



MASARYK UNIVERSITY  
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# Taiwan Securities Market

Finance Report

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## Introduction

Taiwan securities market originated from Over-The-Counter (OTC). The government issued government bonds in early 1949 and stocks of government-owned businesses such as Taiwan Paper, Agriculture, etc. in 1953. The stock exchange market, named Taiwan Stock Exchange, officially opened and closed the OTC in 1962. "Securities and Exchange Act" (the act) was promulgated and put into practice in 1968 which laid a legal foundation in Taiwan's securities market management by "Financial Supervisory Commission" (the commission); thereafter, according to changes in market conditions, the commission has twenty times to amend the act until now. Afterwards, Taiwan re-opened OTC for bond market in 1982 and for stock market in 1989. In 1993, the Ministry of Finance (MOF) set out to build a more robust capital market and enhance OTC trading functions. After examining the system, functions, and organizational framework of the OTC market, the MOF decided to set up an OTC center as a non-profit institution to promote the development of the OTC market in Taiwan. After more than a year of preparation, the TaiPEi Exchange (TPEX) was formally established pursuant to the act in 1994 to take over the business of OTC trading. At present, Taiwan's securities market includes stock exchange market (Taiwan Stock Exchange) and the OTC market (OTC transactions).

The foundation of Taiwan Stock Exchange is a symbol of Taiwan's stock market was formed in 1962. Taiwan emphasized the firmness of the financial markets. At the beginning, the development of securities market was not mature. Owing to avoiding huge amounts of foreign capital flowing into the market and fearing not get relief from international financial organizations during the financial crisis, Taiwan securities market implemented a closed policy for a long time. After over twenty years of development, Taiwan's stock market began to open for the public in 1990. Because accelerating the pace of opening to the public in Taiwan's capital markets up to the present, Taiwan Securities market has become a high degree of internationalization market in 2000. The Taiwan Exchange Market Index is included in important international stock market index. Compare to the past, the securities market is much more open to the public nowadays.

## Over-The-Counter (Off-Exchange trading)

Over-the-counter (OTC) or off-exchange trading is done directly between two parties, without any supervision. The transaction is completed through "Integrated Securities Corporation" (the corporation), which provides a fully functional platform of investment products, including securities, asset management, derivatives, personal investment services, etc. In an OTC trade, the price is not necessarily published for the public. The corporation generally focuses on three parts: *Retail brokerage, Proprietary trading and Underwriting.*

**Retail brokerage:** A brokerage most of whose customers are retail investors rather than institutional investors. The corporation accepts the orders from investors and on behalf of buying and selling securities. The transaction charge a fee that is a commission.

**Proprietary trading:** A trader trades stocks, bonds, currencies, commodities, their derivatives, or other financial instruments with the corporation's own money, as opposed to depositors' money, so as to make a profit for itself. The transaction is similar to hedge fund.

**Underwriting:** Assisting company which would like to raise capital from investors and on behalf of corporations and governments to issue securities. The services of an underwriter are typically used during Initial public offering (IPO).

## Stock Exchange Market

The TaiWan Stock Exchange (TWSE for short) was established in 1961 and began operating as a stock exchange in 1962, which currently is the largest and highest-level exchange in Taiwan. It is regulated by the Financial Supervisory Commission and the only securities centralized trading venue. The main business is to provide equipment, guidance, assistance in listing applications, fundraising to help listed companies expand their operational scale and enhance operational efficiency. TAIwan stock EXchange ( TAIEX for short ) is an stock price index provided by the Taiwan Stock Exchange, which is generally regarded as one of the best indexes in economic growth . TWSE has been carrying out the four duties of serving the market, introducing innovative products, expanding market scale, and forging international alliances till now.

## Reference

Taiwan Stock Exchange website:

<http://www.twse.com.tw/en/>

Securities and Exchange Act website:

<http://law.moj.gov.tw/Eng/LawClass/LawContent.aspx?PCODE=G0400001>

Taishin Security Corporation

<https://www.tssco.com.tw/jsp/footer/content.jsp?pn=0>

KGI Security Corporation

[http://www.kgieworld.com/Default.aspx?sc\\_lang=en](http://www.kgieworld.com/Default.aspx?sc_lang=en)

The development of Taiwan Securities Market in Chinese website:

<http://wiki.mbalib.com/zh-tw/%E5%8F%B0%E6%B9%BE%E8%AF%81%E5%88%B8%E5%B8%82%E5%9C%BA>