

FSC Securities and Futures Bureau 2019 Internal Control Project Evaluation Results

No.	Organizer	Project Name	Securities and Futures Bureau Review Comments	Grade*
1	Securities and Futures Bureau (Corporate Finance Division)	Continuing to develop the international bond market	<p>1. Project management : the performance of the project was reported on time, and the expected target was reached each quarter.)</p> <p>2.Executive performance : the project showed good performance in 2019 :</p> <p>(1) 120 international bonds were issued with a total amount of NT\$ 786.8 billion.</p> <p>(2) 4 bond conferences were held by the TPEX.</p> <p>(3) the order of foreign currency denominated Sukuk issued by foreign issuers was promulgated.</p> <p>(4) the rule of total loss absorbing capacity (TLAC) requirements was drawn up.</p> <p>3. The scale of domestic international bond market gets bigger year by year. The issuers and products are also becoming more diversified. To enhance the competitiveness of the international bond market, the FSC will continue supervising the TPEX to strengthen management and investor protection.)</p>	Outstanding
2	Securities and Futures Bureau (Securities	Promoting securities and futures markets internationalization ,and enhancing the	1.Project management : Except for being 25% behind in the second quarter, the yearly progress was in line with the project. The	A

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	Firms Division)	competitiveness of securities firms	<p>progress management needs to be advanced.</p> <p>2.Executive performance: Each objective in 2019 has been achieved and the performance was fine.</p> <p>(1) Taiwan Depository & Clearing Corporation (TDCC) and Institutional Shareholder Services Inc. (ISS) signed a partnership agreement, which enhanced the efficiency of cross-border voting.</p> <p>(2) Taiwan Stock Exchange Corporation (TWSE), Japan Exchange Group, Inc. (JPX), and Korea Exchange (KRX) signed a memorandum of understanding (MOU), collectively devoting to increase international visibility.</p> <p>(3) Taiwan Depository & Clearing Corporation (TDCC) and National Settlement Depository (NSD) of Russia negotiated over the signing of Memorandum of Understanding (MOU), and completed the draft.</p> <p>(4)Taiwan Futures Exchange (TAIFEX) and the Bursa Malaysia Derivatives Berhad (BMD) negotiated over the</p>	

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			<p>signing of Memorandum of Understanding (MOU), and completed the draft.</p> <p>3. In order to increase international visibility and competitiveness of domestic securities and futures market, please continue to supervise Taiwan Stock Exchange, Taiwan Futures Exchange, Taipei Exchange, and Taiwan Depository & Clearing Corporation to actively discuss the possibility of cooperating and signing MOU with international self-regulatory organizations.)</p>	
3	Securities and Futures Bureau (Securities Trading Division)	Strengthening investor protection, improving securities trading mechanism, implementing market surveillance, and ensuring market discipline.	<p>1. Project management: The progress of this project in each quarter is in line with the schedule. The annual cumulative progress of the project was not lagged behind, and the administrative operations were properly controlled.</p> <p>2. Executive Performance: (1) Supervised the SFIPC to file 19 class action suits (in 2019, collecting NT\$ 0.89 billion of compensation for investors) and to participate in a total of 26 shareholders' meetings. The FSC has announced a Draft Amendment (hereinafter, "the Draft") to the "Securities Investor and Futures Trader Protection Act". The Draft, meant to</p>	Outstanding

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			<p>strengthen the protection of investors' rights, has been sent to the Executive Yuan for review.</p> <p>(2) Supervised the TDCC to hold 8 sessions of "Shareholder Services Education Seminar" and "Power of Attorney Education Seminar" and to amend the "Standards for the Internal Control System of Shareholder Services Unit", in order to strengthen the management of shareholders meetings and the administration of shareholder services. The FSC issued the "Regulations Governing the Declaration of Acquisition of Shares in Accordance with Paragraph 1, Article 43-1 of the Securities and Exchange Act", —stipulating that the announcement of the acquisition of shares should be disclosed in the MOPS to enhance the effectiveness of information disclosure .</p> <p>(3) Supervised the TWSE and TPEX to hold 5 sessions in total of "Securities and Futures Cross-market Surveillance Seminar" and "Illegal Transaction Review Panel Discussion Meeting", to host 3 sessions of "Prevention of Illegal Transactions Seminar",</p>	

