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August 29, 2019

Re: Application for Designation of the Taipei Exchange Main Board and Taipei Exchange Bond Market as a “Designated Offshore Securities Market”

Michael Coco, Chief
Office of International Corporate Finance
Division of Corporation Finance
United States Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Dear Mr. Coco:

We are writing to the United States Securities and Exchange Commission (the “**SEC**” or the “**Commission**”) on behalf of the Taipei Exchange (the “**TPEX**”) to apply for the classification of a “designated offshore securities market” for purposes of Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended, for (i) the portion of the TPEX known as the Taipei Exchange Main Board (the “**TPEX Main Board**”) and (ii) the portion of the TPEX known as the Taipei Exchange Bond Market (the “**TPEX Bond Market**”) and together with the TPEX Main Board, the “**TPEX Platforms**”). Designation is being sought in order to assist market participants to the TPEX Platforms who are eligible for the safe harbor provision provided by Rule 904 of Regulation S to satisfy the requirements specified in that rule when reselling securities “in, on or through the facilities of” the TPEX Platforms.

As discussed below, the TPEX Platforms have the requisite attributes specified in Rule 902(b)(2) of Regulation S. Moreover, as demonstrated by other factors discussed below, the TPEX is clearly a “foreign locus,” subject to extensive home country regulation, in which investors cannot reasonably be viewed as relying for protection on U.S. registration requirements. Accordingly, we respectfully submit that the designation of the classification of both TPEX Platforms as a “designated offshore securities market” is appropriate.

I. Background

Introduction to the Taipei Exchange

Established in 1994, the TPEX is an exchange where stocks, bonds, warrants, Taiwan Depository Receipts (“**TDRs**”), equity-based financial products, such as exchange traded funds (“**ETFs**”), and other non-equity financial instruments such as interest rate and bond derivatives are traded, either directly on the TPEX or are reported to the TPEX. The TPEX is one of three organized exchanges in Taiwan, the Republic of China (“**ROC**” or “**Taiwan**”), along with the Taiwan Stock Exchange Corporation (“**TWSE**”) and the Taiwan Futures Exchange (the “**TAIFEX**”), and is currently the principal securities market in Taiwan for small and medium-sized enterprises (“**SMEs**”). TWSE, the first stock exchange established in Taiwan, was approved by the SEC as a “designated offshore securities market” on December 14, 2004.

Taipei Exchange Main Board

The TPEX Main Board is the predominant market operated by the TPEX and lists more established SMEs which satisfy the listing criteria of the TPEX. The operations of the TPEX Main Board are substantially similar to those of the TWSE. The TPEX Main Board trades the stock, ETFs, warrants, TDRs and convertible bonds of its listed companies, as well as convertible bonds of certain companies listed on the TWSE.

In addition to the TPEX Main Board, the TPEX also manages two other markets for equity securities: the Emerging Stock Board for pre-listing preparation and the “Go Incubation Board for Startup and Acceleration Firms”. Each platform provides services in the SME lifecycle accordingly.

Taipei Exchange Bond Market

Almost all bonds issued in Taiwan, including government bonds, corporate bonds and international bonds, are listed on the TPEX Bond Market. Bonds are traded via the Electronic Bond Trading System (“**EBTS**”), a registered electronic facility that enables dealers to place orders directly instead of in the OTC market. Over-the-counter (“**OTC**”) bond trades must also be reported through EBTS to the TPEX on a daily and monthly basis.

The relief requested in this letter is limited to securities traded on the TPEX Main Board and bonds traded on the TPEX Bond Market.

Securities Markets in Taiwan

The regulatory regimes that govern the operations of the TPEX, the TWSE and the TAIFEX are substantially similar. The Securities and Futures Bureau (the “**SFB**”) of the ROC Financial Supervisory Commission (the “**FSC**”), a governmental agency established under the Executive Yuan of the ROC government,¹ is responsible for implementing the ROC Securities and

¹ On July 1, 2004, the ROC government established a single regulatory agency, the FSC, to oversee all of Taiwan’s financial sectors, including the securities, futures, banking and insurance industries. The FSC was formed by combining the Bureau of Monetary Affairs, Department of Insurance and Securities and Futures Commission of the ROC Ministry of Finance and the Bank Examination Department of the Central Bank of China. The FSC is a cabinet-level agency overseen by a committee consisting of nine commissioners, each appointed directly by the President of the ROC. Following its transition to a department under the FSC, the Securities and Futures Commission changed its name to the Securities and Futures Bureau, while its organization and operations remained essentially unchanged. The FSC adopted four general policy directives for the SFB: (i) to

Exchange Act and governmental policies regarding Taiwan's securities markets. All securities offerings to the public are required to be approved by or registered with the SFB, other than government bonds and international bonds offered by foreign issuers and sold exclusively to professional investors (which are nevertheless subject to Exchange Rules requirements as discussed herein). The SFB has extensive regulatory authority over public companies: it requires, and establishes standards for, the periodic reporting of financial and operating information by all public companies. Additionally, the SFB has broad regulatory authority over securities firms conducting securities businesses in Taiwan, which must be licensed by the SFB and are subject to its continuing supervision.

Until 1961, securities transactions in Taiwan were regulated by the ROC Stock Exchange Law, which was promulgated in 1929. To address the growth of securities transactions in Taiwan, the ROC government promulgated the Rules Regulating Securities Traders in 1961 as a transitional measure and subsequently replaced it with the ROC Securities and Exchange Act in 1968. The ROC Securities and Exchange Act, as amended from time to time, currently governs securities transactions in Taiwan.

The first securities market in Taiwan, the TWSE, was established in 1961 and listed only common stock at the time of its inception. The stock of certain SMEs at the time, however, were ineligible to be listed under the TWSE's listing requirements. In 1993, the Ministry of Finance ("MOF") of Taiwan decided to build a more robust capital market to facilitate capital market fundraising for SMEs. Hence the TPEX was established on November 1, 1994 as a non-profit institution to promote SME development in Taiwan pursuant to the Regulations Governing Securities Trading on the Taipei Exchange, promulgated by the MOF on October 20, 1994. Like the TWSE, the TPEX began to execute its stock transactions on the Central Limit Order Book (the "CLOB") with auction trading mechanism for its listed stocks on the TPEX Main Board, then the only existing stock market of the TPEX.

All trading orders on the TPEX Main Board are placed through SFB-licensed securities firms that have exclusive electronic access to this system. By using a centralized electronic trading system, trading became more efficient and convenient. After a few SMEs successfully raised funds by listing on the TPEX Main Board, more SMEs, intermediaries and investors became interested in participating in the market. From the time of its establishment, the number of companies listed on the TPEX Main Board experienced a dramatic growth from 11 companies to 766 (as of December 31, 2018).

Moreover, legislative reforms of the SFB favoring the liberalization of the securities markets that were promulgated in the mid-1980s and the 1990s have encouraged expansion of financial products offered beyond common stock. In addition, starting from the early 1990s, the Taiwan government largely increased government bond issuances to support infrastructure development countrywide. This led to the growth of domestic government bond trading by domestic financial institutions. Meanwhile, domestic companies also began issuing corporate bonds to raise capital that gradually replaced traditional loans. In response to such developments, the MOF authorized, concurrently with the establishment of the TPEX Main Board and also pursuant to the Regulations Governing Securities Trading on the Taipei Exchange, the building of bond market infrastructures by the TPEX to facilitate a prosperous, systematic and transparent bond trading market—today, the TPEX Bond Market—and also authorized the TPEX to manage all OTC

foster the sound development of the capital markets and to encourage fund raising through public offerings of securities; (ii) to improve the operation of the securities and futures markets and to ensure a fair and efficient market environment; (iii) to promote the development of the securities services industries and to facilitate the flow of savings into investment; and (iv) to regulate certified public accountants and to enhance their professional standards.

trading in Taiwan. At the time of its inception, TPEX took over the management of the OTC market in Taiwan from the Taipei Securities Dealers Association (the predecessor of the Taiwan Securities Association).

Taipei Exchange Today

Today, the TPEX is a standalone exchange and aims to become a multi-functional, multi-tiered and full-fledged exchange. The TPEX is currently an affiliate member of the International Organization of Securities Commissions and an official member of the World Federation of Exchanges.

The total market capitalization of companies listed on the TPEX Main Board was approximately New Taiwan dollar (“**NT\$**”) 2.8 trillion (US\$90.0 billion using the rate of NT\$31.10 to US\$1.00; all other convenience translations of New Taiwan dollar amounts in this letter have been made using the same rate) as of July 1, 2019.

Set forth below is certain information relating to the TPEX for or as of the end of the five most recent years.

	2013	2014	2015	2016	2017	2018
Number of listed companies on TPEX Main Board	658	685	712	732	744	766
Aggregated market capitalization of listed companies on TPEX Main Board (NT\$ in billions)	2,324	2,680	2,730	2,722	3,317	2,826
Total trading value of the market (NT\$ in billions)	55,995	56,969	58,085	54,875	53,793	56,891
TPEX Main Board	4,030	6,355	5,689	5,050	7,683	8,145
TPEX Bond Market	51,895	50,450	52,239	49,696	45,815	48,217
Others	70	164	157	129	295	529
Average daily trading volume of listed shares on TPEX Main Board (in millions of shares)	395	493	409	353	549	504
Average daily trading value of listed shares on TPEX Main Board (NT\$ in millions)	16,385	25,628	23,316	20,698	31,233	32,977

The main difference between the TWSE and the TPEX Main Board is the listing criteria, as the TPEX was established to facilitate capital market access for SMEs, whereas the TWSE has become the principal exchange for listings by larger companies. A comparison of the listing criteria for domestic applicants of the two exchanges is as below.

