22nd Asia Securities Forum
Taiwan Market Report

CTSA
Chairman
Dr. Hung-Wen Chien
November 27, 2017
**Economy shows some signs of recovery**

<table>
<thead>
<tr>
<th>yoy % change</th>
<th>2015</th>
<th>2016</th>
<th>2017 (Jan-Sep)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>0.72%</td>
<td>1.48%</td>
<td>2.27%</td>
</tr>
</tbody>
</table>
Taiwan Stock Exchange
(NT$ Billions)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017 (Jan-Sep)</th>
<th>Estimated annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAIEX Stock Index (point)</td>
<td>8,338</td>
<td>9,253</td>
<td>10,383</td>
<td>↑ 11%</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>24,504</td>
<td>27,248</td>
<td>30,942</td>
<td>↑ 12%</td>
</tr>
</tbody>
</table>
Securities Market is getting better

<table>
<thead>
<tr>
<th>Bond (NT$ Billion)</th>
<th>2015</th>
<th>2016</th>
<th>2017 (Jan-Sep)</th>
<th>Estimated annual change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bond Issuance</td>
<td>8,497.96</td>
<td>8,525.72</td>
<td>8,502.25</td>
<td>↑ 32%</td>
</tr>
<tr>
<td>Total Bond Trading</td>
<td>8,988.12</td>
<td>8,655.90</td>
<td>5,940.55</td>
<td>↑ 8%</td>
</tr>
</tbody>
</table>
Two Key Issues

1. Tax Reform in Securities Market

2. Deregulation of Laws
Issue 1 - Tax Reform in Securities Market (1)

Taiwan’s securities taxation:

1. Over 60% of retail investors
2. Securities transaction tax: 0.3% of the value traded is levied from selling stocks.
3. Capital gains tax: 15% of gains from selling stocks (From 2013 to 2015)
4. Imposed heavy burdens on investors
5. Complicated accounting practice
Issue 1 - Tax Reform in Securities Market (2)

  1. Investors transfer investment to overseas market
  2. Reinvest in Taiwan’s market to enjoy lower tax
- CTSA spent a lot of effort in revising securities taxation

1. 2015.11 - Abolished capital gains tax
2. 2017.04 - Cut day trading transaction tax by half (0.3% → 0.15%)

→ Stock market has shown significant improvement
# Stock Market Improvement After Tax Reform

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2016</th>
<th>2017 Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of big investors</td>
<td>1,188</td>
<td>396</td>
<td>1,198</td>
</tr>
<tr>
<td>Average daily trading (Billion NT$)</td>
<td>134.6</td>
<td>97.7</td>
<td>152.2</td>
</tr>
<tr>
<td>Day trading /total trading (%)</td>
<td>~</td>
<td>9.6%</td>
<td>23.4%</td>
</tr>
<tr>
<td>TAIEX Stock Index (point)</td>
<td>7,072</td>
<td>9,253</td>
<td>10,383</td>
</tr>
<tr>
<td>Market Capitalization (Billion NT$)</td>
<td>19,216</td>
<td>27,248</td>
<td>30,942</td>
</tr>
</tbody>
</table>
Issue 1 - Tax Reform in Securities Market (4)

Next Step

- 2018.Q1 - Dividend tax reform - Create a fair and practical tax regime
- Adopt separate taxation:
  - Domestic investors -> 26% of dividend tax
  - Foreign investors -> 21% of dividend tax
Issue 2 – Deregulation of laws (1)

1. Approved securities companies to issue Exchange Traded Note products.
2. Approved qualified securities companies to operate foreign exchange business.
3. Approved all types of domestic and foreign institutional investors to borrow securities through the securities borrowing and lending system.
Follow-up Items by CTSA

1. Working with the FSC to enhance corporate governance, and continuing to promote self-regulatory function in the securities industry.

2. Pushing forward the deregulation of laws, and establishing a regulatory sandbox on the FinTech industry.

3. Continuing to work with the FSC on Anti-Money Laundering to counter the financing of terrorism
Thank you for your Attention!