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			<p>and to modify the "Directions for Announcement or Notice of Attention to Trading Information and Dispositions", so as to implement stock market surveillance system and strengthen cross-market supervision.</p> <p>3.To strengthen the protection of investors' rights, please continue to track the draft of "Amendment of the Securities Investor and Futures Trader Protection Act", fulfill the management of proxies for attendance at shareholders meeting and the administration of shareholder services, actively implement the stock market surveillance system and investigate illegal transactions , thereby maintaining market transaction fairness.</p>	
4	Securities and Futures Bureau (Securities Investment Trust and Consulting Division)	(Relaxing the restrictions and regulations related to Securities Investment Trust Funds, in order to enhance the competitiveness of the securities market, and improve the development of domestic asset-management industry.)	<p>1. Project Management: The implementation progress of this plan was reported according to the schedule, and the expected work goals were reached each quarter. The administrative operations were properly controlled.</p> <p>2.Executive performance: (1)Continuing to loosen the relevant laws and regulations of securities investment trust and consulting and increase</p>	Outstanding

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			<p>the flexibility of product. The FSC issued 4 relevant decrees in 2019.</p> <p>(2)The SFB sent representatives to attend ARFP Joint Committee’s sixth and seventh face-to-face meeting in 2019 and also asked the Securities Investment and Consulting Association to conduct a regulatory framework harmonization research project.</p> <p>(3)Continuing to supervise the Securities and Futures Institute’s proper operation of the “Talent Training and Industry Development Fund” in order to advocate asset management talent training and related seminars. In 2019, the Fund provided training to 1,833 people , and also supported investor education courses with 80,191 people participated .)</p> <p>3.The FSC will continue to understand the development of the securities investment trust and consulting industry, loosen relevant laws and regulations to increase the flexibility of various product, and expand the business scope. Also, the FSC will advocate asset management talent training, promote investor education, boost</p>	

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			industry development, and enhance investor protection.	
5	Securities and Futures Bureau (Accounting and Auditing Supervision Division)	Moving Taiwan's accounting standards in line with IFRSs to enhance the transparency and comparability between the financial reporting of companies.	<p>1. Project Management: This plan was executed on schedule, and the administrative control was appropriate.)</p> <p>2. Executive Performance: All the goals of 2019 have been attained. The performance was excellent:</p> <p>(1)Supervised Accounting Research and Development Foundation translating 6 standards and 23 IFRIC agenda decisions into traditional Chinese, accomplishing difference analysis between 2018 and 2019 IFRSs, and solving 36 accounting practical issues.</p> <p>(2)Released an order specifying the IFRSs endorsed by the FSC on July 29th, 2019.</p> <p>(3)Amended "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" on January 24th, 2019 .</p> <p>(4)Instructed TWSE and TPEX to hold 8 IFRSs seminars in 2019.</p> <p>3. Please continue promoting new IFRSs and reviewing relevant regulations to enhance</p>	Outstanding

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			companies' ability in preparing financial reports under IFRSs.)	
6	Securities and Futures Bureau (Futures Trading Division)	Improving the efficiency of the futures market, expanding the scope of the futures industry and ensuring the security of transactions.	<p>1. Project Management: The implementation progress of this plan was reported according to the schedule, and the expected work goals were reached each quarter. The administrative operations were properly controlled.)</p> <p>2. Executive performance: All goals were successfully achieved in 2019.</p> <p>(1)Supervised Taiwan Futures Exchange to establish a dynamic price stabilization measure for the option of Taiwan index.</p> <p>(2)To be in line with the amendments to some provisions of the Futures Trading Act, developed relevant sub-law specifications, and completed the amendments to the " Regulations Governing Futures Clearing Houses" and " Regulations Governing Futures Trust Funds".</p> <p>(3)Supervised Taiwan Futures Exchange to launch 2 new futures contracts, TPEX 200 Futures and Nasdaq-100 Futures.</p> <p>(4)Supervised Taiwan Futures</p>	Outstanding

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			<p>Exchange to handle 2 symposiums on the "Planning Explanation for Establishing the Centralized Settlement Mechanism for over-the-counter Derivatives in Taiwan", and to hold 17 Publicity briefing before the launch of the dynamic price stabilization measure for the option of Taiwan index .)</p> <p>3. In order to improve the efficiency of the futures market and ensure transaction security, please continue to track the development of the futures market and revise relevant laws and regulations timely, thereby strengthening the efficiency of the futures market and protecting the rights of traders.</p>	

*Performance grades are divided into four marks: outstanding, A, B, and C. Outstanding scores 90 or above; A scores 80 or above; B scores 70 or above; and C scores less than 70.