	TPEX Main Board Listing	TWSE Listing
Duration of Corporate	At least 2 completed fiscal years	At least 3 completed fiscal years

	TPEX Main Board Listing	TWSE Listing
Existence		
Company Size	Paid-in capital > NT\$50 million (US\$1.6 million)	Paid-in capital > NT\$600 million (US\$19.3 million)
Profitability	<p>The ratio of income before tax to paid-in capital shall meet one of the following requirements, and the income before tax of the most recent fiscal year shall not be less than NT\$4 million:</p> <ul style="list-style-type: none"> i. Most recent fiscal year: the ratio shall be more than 4%, and there shall be no accumulated deficit. ii. The last 2 fiscal years: the ratio shall be more than 3% in each year; or the ratio shall average 3% over the 2 years and the ratio for the latest year shall be better than the one before. 	<p>The ratio of income before tax to paid-in capital shall meet one of the following requirements, and there shall be no accumulated deficit in the most recent fiscal year:</p> <ul style="list-style-type: none"> i. The last 2 fiscal years: the ratio shall be more than 6% in each year. ii. The last 2 fiscal years: the ratio shall average 6% over the 2 years, and the ratio for the latest year shall be better than the one before. iii. The ratio shall average 3% in the last 5 fiscal years.

The TPEX generates revenue primarily through listing (examination fees and annual listing fees), trading (transaction charges) and information service (information technology facilities and trading information) charges.

Pursuant to the Regulations Governing the Offering and Issuance of Overseas Securities by Issuers, promulgated on April 9, 2001, listed companies are able to list on other overseas markets. However, no dual-listing is permitted between the TPEX and TWSE. Companies must de-list from the TPEX Main Board to list on the TWSE.

Listing and Reporting Requirements

Both domestic and foreign companies are permitted to list their securities on the TPEX Main Board. The SFB has promulgated regulations that permit foreign issuers to list their securities in the form of shares or TDRs. To date, 35 foreign issuers have listed their securities on the TPEX Main Board, 34 in the form of a primary listing with original shares and one in the form of a secondary listing with TDRs. Foreign issuers may also issue international bonds on the TPEX Bond Market.

The SFB has also promulgated the following exchange rules for the TPEX to govern its markets: (i) the Taipei Exchange Rules Governing Securities Trading on the TPEX, promulgated on December 27, 1994, (ii) the Taipei Exchange Rules Governing the Review of Foreign Securities for Trading on the TPEX, promulgated on July 5, 1997, and (iii) the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds, promulgated on October 7, 2005, each of which set forth certain requirements that must be satisfied by market participants (collectively, the “**Exchange Rules**”). These Rules are prescribed in accordance with paragraph 2 of Article 62 of the ROC Securities and Exchange Act.

The underwriters conduct substantive merit-based reviews when assessing a case, which include both documentary due diligence and on-site audits. Additionally, after receiving listing applications, the TPEX also conducts, through a securities review committee and the TPEX Board of Directors, substantive merit-based reviews of its listing applications, which include both documentary due diligence and on-site audits.

Listing on the TPEX Main Board

Pursuant to the Exchange Rules, the TPEX has established specific requirements for the listing of securities on the TPEX Main Board based on criteria such as the following:

- Corporate existence. The company has been established for at least two fiscal years.
- Company size. The domestic company has paid-in capital of at least NT\$50 million. The foreign company has net worth of at least NT\$100 million.
- Additional financial requirements. The company must meet one of the following criteria:
 1. Profitability. The ratio of income before tax to paid-in capital (shareholders' equity for foreign companies) shall meet one of the following requirements, and the income before tax of the most recent year shall not be less than NT\$4 million.
 - a. The ratio shall be more than 4%, and there shall be no accumulated deficit in the most recent fiscal year.
 - b. The ratio shall be more than 3% in each year of the last two fiscal years; or averages 3% over the two years and the ratio for the more recent year is higher.
 2. Net worth, operating revenue and cash flows from operating activities shall meet each of the following requirements:
 - a. Net worth stated in the most recent financial report audited and attested or reviewed by a certified public account (“CPA”) shall be no less than NT\$600 million as well as two-thirds of the paid-in capital.
 - b. Operating revenue from main business for the most recent fiscal year shall not be less than NT\$2 billion and better than that for the year before.
 - c. Positive net cash flow from operating activities in the most recent fiscal year.
- Shareholders. Excluding company insiders and any juristic persons in which such insiders hold more than 50% of the shares, the number of registered shareholders shall be at least 300, and the total number of shares they hold shall be (i) 20% or greater of the total issued shares or (ii) at least 10 million.

In adherence to governmental policy to support the development of the high-technology industry in Taiwan, the TPEX applies a special listing criteria to technology-based companies, which makes allowances for shorter corporate history and exemption from certain financial requirements, which stems from the consideration that certain high-technology companies may suffer losses in the early development stage due to, among other factors, significant research

and design costs incurred. In lieu of corporate history and certain profitability requirements, the special listing criteria takes into consideration the net worth of the company and new products or technology developed by the company. Set forth below are special listing criteria for technology-based companies:

- **New Products/Technology.** The company has successfully developed a product or a technology with market potential, and the company has obtained an appraisal opinion from the Ministry of Economic Affairs or the Council of Agriculture, Executive Yuan, which are the central competent governmental authorities in charge of the industry concerned, that the company's products or technologies are successfully developed and have marketability.
- **Net Worth.** The company's net worth is not less than two-thirds of its paid-in capital stated in the latest CPA-audited and attested or reviewed financial report.

Article 10-1 of the Taipei Exchange Rules Governing Securities Trading on the TPEX (attached hereto as Appendix 1) sets forth circumstances under which the TPEX may or must deny the application of a company that otherwise meets its criteria for listing.

Listed companies are required to file their annual, semi-annual and quarterly financial statements with the SFB (with a copy to the TPEX) and promptly report to the SFB and the TPEX and make public through the Market Observation Post System ("**MOPS**," accessible at <http://emops.twse.com.tw/server-java/t58query>) any information that may significantly affect shareholders' interests or securities prices. Pursuant to Article 6 of the Taipei Exchange Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities, "promptly" means: (i) two hours before the commencement of trading hours of the trading day following the date of occurrence of the event; (ii) two hours after discovery of mass media reporting of material information sufficient to affect securities prices, or divergence from facts; and (iii) two hours after the convening of a live press conference or simultaneously with a press release, as applicable. Such companies are also required to make monthly disclosures through MOPS (with copies to the SFB and the TPEX) of their business revenue and related-party transactions and annual disclosures on employee benefit expenditures and internal control systems.²

SFB regulations require that annual financial statements of listed companies be audited by accounting firms accredited by the SFB. The ROC Securities and Exchange Act provides for civil liability for material misrepresentations or omissions made by issuers in such filings and reports. Companies with listed securities are also required to report their annual internal audit plan and implementation to the TPEX.

Listing on the TPEX Bond Market

The Exchange Rules applicable to the different bond types traded via the TPEX Bond Market are summarized as below:

- **Government Bonds.** Government bonds are directly listed on the TPEX. MOF, the issuer of government bonds, will submit a notice of bond information to the FSC, which will then transfer the notice to TPEX to make a public announcement of the bonds to be listed on

² The Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities sets forth the full list of information required to be filed (available at <http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL007526&ModifyDate=1080109>).

TPEX. The issuance process is executed and managed by the Central Bank of Taiwan, in accordance with the Securities and Exchange Act.

- **Corporate Bonds.** The Exchange Rules provide that a domestic applicant seeking to list bonds on the TPEX must (i) meet one of the following conditions or (ii) provide a credit rating report on the bonds from a credit rating agency approved or recognized by the competent authority:
 - a. The bonds must be guaranteed by an ROC financial institution.
 - b. The issuer must have provided a credit rating report on the issuer from a credit rating agency approved or recognized by the competent authority.
 - b. The bonds are restricted for sale only to professional investors.

The applicant may then apply to the TPEX, after which the TPEX will review whether the issuing company's registration documents comply with the applicable TPEX regulations. Upon approval, the TPEX will issue a letter of approval for the bond to be listed on the TPEX, and will also at that time make a public announcement to the market.

Pursuant to Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds, a "professional investor" refers to foreign or domestic financial institutions with total assets of more than NT\$50 million or a natural person who meets each of the following conditions and has applied in writing to the securities firm for the status of professional investor:

- a. Proof of financial resources of NT\$30 million or more; or, a single trade in excess of NT\$3 million combined with total investment assets at the given securities firm in excess of NT\$15 million, along with provision of a written statement of financial resources declaring that the person has total assets of NT\$30 million or more.
- b. The investor possesses adequate professional knowledge and trading experience with respect to bonds.
- c. The investor fully understands that the securities firm may be exempted from liability for bond trades conducted with a professional investor, and consents to sign for trades as a professional investor.

Similar to the TPEX listed companies, bond issuers are subject to disclosure requirements with respect to the issued bonds.³

- **International Bonds.** International bonds are defined as bonds denominated in foreign currencies. Most international bonds are sold to professional investors. The Exchange Rules provide that a foreign issuer that offers and issues foreign currency denominated government bonds or straight corporate bonds that are sold only to professional investors may apply to the TPEX for the trading of such bonds in accordance with specific requirements. A foreign issuer must satisfy one of the qualifying requirements below:

³ The Taipei Exchange Rules Governing Information Reporting by Companies with TPEX Listed Securities sets forth the information required to be reported by bond issuers (available at: <http://eng.selaw.com.tw/LawArticle.aspx?LawID=FL007526&ModifyDate=1080109>).

