Asia Securities Forum (ASF) 2014
-- The Role of an Exchange in Cross-Selling of Investment Products in Asia

07 November, 2014

Michael Lin
President, Taiwan Stock Exchange (TWSE)
Outline

1) Evolving capital market landscape

2) TWSE market strength

3) TWSE initiatives for regional cooperation
1. Evolving capital market landscape
Major forces driving equity markets

- Innovation and advancements in technology
- De-regulation and re-regulation
- Corporate governance and CSR
- Cross-border boom
- Financial innovation in products and services
Impact

Issuers
>140 Taiwanese issuers listed abroad

Fundraising
Private equity + Overseas financing
NT$ 180bn (2013)

Investment
Outbound portfolio investment > $430bn (2013)
Portfolio Investment Outflow

Taiwanese held overseas investment assets amounting to US$1,438 billion by the end of 2013.

<table>
<thead>
<tr>
<th>Year</th>
<th>Debt securities</th>
<th>Equity securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>16.2</td>
<td>12.5</td>
</tr>
<tr>
<td>2001</td>
<td>20.1</td>
<td>18.5</td>
</tr>
<tr>
<td>2002</td>
<td>35.3</td>
<td>22.9</td>
</tr>
<tr>
<td>2003</td>
<td>63.1</td>
<td>38.5</td>
</tr>
<tr>
<td>2004</td>
<td>81.9</td>
<td>40.1</td>
</tr>
<tr>
<td>2005</td>
<td>101.0</td>
<td>46.4</td>
</tr>
<tr>
<td>2006</td>
<td>108.5</td>
<td>89.3</td>
</tr>
<tr>
<td>2007</td>
<td>110.4</td>
<td>138.6</td>
</tr>
<tr>
<td>2008</td>
<td>118.6</td>
<td>70.3</td>
</tr>
<tr>
<td>2009</td>
<td>133.7</td>
<td>109.2</td>
</tr>
<tr>
<td>2010</td>
<td>165.0</td>
<td>139.9</td>
</tr>
<tr>
<td>2011</td>
<td>178.9</td>
<td>128.1</td>
</tr>
<tr>
<td>2012</td>
<td>226.5</td>
<td>164.1</td>
</tr>
<tr>
<td>2013</td>
<td>261.6</td>
<td>168.7</td>
</tr>
</tbody>
</table>

Sources: CBC
## Outbound Portfolio Investment

**Taiwan sub-brokerage investment (2013)**

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>Amount (US$ mn)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>13,275</td>
<td>37.90%</td>
</tr>
<tr>
<td>U.S.</td>
<td>11,718</td>
<td>33.46%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7,482</td>
<td>21.36%</td>
</tr>
<tr>
<td>U.K.</td>
<td>603</td>
<td>1.72%</td>
</tr>
<tr>
<td>Japan</td>
<td>505</td>
<td>1.44%</td>
</tr>
<tr>
<td>Ireland</td>
<td>404</td>
<td>1.15%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>316</td>
<td>0.90%</td>
</tr>
<tr>
<td>Other Asian countries</td>
<td>176</td>
<td>0.50%</td>
</tr>
<tr>
<td>Korea</td>
<td>148</td>
<td>0.42%</td>
</tr>
<tr>
<td>Australia</td>
<td>139</td>
<td>0.40%</td>
</tr>
<tr>
<td>Germany</td>
<td>110</td>
<td>0.31%</td>
</tr>
<tr>
<td>Singapore</td>
<td>96</td>
<td>0.28%</td>
</tr>
<tr>
<td>Canada</td>
<td>29</td>
<td>0.08%</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
<td>0.06%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35,022</strong></td>
<td></td>
</tr>
</tbody>
</table>
Primary listing: 38 foreign issuers

IPO+SPO NT$ 160bn (2013)

Foreign equity ownership → 34%  
(Aug 2014)

Issuers

Fundraising

Private equity + Overseas financing  
NT$ 180bn (2013)

Investment

Outbound portfolio investment > $430bn  
(2013)

