	36,648	2,266,101
2009 Oct	1,602,731	96	680,193	10,337	257	36,590	2,330,204
2009 Nov	1,635,525	101	670,439	13,828	218	36,594	2,356,705
2009 Dec	1,660,460	155	651,306	9,685	197	35,109	2,356,912
2010 Jan	1,681,130	125	698,134	9,153	137	34,724	2,423,403
2010 Feb	1,694,321	145	736,722	9,658	100	34,699	2,475,645
2010 Mar	1,712,830	129	762,294	9,096	139	32,293	2,516,781
2010 Apr	1,742,552	149	756,564	8,964	155	32,293	2,540,677
2010 May	1,770,775	146	697,333	24,077	142	31,798	2,524,271

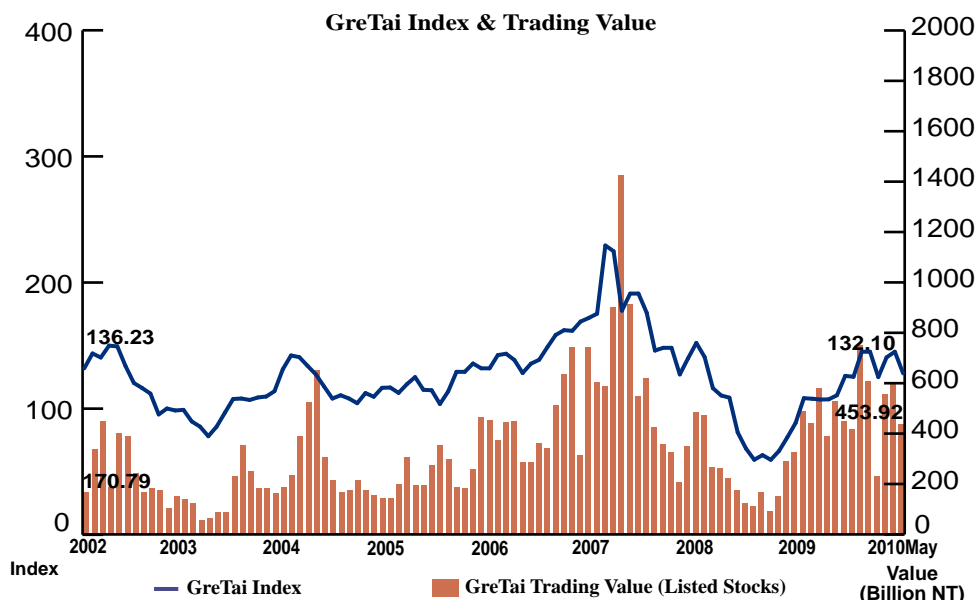
Note: Starting July 2008, the value of bonds are changed from par value to principal balance.

Statistics of Listed Companies

Item Year Month	TWSE				GreTai			
	NO.	Capital Issued (Billion NT)	Par Value (Billion NT)	Market Value (Billion NT)	NO.	Capital Issued (Billion NT)	Par Value (Billion NT)	Market Value (Billion NT)
2009 Jun	727	5,748.13	5,970.03	16,214.57	546	746.62	694.90	1,236.45
2009 Jul	726	5,810.92	5,712.34	17,893.12	548	758.20	709.40	1,471.81
2009 Aug	728	5,839.05	5,709.40	17,329.60	552	772.78	723.30	1,407.04
2009 Sep	730	5,828.37	5,724.42	19,107.80	551	783.82	726.00	1,592.45
2009 Oct	731	5,845.64	5,747.68	18,727.63	551	779.90	726.00	1,547.01
2009 Nov	732	5,860.17	5,745.65	19,402.59	552	779.23	727.00	1,666.78
2009 Dec	741	5,869.58	5,772.90	21,033.64	546	772.72	719.00	1,914.21
2010 Jan	741	5,871.82	5,775.22	19,705.86	548	775.46	723.54	1,693.74
2010 Feb	741	5,870.50	5,771.42	19,158.87	548	776.09	725.18	1,656.95
2010 Mar	741	5,838.24	5,751.69	20,426.04	549	780.61	730.33	1,883.00
2010 Apr	740	5,834.59	5,748.08	20,646.71	550	878.32	731.50	1,941.21
2010 May	741	5,840.95	5,754.49	19,051.87	553	789.79	734.47	1,759.87



Taifex Futures Index: 7325



The Shares and Market Capitalization under TDCC Custody (Million Shares/ Billion NT)

Item Year Month	Physical securities under custody		Dematerialized securities under custody			Total	
	Shares	Market Capitalization	Shares(A)	Ratio (A/B)%	Market Capitalization	Shares(B)	Market Capitalization
2009 Jun	445,219	9,924.64	355,881	41.04	8,393.19	801,100	18,317.83
2009 Jul	448,756	10,881.71	363,106	41.37	9,309.48	811,862	20,191.19
2009 Aug	450,583	10,401.66	372,324	41.89	9,115.85	822,908	19,519.52
2009 Sep	443,223	11,362.62	396,778	43.80	10,423.60	840,002	21,786.22
2009 Oct	444,043	11,041.09	405,450	44.36	10,381.98	849,494	21,423.08
2009 Nov	445,045	11,448.16	416,726	44.97	10,873.08	861,772	22,321.25
2009 Dec	446,387	12,100.88	427,308	45.53	12,254.70	873,695	24,355.58
2010 Jan	435,872	11,114.07	450,488	47.36	11,304.25	886,360	22,418.32
2010 Feb	423,445	10,764.15	472,500	49.14	11,764.15	895,945	22,528.30
2010 Mar	400,667	10,998.86	498,717	51.41	13,094.39	899,384	24,093.25
2010 Apr	371,344	10,651.73	532,565	54.65	13,903.01	903,909	24,554.74
2010 May	352,177	9,560.14	559,122	56.94	13,152.93	911,299	22,713.07