- a. a foreign central government with a sovereign rating not lower than BBB or an equivalent rating; or a foreign local government that has submitted a credit rating report showing that the credit rating of the bond or the issuer is not lower than BBB or an equivalent rating and the credit rating of the bond or the issuer is not lower than BBB or an equivalent rating;
- b. a multilateral international entity established by multiple nations or organizations⁴;
- c. a foreign company or foreign financial institution that meets any of the following qualifying requirements: (i) its stock is already listed and traded on a foreign securities market approved by the competent authority; (ii) its depositary receipts are already listed and traded on a U.S. national securities exchange approved by the competent authority, and the depositary receipts are Sponsored Level II ADRs or Sponsored Level III ADRs; or its stock is listed on a securities exchange admitted as a full member of the World Federation of Exchanges and the competent authority for the securities exchange has signed an agreement for supervisory cooperation with the competent authority of Taiwan; or (iii) (x) in the case of a foreign company, its total assets exceed US\$200 million or the net worth exceeds US\$20 million according to its latest CPA-audited or reviewed financial report or (y) in the case of a foreign issuer, its total assets exceed US\$20 billion or its net worth exceeds US\$1.5 billion according to its latest CPA-audited or reviewed financial report; or
- d. a wholly-owned subsidiary of such foregoing foreign company or financial institution where the parent company wholly guarantees the bonds issued.

Alternatively, an issuer of international bonds may apply to the SFB to approve the trading of international bonds. International bonds issued by the following issuers will be carried out by the TPEX upon receipt of written notice from the SFB:

- a. an international organization;⁵
- b. a foreign issuer that has a long-term credit rating of AAA or higher and is wholly owned by the government of its home country, or a bond from such issuer that is fully guaranteed by the government of the issuer's home country; or
- c. a foreign central government with a sovereign rating not lower than the sovereign rating of the ROC.

⁴ List of specific multilateral international entities is set forth on [Appendix 2](#) hereto.

⁵ Pursuant to the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds, an "international organization" is determined by the SFB on a case-by-case basis. As of the date hereof, seven international entities have been approved: (i) the Asian Development Bank, (ii) the Central American Bank for Economic Integration, (iii) the Inter-American Development Bank, (iv) the European Bank for Reconstruction and Development, (v) the European Investment Bank, (vi) the Council of Europe Development Bank and (vii) the Nordea Bank AB.

Suspension and Termination

The TPEX reviews the periodic information disclosed by the listed companies and bond issuers, as discussed above and submits the results of their review to the SFB on a quarterly basis.

Article 12-1 of the Taipei Exchange Rules Governing Securities Trading on the TPEX (attached hereto as Appendix 3) sets forth circumstances under which the TPEX may suspend trading of listed securities beginning from the second business day after the date of public announcement by the TPEX. Article 12-1 also allows the delisting of securities through application by the issuer pursuant to the TPEX Procedures for Applications by TPEX Listed Companies for the Delisting of Securities. Under this circumstance, according to such procedures, the issuers have a duty to purchase all of its outstanding securities.

Article 12-2 of the Taipei Exchange Rules Governing Securities Trading on the TPEX (attached hereto as Appendix 4) sets forth circumstances under which the TPEX may terminate trading of listed securities 40 days after a public announcement of the impending termination.

Trading

A. The TPEX Main Board

The trading of TPEX Main Board-listed securities is conducted through the CLOB with auction trading mechanism under which only limit orders are accepted. The TPEX Main Board uses the trading system originally developed by the TWSE. The TWSE provides to the TPEX assistance in the maintenance and technical support of this trading system, but the TPEX retains ownership of all market information and data generated. The ownership and copyright of the system applications and its relevant documents are shared by the TPEX and the TWSE.

Regular trading hours are 9:00 a.m. to 1:30 p.m., Monday through Friday. The opening price is formed by means of call auction from orders accumulated 30 minutes before the market opens. During trading hours, trades are matched every five seconds by call auction. Closing price is formed by call auction in the last five minutes of regular trading hours.

Shares of listed companies are sold in round lots of 1,000 shares. Orders of fewer than 1,000 shares are considered odd-lots and orders of more than 500,000 shares are considered block trades. Odd-lot trades must be executed in accordance with the Taipei Exchange Regulations Governing Odd-lot Securities Trades, promulgated on October 21, 1994, pursuant to which odd-lot trades may only be executed in off-hour trading between 1:40 p.m. to 2:30 p.m.

Block trades must be registered and executed in accordance with the Taipei Exchange Regulations Governing Block Trading of TPEX Listed Securities, pursuant to which block trades are divided into paired and non-paired trades. Non-paired trades are executed between 9:00 a.m. and 5:00 p.m. Monday to Friday and matched by continuous trading. Sellers or buyers place their orders to the TPEX through a securities firm and cannot sell to or buy from their designated counterpart. Paired trades are executed between 8:00 a.m. and 8:30 a.m. and 9:00 a.m. and 5:00 p.m. Monday to Friday. Investors choose their counterpart and negotiate the price before reporting to the TPEX through a securities firm. The trade is then matched based on the designated counterpart, volume and price.

Pursuant to the Taipei Exchange Regulations Governing Block Trading of TPEX Listed Securities, promulgated on August 30, 1999, the placement of quotes for block trades will be temporarily suspended on any trading day on which no price fluctuation limit is imposed,

including the five consecutive business day period beginning from the day of a stock listing (described below). After-hours fixed-price trading is conducted between 2:00 p.m. and 2:30 p.m., during which period the system accepts and matches buy and sell orders at the regular session's closing prices.

B. The TPEX Bond Market

Bonds are traded via the EBTS, which allows securities firms to enter quotes for outright and repo transactions and to negotiate prices for and execute such transactions. The EBTS is maintained and operated solely by the TPEX. Outright transactions and repo transactions are quoted in terms of yield and interest rate respectively. The minimum bid size is NT\$50 million face value or an integral multiple thereof. The upper limit for a single trading order is NT\$450 million face value.

Trading hours are 9:00 a.m. to 1:30 p.m., Monday through Friday, for outright bond transactions; 9:00 a.m. to 1:30 p.m. and 2:00 p.m. to 3:00 p.m., Monday through Friday, for repo transactions involving specific collateral; and 9:00 a.m. to 9:30 a.m., Monday through Friday, for repo transactions involving general collateral.

Cancellation

A. The TPEX Main Board

When a trade is matched by the TPEX, the securities firm has an obligation to perform the settlement based on the trade records. TPEX regulations contain provisions to safeguard the rights and interests of both parties to a trade in the event that a securities firm makes an error in the course of executing a brokerage trade, or if a client defaults, such as the existence of its Joint Responsibility System Clearing and Settlement Fund (the "**Clearing Fund**"). A trade matched by the TPEX cannot be cancelled upon request from a securities broker or a dealer. TPEX does not provide the securities brokers and dealers with the information of the counterparty of the trade.

B. The TPEX Bond Market

When an error has occurred in a buy or sell quote and the trade has been executed via the EBTS, the securities firm may, upon consent of the counterparty, report a correction of the error or cancellation of the trade to the TPEX by 4 p.m. of the trade date, provided that account change for transaction of general collateral repo transactions is reported to the TPEX by 10 a.m. of the trade date.

The TPEX Indices

In order to enable investors to monitor overall market performance and the performance of different industrial sectors, the TPEX maintains 26 stock price indices.

The Taipei Exchange Capitalization Weighted Stock Index (the "**TPEX**"), is the most widely quoted of all the TPEX indices. The constituents of the TPEX are taken from all common stocks listed for trading but excluding managed stocks and newly listed stocks. Managed stocks are stocks suspended from trading.

The Yuanta/P-shares Taiwan TPEX 50 is an ETF listed on the TPEX Main Board that is traded by tracking the top 50 listed companies by market capitalization.

The TPEX also has 25 industrial group stock indices, including Biotechnology and Medical Care, Semiconductors and Computer and Peripheral Equipment.

All TPEX indices are computed and broadcasted every five seconds during trading hours. Index information, along with other market data, is disseminated through securities firms and data vendors and made available to the public through the Market Information System, which is a website maintained by the TWSE (available at: <http://mis.twse.com.tw/stock/index.jsp>). For more information on the Market Information System, see “Attribute 6: A System for Exchange of Price Quotation through Common Communications Media - Collection of Market Data” below. Periodic summaries of the performance of the TPEX indices are also available on the TPEX website.

II. Attributes Identified in Rule 902(b)(2)

Rule 902(b)(2) identifies seven attributes that are considered by the Commission in determining whether to designate a non-U.S. securities market as a “designated offshore securities market.” When adopting Regulation S, the Commission stated that the attributes set forth in Rule 902(b)(2) were not the exclusive factors considered by the Commission in designating foreign markets. The Commission further stated that no single attribute is required and that designations were to be made through the interpretive letter process, based upon consideration of all the facts pertaining to a particular market. See SEC Release No. 33-6863 (April 24, 1990).

As indicated below, we are of the view that each of the TPEX Platforms has all of the attributes listed in Rule 902(b)(2).

Attribute 1: Organization Under Foreign Law

As a foundation, the TPEX is a not-for-profit organization established pursuant to and its operations are principally governed by the ROC Securities and Exchange Act, the ROC Civil Code and the Foundations Act. The ROC Securities and Exchange Act, promulgated in 1968, provides the legal framework for the regulation of the securities markets and the securities industry in Taiwan. The ROC Civil Code, promulgated in 1929, provides the substantive legal framework for the regulation of the legal rights of all persons, including natural persons and legal persons. The Foundations Act, promulgated in 2018, provides the legal framework for the establishment, organization, operation and supervision of foundations.

The operations of the TPEX are managed by a board of directors. The organization was registered on September 26, 1994 and formally established on November 1 of the same year. The TPEX’s initial funding came from three donor entities: the Taipei Securities Association (49%), the TWSE (34%) and the Taiwan Depository & Clearing Corporation (17%). According to the ROC Civil Code, all profits of TPEX would be utilized for the operations of the TPEX, without any allocation to TPEX’s donors; donors will not gain any dividends or financial benefits from the TPEX. However, the initial donors are entitled to appoint directors and supervisors to the board of directors.