>140 Taiwanese issuers listed abroad
Significant Presence of Global Investors

Source: TWSE
## Inbound Portfolio Investment

### Overseas investment into the Taiwan equity market (2013)

<table>
<thead>
<tr>
<th>Country or Region</th>
<th>Amount (US$ mn)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>82,855</td>
<td>36.41%</td>
</tr>
<tr>
<td>Other European countries</td>
<td>49,882</td>
<td>21.92%</td>
</tr>
<tr>
<td>U.K.</td>
<td>42,987</td>
<td>18.89%</td>
</tr>
<tr>
<td>Singapore</td>
<td>14,928</td>
<td>6.56%</td>
</tr>
<tr>
<td>Saudi-Arabia</td>
<td>2,847</td>
<td>3.54%</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>2,212</td>
<td>2.75%</td>
</tr>
<tr>
<td>Canada</td>
<td>4,847</td>
<td>2.13%</td>
</tr>
<tr>
<td>Hong Kong and Macao</td>
<td>4,597</td>
<td>2.02%</td>
</tr>
<tr>
<td>New Zealand and Australia</td>
<td>3,686</td>
<td>1.62%</td>
</tr>
<tr>
<td>Japan</td>
<td>3,186</td>
<td>1.40%</td>
</tr>
<tr>
<td>Others</td>
<td>6,326</td>
<td>2.78%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>227,562</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. Our market strength
TWSE Industry Diversification

Market Cap % by Sectors

- Technology: 45%
  - Semiconductors: 20%
  - Communications and Internet: 8%
  - Computer and Peripheral Equip.: 6%
- Traditional Industries: 16%
  - Plastics: 7%
  - Oil, Elec., Steel, Chemical: 9%
- Finance and Insurance: 14%
- Others: 25%

Electronic Parts/Components
Information Services
Optoelectronics
Other Electronics

Source: TWSE; as of Aug.31 2014
Robust Fundamentals

- **Reasonable P/E P/B Ratio**
  - Source: TWSE
  - |      | 2010 | 2011 | 2012 | 2013 | 2014(Sep) |
  - | P/E | 16.04 | 15.76 | 23.62 | 18.04 | 16.5       |
  - | P/B | 1.95  | 1.54  | 1.65  | 1.77  | 1.73       |

- **Moderate Turnover Rate**
  - Source: TWSE & GreTai
  - |      | 2010 | 2011 | 2012 | 2013 | 2014(Sep) |
  - | TWSE | 137  | 120  | 97   | 83   | 87         |

- **Superior Dividend Yield**
  - Source: Bloomberg, TWSE
  - |      | 2010 | 2011 | 2012 | 2013 | 2014(Sep) |
  - | Price Return Turnover | 3.6  | 5.7  | 4.1  | 3.3  | 3.72       |
Active Participation by Retails

TWSE Trading Value % by Investor Type

Year 2000
- Domestic Individuals: 86%
- Foreign Institutions: 4%
- Domestic Institutions: 10%

Sep. 2014
- Domestic Individuals: 60%
- Foreign Institutions: 23%
- Domestic Institutions: 17%
3. Our initiatives for regional cooperation
Connectivity of Markets

Cross Marketing  Cross Listing  Trading Link

Enhancing Global Cooperation

TAIWAN
Stock Exchange

AMERICA

ASIA PACIFIC

EUROPE

MIDDLE EAST
Cross Marketing

• To increase publicity in respective markets,
  – Market awareness
    • Primary market
    • Secondary market
  – Product awareness

• Areas of cooperation:
  – Investment conferences co-hosting
  – Market information sharing
  – Joint promotion activities
  – Media exposure
Cross Listing

• Preconditions:
  – Market interest assessment
  – Mutual recognition among authorities
    • Investor protection
    • Information exchange
    • Market supervision

• Potential products: ETFs

• Promotion:
  – Market overview for issuers and other stakeholders
  – Assistance with regulatory compliance
  – Investor education
  – Marketing campaign
Trading Link

- Uphold the trading and post-trading rules of each home market
- Conduct matching, clearing and settlement at executing the exchange and CCP/CSD of home market
- Simplify operating procedures and lower operating costs
Concluding Remarks

Together
We Can Better Serve
Investment Communities

Transparency • Fairness • Diversification