The TPEX board of directors is independent and composed of 15 directors. The board of directors meets once a month. Among the directors are representatives of the FSC, along with individuals chosen by the initial donors via consensus at the donors’ meetings and FSC from well-respected academics and scholars, as well as individuals within the securities industry. Donor-selected directors may not account for more than one-third of the total number of directors, whereas at least one-third of the directors must be members of the Taiwan Securities Association, TWSE and Taiwan Depository & Clearing Corporation. The directors serve three-year terms and may serve successive terms if re-appointed.

The day-to-day operations of the TPEX are conducted by various committees and departments, each of which is headed by one or more principal corporate officers, who are appointed by the board of directors.

Attribute 2: Association with a Generally Recognized Community of Brokers, Dealers, Banks, or Other Professional Intermediaries with an Established Operating History

Securities transactions in the ROC are conducted by securities firms licensed by the SFB pursuant to the ROC Securities and Exchange Act. As of December 31, 2018, there were 124 securities firms licensed by the SFB in the ROC. To participate in the TPEX, an SFB-licensed securities firm is required to enter into a contract with the TPEX for the use of the centralized securities exchange market. All securities firms participating in the TPEX are subject to regulation by the SFB and the TPEX. Under the ROC Securities and Exchange Act, securities firms are categorized according to their businesses as underwriters, dealers, brokers or a combination of any or all of the foregoing. Securities underwriters distribute securities for issuers. Securities dealers trade securities for their own account. Securities brokers trade securities for the account of their customers. As of December 31, 2018, of the 117 licensed securities firms operating on the TPEX, 25 were exclusively brokers, 36 were combined underwriters, dealers and brokers, the remaining 49 local and seven foreign firms were either exclusively dealers or engaged in a combination of the three regulated businesses.

In order to obtain the requisite license from the SFB, a securities firm must satisfy the following requirements:

- Paid-in capital. The firm must have the minimum paid-in capital required to conduct each of its businesses. The amount of paid-in capital required is NT\$400 million, NT\$400 million and NT\$200 million for underwriting, dealing and brokerage businesses, respectively, and an additional NT\$30 million is required for every branch office maintained by the firm.
- Business guarantee funds. The firm must maintain a specified amount of “business guarantee funds” in a bank designated by the SFB and a specified amount of “settlement and clearing funds” with the TPEX. Underwriters, dealers and brokers are required to deposit a minimum of NT\$40 million, NT\$10 million and NT\$50 million, respectively, in business guarantee funds.
- Joint Responsibility System Clearing and Settlement Fund. The TPEX allocates NT\$100 million to support the operation of the Clearing Fund. Every securities firm which settles with the TPEX has to contribute to the Clearing Fund. Each brokerage firm shall contribute NT\$6 million (US\$192,900.00) before commencing business activities, and the contribution will be reduced to NT\$1.5 million (US\$48,225.00) from the year following commencement of business. Every additional domestic branch shall contribute NT\$1.5 million (US\$48,225.00), and the contribution will be reduced to NT\$0.25 million (US\$8,037.50) from the year after business commences. Each securities dealer shall contribute NT\$2 million (US\$64,300.00) to the Clearing Fund. In addition, all securities firms must contribute on a pro rata basis (determined by the firm’s amount of net receipts or net payments for executed trades of the brokerage orders it accepted for TPEX-listed securities in the previous year) the remainder amount after all firms’ fixed contributions are subtracted from NT\$1.6 billion (US\$51.4 million).

In addition to the foregoing, securities firms must also comply with the following procedures and requirements:

- Registration of directors and executive officers. The firm must register its directors and executive officers with the TPEX. These directors and executive officers must be approved by the TPEX and meet minimum requirements prescribed by the SFB, including requirements relating to academic qualifications and industry experience.
- Contract. The firm must enter into a contract with the TPEX in connection with the usage of the centralized securities exchange system maintained by the TPEX.
- Bond accounts. A securities firm participating in the EBTS to trade bonds shall separately open a book-entry central government securities account or custodial book-entry account and a money settlement account, and report the same to the TPEX before it begins to trade.
- Bond payment settlement reserve. To conduct transactions, a securities firm must deposit a bond payment settlement reserve with the TPEX. A securities firm is required to make an initial cash payment to meet the minimum reserve requirement before the securities firm may participate in EBTS trading. The securities firm may subsequently post or supplement the portion of the reserve above the minimum requirement with cash, book-entry central government bonds or bank certificates of deposit. The minimum reserve required from a securities firm is based on the firm's average daily business volume for outright bond trading during the most recent half-year: NT\$10 million (US\$321,500.00) for a volume of NT\$1 billion or more; NT\$5 million (US\$160,750.00) for a volume of NT\$100 million to NT\$1 billion; and NT\$1 million (US\$32,150.00) for a volume of NT\$100 million or less.

All securities firms are subject to continuing supervision by the SFB. The SFB has promulgated, among many other rules and regulations, the Rules Governing Securities Firms, the Rules Governing Responsible Persons and Associated Persons of Securities Firms, and Criteria Governing the Preparation of Financial Reports by Securities Firms. The TPEX also exercises regulatory authority over, and has promulgated various rules of conduct for, securities firms participating in the TPEX, including the Taipei Exchange Rules Governing Securities Trading on the TPEX (promulgated on December 27, 1994), Corporate Governance Best-Practice Principles for Securities Firms (promulgated on February 13, 2007), TPEX Securities Borrowing and Lending Rules (promulgated on September 1, 2000) and TPEX Procedures for Handling Default on Settlement Obligations by Securities Firms (promulgated on October 13, 2005). The following are examples of the standards that must be adhered to by a securities firm:

- Registered office. The firm must register its business premises, and may not share its business premises with other securities firms.
- Record keeping. The firm must maintain complete accounts and make accurate book entries. Its accounting and financial reports must be prepared in accordance with the ROC Standards for Preparation of Financial Reports of Securities Firms.
- Financial reporting. The firm must produce financial reports that are audited and certified by a certified public accountant, approved by the board of directors of the firm, recognized by the board of supervisors of the firm, and published in the MOPS.
- Use of its own funds by brokers. A broker must deposit its funds in a banking institution. Without the approval of the SFB, a broker may not invest its own funds in non-listed securities. Where a broker's own funds are invested in listed securities, the amount of such investment shall not exceed the maximum amount set by the SFB.

- Inspection of trading record. The firm may not refuse any requests of the TPEX to examine and review its trading certificates, vouchers, books, statements, and contracts.
- Assessment of investment ability. The firm must evaluate its customers' ability to make investment decisions before recommending securities transactions.
- No commingling of funds. The firm must establish a separate bank account used exclusively for settlement purposes.
- Corporate governance best-practice principles for securities firms. The firm must adhere to the following corporate governance best-practice principles jointly adopted specifically for securities firms by the TWSE, TPEX and Taiwan Securities Association, in addition to complying with relevant laws and regulations governing corporate entities generally in the ROC:
 - protect shareholders' rights and interests;
 - strengthen the powers of the board of directors;
 - fulfill the functions of the board of supervisors;
 - respect stakeholders' rights and interests; and
 - enhance information transparency.
- Settlement-Driven Securities Borrowing System. If the securities firm cannot fulfill settlement obligations of securities because of client default, "out-trades" or other reasons, it may apply to the TPEX to borrow securities in order to complete the settlement pursuant to the TPEX Securities Borrowing and Lending Rules.
- TPEX procedures for handling default on settlement obligations by securities firms. When a securities firm defaults on its settlement obligations, it will be suspended by the TPEX and the clients and settlement operations of such suspended firm will be transferred to another securities firm appointed by the TPEX pursuant to the TPEX Procedures for Handling Default on Settlement Obligations by Securities Firms.

The TPEX provides guidelines to securities firms annually with respect to the establishment of internal control systems. The TPEX conducts audits of the securities firms' monthly reports delivered to the TPEX, which include a general ledger summary and balances of securities, and annual audits of the internal control systems of the securities' firms, in order to ensure compliance with the guidelines. The TPEX also conducts inspections of securities firms upon receiving information of any irregularities or material regulatory violations.

The ROC Financial Examination Bureau (supervised by the FSC) conducts inspections of securities firms for regulatory violations. If any violations are found, the SFB may also adopt administrative measures to ensure their compliance, such as dismissal or suspension of directors, supervisors, or officers of the firm, suspension of the operations of the firm, imposition of fines, issuances of corrective orders or revocation of the business license of the firm or a branch of such firm.

Attribute 3: Oversight By a Governmental or Self-Regulatory Body

As discussed above, the operation of the TPEX is overseen by the SFB, which has the exclusive authority to inspect the securities market operations and processes of the TPEX. The following is a summary of the regulatory powers of the SFB:

- **Regulatory authority.** The SFB is a government agency under the jurisdiction of the FSC. It is designated as the “competent authority” under the ROC Securities and Exchange Act and has extensive regulatory authority over the offering, issuance, trading, clearing and settlement of securities, including the authority to promulgate and amend certain rules and regulations necessary to carry out its duties pursuant to the ROC Securities and Exchange Act. While the SFB has broad rule-making powers under the ROC Securities and Exchange Act, this law requires that certain rules and regulations that are of vital importance to the financial markets of ROC or that may involve multi-disciplinary actions be promulgated by the FSC. For example, the ROC Securities and Exchange Act requires that the regulations governing margin purchases and short sales be drafted by the FSC and approved by the ROC Executive Yuan. In addition, this law also requires that the regulation governing the administration of securities investment trust funds be promulgated by the FSC.
- **Scope of authority.** The SFB is empowered to curb abuses and violations of laws and regulations through administrative measures, including the issuance of warnings, suspension of activities, imposition of administrative fines and revocation of licenses. It does not have criminal or civil enforcement powers under the ROC Securities and Exchange Act; such powers belong exclusively to the ROC prosecutors’ offices, which exercise these powers on behalf of all ROC regulatory agencies (including the SFB). Upon findings of suspected criminal violations, the SFB may refer such cases directly to the government prosecutors when in possession of concrete evidence. Otherwise, the SFB may refer the case and any relevant information and documents to the ROC Financial Examination Bureau of the FSC for further investigation and evidence collection. Civil actions may be brought by plaintiffs who assert that they have suffered damages. While the SFB may act as witnesses in criminal investigations and prosecutions by providing documentary evidence, it does not play a similar role in civil actions. The Securities and Futures Investors Protection Center, an organization established and funded by securities exchanges, securities firms and other enterprises, may instigate class actions on behalf of investors as a group.
- **Regulatory authority over exchanges.** The ROC Securities and Exchange Act gives the SFB the authority to oversee the operation of securities exchanges, such as the TWSE, the TPEX and the TAIFEX, and the operation of securities dealers associations, such as the Taiwan Securities Association. Under the ROC Securities and Exchange Act, the standards for the establishment of securities exchanges in Taiwan are drafted by the SFB and approved by the FSC. The SFB has promulgated several regulations applicable to the operation of securities exchanges in Taiwan, including the Rules Governing Stock Exchanges, the Rules Governing Securities Dealers Associations and the Rules Governing Futures Exchanges. Pursuant to the ROC Securities and Exchange Act, the SFB has the power to revoke the license of a stock exchange and sanction its supervisors, directors and officers for violation of applicable laws or regulations.

The TPEX is also a self-regulated organization that oversees the securities transactions and trading activities that take place on, and the participants that conduct businesses on, the TPEX. In order to carry out its duties, the TPEX may propose new rules or amendments to existing rules

governing its own operations which become effective upon the approval of the SFB. The TPEX oversees the implementation and enforcement of certain standards established by the ROC Securities and Exchange Act, including:

- Review of listing applications. The TPEX reviews applications of issuers to list their securities on the TPEX. The criteria for listing on the TPEX Main Board and the TPEX Bond Market are specified under “Listing and Reporting Requirements” above.
- Monitoring of listed companies. The TPEX conducts both regular and unscheduled reviews and audits of the filings of the TPEX Main Board listed companies with respect to their related-party transactions, material information, financial statements and forecasts. As described above, the companies are required to promptly disclose any material information and disclose other corporate and financial information periodically. In addition, the TPEX also monitors news reports, the Internet and other media sources for information on the listed companies, and may request listed companies to make public announcements or statements of clarification in response. The TPEX may, with the approval of SFB, suspend the trading of the securities of a listed company if the company has, among other things:
 - failed to timely submit required financial statements;
 - failed to make a timely response to a TPEX inquiry with respect to misrepresentations in filings or reports of the company;
 - provided financial statements that materially violated relevant rules and regulations or generally accepted accounting principles and has failed to correct such violations upon request by the TPEX, or provided financial statements with respect to which the company’s auditor has failed to issue an opinion or issued an unfavorable opinion; or violated rules regarding the disclosure of material information.

With the approval of the SFB, the TPEX may delist the securities of a company that has, among other things:

- materially altered its business scope such that the listing of such company’s securities is, in the TPEX’s view, no longer appropriate;
 - encountered significant financial difficulties; or
 - made misrepresentations or omissions in the financial statements provided in connection with the original listing, such that the company was not, or is not, as the case may be, in compliance with the listing standards either at the time of listing or at the time of determination.
- Auditing of securities firms. The TPEX assesses the operating risk of each securities firm by examining the relevant market indicators on a weekly and monthly basis and conducting field audits as it deems necessary.
 - Market surveillance. The TPEX conducts market surveillance for evidence of insider trading or price manipulation and submits reports to the SFB and law enforcement agencies for legal action. The TPEX has established a dedicated department to conduct stock market surveillance and a designated bond department to conduct bond and derivatives market surveillance, both of which are under the supervision of a Surveillance

Operations Oversight Committee comprising executive officers from the listing, trading, auditing, computer planning, information services and market surveillance departments.

The TPEX is also required to examine, investigate and take certain actions with respect to abnormal trading activities:

- Investigation. If the TPEX detects abnormal trading activities with respect to a listed security, it may request the relevant securities firms and the issuer to provide information regarding such abnormal trading activities, including relevant account information and telephone records. If deemed necessary by the TPEX, the TPEX may publish such information provided by the securities firms or issuer to alert investors.
- Alteration of trading mechanics. If certain abnormal trading may seriously affect the securities markets in general, the TPEX is required to take one or more of the following actions: (a) matching trades in the security in question with manually controlled trade matching terminals; (b) limiting the volume of the security in question that any securities firms can buy or sell; and (c) instructing securities brokers to pre-collect all or a portion of the payment or securities for large trades.
- Reports to the SFB. The TPEX is required to document its investigations and make appropriate reports to the SFB with respect to any illegal activities revealed by such investigations. See below for a discussion of such duty to report.

Attribute 4: Oversight Standards Set by An Existing Body of Law

The ROC Securities and Exchange Act sets the standards for the supervision and regulation of the TPEX by the SFB:

- Promulgation of new regulations. Under the ROC Securities and Exchange Act, the SFB has the power to amend existing regulations and promulgate new regulations relating to oversight of the TPEX.
- Existing regulations. The SFB has promulgated several rules and regulations specifically applicable to the operation of the TPEX, such as the following:
 - Rules Governing Stock Exchanges relating to the direction and supervision of business operations and regulation of the responsible persons and associated persons of the TPEX.
 - The TPEX Criteria for Review of Securities Listings setting forth screening criteria for companies that intend to list their securities on the TPEX.
 - Operating Rules of the TPEX setting forth standards for the operations of the TPEX securities trading, securities firm management, financial products listing/delisting procedures, clearing and settlement, arbitration and penalties for violations.
 - TPEX Regulations Governing Implementation of the Stock Market Surveillance System for Securities Traded on the TPEX relating to the surveillance of abnormal trading activities in the TPEX.
 - TPEX Standards Governing Securities Firm Sites and Facilities setting forth standards for establishing the operating venues and facilities of securities firms.

- Criteria Governing Preparation of Financial Reports by the TPEX setting forth the TPEX's financial reporting standards, in addition to the relevant laws and regulations and generally accepted accounting principles governing the financial reporting of corporate entities in the ROC.
- Periodic reporting. Pursuant to the Rules Governing Stock Exchanges, the TPEX must submit to the SFB its business reports and financial statements within two months of the end of its first semi-annual fiscal period and within four months of the end of its fiscal year. In addition, the TPEX must submit to the SFB its monthly financial statements within ten days of the end of each month.

Attribute 5: Reporting of Securities Transactions on a Regular Basis to a Governmental or Self-Regulatory Body

Pursuant to Articles 64 and 162 of the ROC Securities and Exchange Act, the TPEX is required to make the following transactional, operational and investigative information available to the SFB or the public:

- Records and documents for inspection by the SFB. The TPEX is required to maintain at its business premises, and submit to the SFB upon request, all papers, accounting books, lists, records, contracts and other relevant documents relating to the listing, trading, monitoring, clearing and settlement of listed securities, as well as those records and documents relating to the financial and business auditing of securities firms.
- Data on securities transactions. Following each market close, the TPEX is required to publicly report data relating to the transactions in each listed security, including trading volume, opening, high, low, and closing prices, change in closing price compared with the most recent trading day and the securities firms that traded in such security. Such data is accessible to the public through the TPEX website (available at: <https://www.tpex.org.tw/web/index.php>).
- Reports on securities market. The TPEX is required to generate daily, monthly and yearly reports regarding transactions consummated in its centralized securities exchange market at the end of every day, month and year. Such information is published on the TPEX's website.
- Electronic Data Retrieval System. In 2002, the TWSE and the TPEX consolidated their respective electronic data submission and retrieval systems and jointly established the MOPS. All companies listed on the TPEX or quoted on the TPEX, as well as certain other public companies that have paid-in capital exceeding an established threshold, are required to submit their financial, operating and other material information electronically in a timely manner to MOPS. The public may access and download such public company information from the website of MOPS without charge. There is also a MOPS website in English whereby the public may retrieve information relating to public companies with securities issued abroad.
- Abnormal trading activities. The TPEX is required to maintain a complete archive of all records and materials relating to the investigations of abnormal market activities for purposes of future prosecutorial or judicial investigation and verification for perpetuity. The internal audit office of the TPEX checks for record retention by the TPEX in accordance with TPEX's standard operating procedures yearly. In addition, the British

Standard Institution certifies, on a semi-annual basis, that the TPEX's operating procedures meet the international standard.

If any of the investigations conducted by the TPEX reveals any unlawful activities, the TPEX is required to provide a report on the matter, along with supporting documentation, to the SFB for further investigation. The SFB, after discussions with the TPEX, may elect to report a case to the government prosecutors. The SFB shall subsequently instruct the TPEX to transfer such case to the ROC prosecutors' offices and the Investigation Bureau of the Ministry of Justice (if the latter is assisting the ROC prosecutors' offices with a major crime investigation). If the TPEX discovers any abnormal trading in a particular security, it may, if necessary, publish the name of the security and any relevant trading information to alert investors.

- Market rumors. The TPEX is required to investigate market rumors and false media reports, and to publish and disseminate the results of any such investigation through the Market Information System to securities firms, data vendors and the public.

Attribute 6: A System for Exchange of Price Quotations Through Common Communications Media

As noted above, securities listed on the TPEX Main Board are traded on the CLOB system, a consolidated limit order book trading system whereby only limit orders are accepted. All trading orders are placed through TPEX-licensed securities firms that have exclusive electronic access to the CLOB system. Trading orders placed by these securities firms for equity securities are currently processed on a proprietary network.

The following rules apply to the trading of securities on the CLOB system:

- Processing of orders. Orders for trades are processed and executed by the CLOB system in accordance with the price and time priority principle. A higher limit price buy order takes precedence over a lower limit price buy order and a lower limit price sell order takes precedence over a higher limit price sell order. An order entered into the system at an earlier time must be executed in full before an order entered at a later time at the same price may be executed.
- Trading during regular hours. Orders may be entered during the half hour immediately before the trading session commences. An opening price that maximizes the trading volume is then chosen based on the orders submitted before the trading session. During the regular trading session from 9:00 a.m. to 1:30 p.m., buy and sell orders can interact to determine the execution price in an intra-day auction process. The five best bid and ask prices of any unexecuted orders and the volume of such orders are provided to the securities firms and data vendors via the CLOB system and also disseminated in real-time directly to the public through the Market Information System. The market participants may then revise their orders or enter new orders accordingly, which would be matched by the CLOB system in accordance with the price and time priority principle.
- Closing price. Given that the closing price of listed securities is widely used by market participants for portfolio valuation and index calculation, the TPEX believes that a more representative closing price than the last matched price of the intra-day continuous auction for any given trading day ought to be adopted. The CLOB system is designed to accumulate orders for 5 minutes (from 1:25 p.m. to 1:30 p.m.) before the end of any

trading day and automatically sets a closing price that would maximize the matching of the orders received during this closing call auction.

- Daily fluctuation limits and intra-day volatility interruptions. In order to reduce the volatility of listed securities, there is a daily price fluctuation limit of 10% above or below the closing price of the preceding business day for all stocks, convertible bonds, convertible preferred shares and TDRs. The daily price fluctuation limit does not apply for five consecutive business days beginning from the day of stock listing. The opening prices, the matched prices during regular sessions and the closing prices must fall within the daily price fluctuation limit. The TPEX's centralized computer matching system automatically rejects any orders that exceed such trading limits. Moreover, to further reduce trading volatility, whenever the CLOB system detects during the intra-day continuous auction that the potential execution price of a specific stock may fall out of a specified range (currently 3.5%) of the last traded price, order matching for that stock will be postponed for two to three minutes. Securities firms and data vendors are notified of such interruptions through the CLOB system, and such information is also disseminated directly to the public via certain television channels, and market participants may then modify their existing orders or enter new orders accordingly. Intra-day volatility interruptions are not applied to opening prices or for the last 10 minutes of regular trading hours (from 1:20 p.m. to 1:30 p.m.).
- Off-hours trading. There are three primary types of off-hours trading: (a) from 2:00 p.m. to 2:30 p.m., the CLOB system accepts orders at the regular session's closing prices; (b) from 8:00 a.m. to 8:30 a.m. and from 9:00 a.m. to 5:00 p.m., the CLOB system accepts and matches block trade orders, and (c) from 1:40 p.m. and 2:30 p.m., the CLOB system accepts odd-lot orders.
- Trade reports. Brokers and dealers receive electronic trade reports setting forth transaction details immediately after transactions are consummated. They then notify their clients after receiving such reports.
- Margin trading. Investors that meet certain requirements, including requirements relating to trading experience and financial adequacy, may qualify for margin accounts, which they may open with eligible brokers or securities finance companies. The securities eligible for margin trading are common stocks and mutual funds that have been listed on the TPEX for more than six months, the trading price of which is not overly volatile and the ownership of which is not overly concentrated. If any margin accounts fail to meet the maintenance ratios set by the Central Bank of the Republic of China (Taiwan) and the SFB, margin calls are required to be issued by the brokers or the securities financing companies providing the margin financing. Only traders and investors with margin accounts may conduct short sales on the TPEX mainboard.
- Collection of market data. Data on the TPEX indices and all listed securities, including quotations and trade prices and volumes, are automatically generated and packaged by the CLOB system and disseminated to securities firms and data vendors, such as Thomson Reuters (Refinitiv), Bloomberg, SIX Financial, FactSet and others, which have contracted for such service. The securities firms and data vendors may then make such data available to their customers with or without charge. In 1987, the TWSE introduced the Market Information System to disseminate real-time trading data directly to the public in a predefined format during trading sessions, which the TPEX utilized as well. When it was first introduced, the Market Information System disseminated market information and trading data through terminals located at the business sites of securities firms. In 2003,

the TPEX has established a website for the Market Information System, where market information and trading data is made available to the public in real time.

Bonds listed on the TPEX Bond Market are traded via the EBTS. The main components of the EBTS include: (i) a computerized trade negotiation system, whereby securities firms enter quotes for outright and repo transactions and negotiate prices for and execute such trades; (ii) a computerized comparison system, whereby securities firms enter information on price negotiations in outright transactions conducted at their business premises and confirm the contents of such transactions, (iii) a comprehensive dissemination system for price/yield and trade information; (iv) data storage for market history data; and (v) a real time market surveillance system.

Collected information regarding all trades reported and traded on the EBTS is reported to SFB on a monthly basis. Generally, all information available on the EBTS is available to its participants. Transactions that are available for execution on the EBTS are outright and repo transactions, securities borrowing and lending, and, when issued, trading of central government bonds, which are outright transactions of underlying government bonds during the period beginning from the fifteenth and concluding on the first business day prior to the date of issue, following the announcement of the quarterly plan for bond issuance by the Ministry of Finance.

Attribute 7: An Organized Clearance and Settlement System

The TPEX clears and settles all trades executed on the TPEX. Trade comparisons are done when trades are executed, and confirmations are sent simultaneously. Electronic clearing reports are sent to the back offices of the brokers and dealers on the trade day (T). The TPEX has adopted the multilateral net settlement and the settlement day is T+2.

Since the Taiwan Depository & Clearing Corporation (“**TDCC**”) was established in 1990, book-entry settlement has been in use. Since 1995, all investors must have a book-entry securities depository account as well as a bank account before executing a trade. In 1996, a securities lending program was established to facilitate the settlement. As discussed above under Attribute 2, if the securities firm cannot fulfill settlement obligations of securities, it may apply to the TPEX to borrow securities.

The steps of clearing and settlement for trades on the TPEX are as follows:

T (Trade and Clearing day)

21:00 Brokers and dealers adjust accounts and report to the TPEX and TDCC. TDCC generates a “settlement summary report” for the TPEX and calculates the net balances for brokers and dealers using a multilateral netting computation.

T+1 (Position day)

8:00 TPEX receives a net cash and securities settlement list.

T+2 (Settlement day)

10:00 Investors settle securities and funds, and securities firms settle securities.

11:00 Securities firms settle funds.

TPEX receives collateral in the form of cash from securities firms which are unable to complete their securities settlement obligations on T+2 day at 10:00. These securities firms would enter into TPEX's settlement-driven Securities Borrowing System to borrow securities for completing the daily settlement obligations. TPEX charges collateral at the price of 120% of the borrowed securities' closing price on the first day after the trade date and marked to market every day.

Since July 31, 2003, the TWSE and the TPEX have consolidated their settlement systems and net amounts payable and receivable to and from brokers and dealers in one market are netted against such amounts in the other market before final settlement takes place.

Securities firms typically enter into a consignment agreement with their principal customers relating to the trading of securities. Any dispute between securities firms and their customers arising out of trading of securities on the TPEX may be settled by arbitration under the Arbitration Act if the parties have so agreed under their consignment agreement.

Bonds settlement and clearance

A bond dealer participating in the EBTS to trade bonds shall separately open a book-entry central government securities account or custodial book-entry account and a money settlement account, and report the same to the TPEX before it begins to trade. The same shall apply to any change thereto.

The EBTS settlement and clearing date shall be set in accordance with the following:

T+2: for outright and repo transactions through the computerized negotiation system.

T+1 or 2: for transactions through the comparison system (stipulated by the two parties in advance).

However, the settlement and clearing date for government bonds, whenever issued, shall be the bond issue date.

On the settlement and clearing date, a securities firm shall carry out settlement and clearing with the TPEX in accordance with the following provisions, based on the net amount of receivables against payables for the traded bonds and prices as set out in the Settlement and Clearing Statement:

- Where there is a net amount of money payable, the securities firm shall directly deposit (transfer) such amount into the money settlement account for the EBTS by 1:30 p.m. on the settlement and clearing date.
- Where there is a net amount of bonds payable, the securities firm shall directly transfer such amount into the bond payment account for the EBTS before 1:30 p.m. on the settlement and clearing date.
- Where there is a net amount of money receivable, after verification by the TPEX, such amount will be directly deposited (transferred) into the securities firm's money settlement account at any time starting from 1:30 p.m. on the settlement and clearing date.
- Where there is a net amount of bonds receivable, after verification by the TPEX, such amount will be directly transferred into the securities firm's book-entry central government

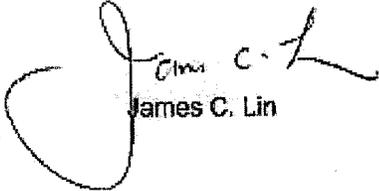
securities account or custodial book-entry account at a clearing bank at any time starting from 1:30 p.m. on the settlement and clearing date.

III. Conclusion

Each of the TPEX Platforms has all of the attributes specified in Rule 902(b)(2) for designation as a "designated offshore securities market." Based upon the foregoing, we hereby request, on behalf of the TPEX, that the Commission designate the TPEX Main Board and the TPEX Bond Market as a "designated offshore securities market" within the meaning of Rule 902(b)(2).

If you have any questions or require additional information regarding this application, please do not hesitate to contact the undersigned at +852-2533-3368 or at james.lin@davispolk.com. Additional information may also be obtained from the websites maintained by the TPEX (accessible at <http://www.tpex.org.tw>) and the SFB (accessible at <http://www.selaw.com.tw>).

Yours faithfully,



James C. Lin

Appendix 1

ARTICLE 10-1⁶

IF ANY OF THE FOLLOWING CIRCUMSTANCES EXIST WITH RESPECT TO A COMPANY THAT WOULD OTHERWISE MEET THE TPEX CRITERIA FOR LISTING, THE TPEX MAY DENY THE APPLICATION:⁷

1. Any of the events in Article 156, paragraph 1, subparagraphs 1 through 3, of the Securities and Exchange Act.
 - a. The issuer of the securities becomes involved in litigious or non-litigious matters that are sufficient to result in dissolution, or change in corporate organization, capital, business plan, financial condition, or suspension of production, where there results a danger of affecting the market order or impairing the public interest.
 - b. The issuer of the securities encounters significant disasters, enters into important agreements, is confronted with special circumstances, or initiates major changes in its business plan, or has a check dishonored, the result of which is sufficient to cause major changes in the financial condition of the company, thus creating a danger of affecting the market order or impairing the public interest.
 - c. The issuer of the securities engages in deceptive, dishonest, or illegal practices, the result of which is sufficient to affect the prices of its securities, thus creating a danger of affecting the market order or impairing the public interest.
2. The finance or business of the public company cannot be differentiated independently from those of others.
3. A significant labor dispute or environmental pollution has occurred and no rectification has been made.
4. A significant trading irregularity has occurred and no rectification has been made as of the time of application.
5. After consolidating the new shares from capital increase already issued or being issued in the fiscal year of the application for TPEX listing into the capital stock stated on the financial report of the most recent fiscal year, the profitability does not meet the requirements for TPEX listing.
6. Financial reports are not prepared in accordance with applicable acts and regulations and generally accepted accounting principles, or to a serious extent the internal control, internal auditing, and written accounting systems are not soundly established or effectively operating.
7. The company or any director, supervisor, general manager, or actual responsible person at the time of application has committed any act in violation of the principle of good faith during the most recent three years.

⁶ **Note:** the following is an official translation of Article 10-1 of the Taipei Exchange Rules Governing Securities Trading on the TPEX.

⁷ However, the TPEX is required to deny an application by a company that would otherwise meet the TPEX criteria if circumstances 7, 8 or 9 exist.

8. The board of directors or supervisors of the applicant company are unable to independently perform their duties.
9. The company has been registered for trading as an emerging stock on the TPEX in the fiscal year of the application and the most recent fiscal year thereto, and there has been, from the registration date onward, any trading of stock issued by the applicant company by any incumbent director, supervisor, or shareholder holding more than ten percent of its total issued and outstanding shares other than on the emerging stock market. This restriction does not apply where such trading is for purposes of underwriting or for other legitimate reasons.
10. Within the three-year period before a transferee company of a demerger conducted by a TPEX (or TWSE) listed company applies for TPEX listing, the demerged company has acted to disperse equity ownership in order to reduce its shareholding percentage in the transferee company, resulting in damage to shareholder equity in the demerged company.
11. Serious deterioration in the business the company operates, as determined by deterioration or negative growth in operating revenue, operating income, net income before tax, or products or technology of the company.
12. TPEX deems listing of the company's stock on TPEX inappropriate due to the scope or nature of its business or in other special conditions.

Appendix 2

- 1 International Bank for Reconstruction and Development
- 2 International Finance Corporation
- 3 Asian Development Bank
- 4 African Development Bank
- 5 European Bank for Reconstruction and Development
- 6 European Investment Bank
- 7 Inter-American Development Bank
- 8 CAF Development Bank of Latin America
- 9 Central American Bank for Economic Integration
- 10 European Investment Fund
- 11 Nordic Investment Bank
- 12 Caribbean Development Bank
- 13 Council of Europe Development Bank
- 14 European Company for the Financing of Railway Rolling Stock

Appendix 3

ARTICLE 12-1⁸

IF ANY OF THE FOLLOWING CIRCUMSTANCES EXISTS WITH RESPECT TO AN ISSUER, THE TPEX MAY SUSPEND THE TPEX TRADING OF ITS SECURITIES AND REPORT THE MATTER TO THE COMPETENT AUTHORITY FOR RECORDATION, OR THE ISSUER MAY APPLY TO TERMINATE THE TPEX TRADING OF ITS SECURITIES IN ACCORDANCE WITH THE TPEX PROCEDURES FOR APPLICATIONS BY TPEX LISTED COMPANIES FOR THE DELISTING OF SECURITIES:

1. Where the issuer meets the condition under Article 282 of the Company Act and the court makes a ruling to prohibit its stocks from being transferred in accordance with subparagraph 5 of paragraph 1 of Article 287 of the Company Act.
2. Where the issuer has established a securities transfer institution at the locale of the TPEX and subsequently withdraws the same, or it is found by the TPEX to have nominally set up a transfer institution without actually handling transfer business, and corrective action has not been taken within the time limit set by the TPEX, or more than three months have elapsed since the dispositive measures imposed pursuant to Article 12, paragraph 1, subparagraph 13 but corrective action still has not been taken.
3. Where any document or information that has been submitted is suspected to be untrue, and upon the request of the TPEX to explain the matter, no reasonable explanation is provided within the prescribed time period.
4. Where the issuer fails to make public announcement or report of a financial report or financial forecast by the deadlines provided in laws and regulations.
5. Where the financial report publicly announced and filed under Article 36 of the Securities and Exchange Act fails to comply with relevant regulations and generally accepted accounting principles to serious extent, and the said report is not duly rectified or restated within the time limit; or where in connection with the publicly announced and filed financial report, the attesting CPA issues an audit report containing a disclaimer of opinion or an adverse opinion in the audit report, or issues an adverse conclusion or disclaimer of conclusion in the review report; or where, in a publicly announced and filed financial forecast of the issuer reviewed by a CPA, the attesting CPA issues an adverse opinion or disclaimer of opinion in the review report.
6. Where the issuer has any of the conditions under Article 15 of the TPEX Procedures for Verification and Disclosure of Material Information of Companies with TPEX Listed Securities, Article 11 of the TPEX Handling Procedures for Routine Regulation and Regulation by Exception of Financial and Business Affairs of TPEX Listed Companies, or Article 6 of the TPEX Rules Governing Information Reporting by Companies with TPEX Listed Securities, and the circumstances are serious enough to necessitate termination of TPEX trading of its securities.
7. Where the issuer has violated any undertakings made when applying for TPEX trading. However, when a TPEX primary listed company violates its undertaking to protect shareholders' equity as prescribed in Article 4, paragraph 1, subparagraph 13 of the TPEX Rules Governing the Review of Foreign Securities for Trading on the TPEX, then Article 11, paragraphs 4 to 9 of these Rules shall apply instead of this subparagraph.
8. Where a private enterprise undertaking public construction project has serious schedule delay or other serious default or breach of construction or operation contract.

⁸ **Note:** the following is an official translation of Article 12-1 of the Taipei Exchange Rules Governing Securities Trading on the TPEX.

9. Where a negotiable instrument has been dishonored by a financial institution because of insufficient funds on deposit and the issuer has failed to accomplish remedial procedures as set forth in paragraph 4, subparagraph 3 of the preceding Article and submit relevant written documentation within 3 months of a disposition referred to in the preceding article.
10. Where the issuer is unable to redeem a bond at maturity or on creditor demand, and has not repaid its debt or reached an agreement with its creditor resolving the relevant debt issue within 3 months after a disposition has been made under the preceding Article.
11. Where a financial holding company loses its controlling interest, as defined in subparagraph 1 of Article 4 of the Financial Holding Company Act, in a banking subsidiary, insurance subsidiary, or securities subsidiary, and the competent authority has ordered it to make corrections by a certain deadline.
12. Where the number of companies held by an investment holding company falls below two companies, and correction has not been made after 3 months have elapsed following disposition pursuant to Article 12, provided that this requirement shall not apply to a TPEX primary listed company.
13. Where, after a company demerger, paid-in capital fails to reach standards, and correction has not been made after 3 months have elapsed following disposition pursuant to Article 12.
14. Where an already TPEX listed parent company (including a financial holding company or investment holding company) fails to abide by an undertaking to purchase the shares of minority shareholders of a TWSE listed or TPEX listed subsidiary in which it has shareholding of more than 70 percent.
15. Where suspension of trading of the issuer's TWSE listed stock is announced by the Taiwan Stock Exchange Corporation.
16. After a disposition has been imposed under Article 12, paragraph 1, subparagraph 15 due to failure to meet the required standard for the number of TPEX listed common shares, 3 years have elapsed and the criterion of Article 12, paragraph 4, subparagraph 4 has not yet been met.
17. Where there is a change in managerial control, and there is a material change in the scope of business within a certain period of time before or after the change in managerial control; provided that this rule does not apply where a TPEX listed company or a TPEX primary listed company conducts a merger or acquisition, private placement, or public tender offer with another TPEX (or TWSE) listed company or TPEX (or TWSE) primary listed company pursuant to the Business Mergers and Acquisitions Act or other laws or regulations.
18. Where the requirements of Article 12, paragraph 4, subparagraph 5 cannot be met within two years after the securities have been placed under the altered trading method due to the circumstances in Article 12, paragraph 1, subparagraph 16.
19. There is any violation by the issuer of Article 8-1 or 8-2, and the circumstances are serious.
20. Where there is any other condition for which the TPEX trading of securities shall be terminated in accordance with TPEX rules or opinions of the TPEX.

If TPEX trading of the issuer's securities is suspended due to the circumstances under any subparagraph of the preceding paragraph, then when the reason for suspension is extinguished and no circumstance under any of the other subparagraphs of that paragraph exist, with the exceptions of the circumstances of subparagraphs 4, 5, 9, 17, and 18, in which case the requirements set out below must additionally be met before trading may be resumed, then the issuer may submit the relevant documentary evidence and apply for resumption of trading, and the TPEX may resume the trading on the second business day following the public announcement of the resumption, and report the matter to the competent authority for recordation:

1. After trading is suspended pursuant to subparagraph 4 or 5 of the preceding paragraph, the issuer submits the financial report or financial forecast that it previously failed to publicly announce and report in accordance with regulations, and there is not an audit report containing a qualified opinion or a review report containing a qualified conclusion as referred to in Article 12, paragraph 1, subparagraph 3. If the financial forecast has not yet been duly announced on a make-up basis in the current fiscal year, the already announced and filed financial report for the same fiscal year may be used as a substitute.
2. Within 6 months after trading is suspended pursuant to subparagraph 9 of the preceding paragraph, the remedial procedures as set forth in paragraph 4, subparagraph 3 of the preceding article are completed and the TPEX listed company produces the relevant documentary evidence indicating that remedial procedures have been completed, and the cause of suspension is deemed extinguished.
3. Within 6 months after trading is suspended pursuant to subparagraph 17 of the preceding paragraph, the underwriter's evaluation report is provided and the following circumstance are met:
 - A. The sum of the net profit before tax attributable to owners of the parent stated in the publicly announced and filed financial reports for the most recent four periods reaches 1 percent or more of the share capital stated in the financial report for the most recent period; or, for a TPEX primary listed company, the net profit before tax stated in the publicly announced and filed financial reports for the most recent four periods reaches 1 percent or more of the equity attributable to owners of the parent stated in the financial report for the most recent period, and the requirements of Article 12-1, paragraph 2, subparagraph 3, items 2 to 6 are met.
 - B. The share capital of TPEX listed common shares is NT\$30 million or more, and the number of TPEX listed common shares reaches 3 million shares or more; or the amount of the net worth of its TPEX listed common shares calculated as a ratio of its total number of issued common shares reaches reaches NT\$60 million or more.
 - C. It provides the CPA's project audit report for the internal control system, with an unqualified opinion.
 - D. It is free of the conditions set out in Article 10, paragraph 1, subparagraphs 1, 3, 4, 6, 7, 8, and 10 of the TPEX Review Rules; if a TPEX primary listed company, it is free of the conditions set out in Article 9, subparagraphs 1, 3, 4, 5, and 7 of the TPEX Review Rules for Foreign Securities.
 - E. It complies with Article 3, paragraph 1, subparagraphs 3 and 10 of the TPEX Review Rules; if a TPEX primary listed company, it complies with Article

4, paragraph 1, subparagraphs 7 and 16 of the TPEX Review Rules for Foreign Securities.

F. The company's directors, supervisors, and greater than 10 percent shareholders have placed all of their common shares in the company into centralized custody (in the case of shares obtained through public offering and issuance) or have provided written undertakings that they will not transfer shares (in the case of shares obtained through private placement) and that during the period of the undertaking not to transfer shares, they shall place in centralized custody any of those shares that are approved for retrospective public issuance. They may withdraw or transfer the shares only after the requirements of this subparagraph have been met and one year has passed from the day that the normal trading method has reinstated by the TPEX for the company's securities.

4. Within 6 months after trading is suspended pursuant to subparagraph 18 of the preceding paragraph, the sum of the net profit before tax attributable to owners of the parent in the publicly announced and filed financial reports for the most recent four periods accounts reaches 2 percent or more of the share capital stated in the financial report for the most recent period, and the requirements of items 2 to 6 of the preceding subparagraph are met; or, for a TPEX primary listed company, the net profit before tax stated in the publicly announced and filed financial reports for the most recent four periods reaches 2 percent or more of the equity attributable to owners of the parent stated in the financial report for the most recent period, and the conditions of Article 12-1, paragraph 2, subparagraph 3, items 2 to 6 are met.

Except in the case of suspension of trading under subparagraph 1 or 15 of paragraph 1, for any securities whose suspension or termination of TPEX trading is approved in accordance with paragraph 1 above, suspension or termination will take place beginning from the second business day after the date of public announcement by the TPEX. The listed company concerned shall make a disclosure on the Internet information reporting system designated by the TPEX within 2 days from the date on which it receives notification.

Where trading of securities is suspended under subparagraphs 1 or 15 of paragraph 1, a public announcement shall be made immediately by the TPEX, on the date it learns of the matter or is notified by the court, or by the TPEX listed company, on the date of disclosure of the material information, on the same day (whichever of the above is earlier), and trading shall be suspended from the next business day following the date of public announcement; and the TPEX listed company shall be notified to make a disclosure on the Internet information reporting system designated by the TPEX within 2 days counting inclusively from receipt of the TPEX notice.

Appendix 4

ARTICLE 12-2⁹

IF ANY OF THE FOLLOWING CIRCUMSTANCES EXISTS WITH RESPECT TO AN ISSUER, THE TPEX MAY TERMINATE THE TPEX TRADING OF ITS SECURITIES AND REPORT THE TERMINATION TO THE COMPETENT AUTHORITY FOR RECORDATION:

1. Where the securities have been listed on the Taiwan Stock Exchange Corporation.
2. Where the issuer has been adjudicated bankrupt by a court and such adjudication has become final.
3. Where the court has ruled for re-organization or where the court has dismissed an application for re-organization pursuant to Article 285-1, paragraph 3, subparagraph 2 of the Company Act, and the said ruling/dismissal has become final.
4. Where the financial report for the most recent period that is publicly announced and filed under Article 36 of the Securities and Exchange Act shows a negative net worth; likewise, where a financial report subsequently publicly announced and filed shows a negative net worth. However, an issuer applying for trading its stock on the TPEX pursuant to Article 3, paragraph 4 of the Review Rules may be exempted from the restriction of this subparagraph if 3 years have not elapsed from the listing of its shares on the TPEX.
5. Where the issuer has a record of refusal by a financial institution to transact with it, or of the circumstances referred to in subparagraph 9 of paragraph 1 of the preceding Article where the company has failed to accomplish remedial procedures as set forth in paragraph 4, subparagraph 3 of Article 12 and submit relevant written documentation. However, if the negotiable instrument is retrieved by means of a settlement within 3 months of the suspension of trading, an application may be filed with the TPEX for recalculation of the aforesaid 6-month period as beginning from a date approved by the TPEX. Such application shall be accompanied by the settlement document, a photocopy of the negotiable instrument, and other relevant materials, and no more than one extension shall be granted.
6. (deleted)
7. Where the company's operation is completely suspended for more than 6 months or for 6 continuous months the publicly announced operating revenue is zero or negative; provided that this shall not apply in the case of a private enterprise with no business income during the period of undertaking construction of public concession projects.
8. Where there is false statement or omission of material information in the application or the attached documents, and according to the fact ascertained in the final and unappealable decision of a judicial authority, the issuer has any of the following conditions:
 - A. Where the financial reports and account books provided by the company upon application for trading its stock on the TPEX contains false statement or concealment, and after imputation or deduction of the falsely stated or concealed amount, the profitability does not meet the requirements for listing on the TPEX; provided that this provision shall not apply if 5 years have elapsed

⁹ **Note:** the following is an official translation of Article 12-2 of the Taipei Exchange Rules Governing Securities Trading on the TPEX.

from the date of trading on the TPEX to the date on which the decision of the judicial authority becomes final and unappealable.

B. Where the issuer satisfies the proviso in the preceding item but the accounting items involved in the false statement or concealment still exists when the decision becomes final and unappealable, and after imputation or deduction, the profitability of the year in which the decision becomes final and unappealable does not meet the requirements for listing on the TPEX.

9. Where the issuer has any of the conditions under Article 315, paragraph 1, subparagraphs 1 to 4, and has completed dissolution registration, or where it has any of the conditions under Article 9, Article 10, Article 11, Article 17, paragraph 2, Article 315, paragraph 1, subparagraph 8, and Article 397 of the Company Act or other conditions, and its corporate registration is voided or revoked, or it is ordered to dissolve, or its permit is revoked, by the relevant competent authority, or it is subject to dissolution by a court ruling.

10. Where the issuer has any of the conditions under Article 251 or Article 271 of the Company Act or other conditions, and the approval is voided by the relevant competent authority.

11. Where the issuer has materially violated the contract for trading on the TPEX.

12. Where any of the following circumstances applies to the securities:

A. Where 6 months after TPEX trading of its securities was suspended pursuant to Article 12-1, paragraph 1 of these Rules, trading of its securities has not been resumed, provided that this rule does not apply to trading suspended pursuant to paragraph 1, subparagraph 17 of that article.

B. Where TPEX trading of its securities is resumed less than 6 months after being suspended pursuant to Article 12-1, paragraph 1, subparagraph 1, if within 6 months from the resumption of TPEX trading, its TPEX trading is suspended again pursuant to subparagraph 1 of paragraph 1 of that article, and the combined period for which its TPEX trading has been suspended exceeds 6 months.

13. Where the total amount of issued preferred (special) shares traded on the TPEX is less than that prescribed in Article 15, paragraph 7 of the Review Rules.

14. (deleted)

15. (deleted)

16. Where a financial holding company's permit is revoked by the competent authority.

17. Where the issuer has already become a subsidiary of a domestic TWSE listed or TPEX listed company that holds more than 70 percent of its shares. However, this shall not apply if the other TPEX listed or TWSE listed company has acquired the shares of the issuer and conducted a merger or share conversion, where done in compliance with Chapter II-1.

18. Where, if a financial institution, the issuer has become subject to receivership duly imposed by the competent authority in charge of the relevant industry.

19. Where the Taiwan Stock Exchange Corporation has publicly announced the termination of trading of the issuer's TWSE listed stocks.

20. Where the issuer undergoes a merger, assignment, demerger, or transfer of equity interests in a subordinate company, that results in a violation of Article 15-2, Article 15-3, Article 15-11, Article 15-20, Article 15-32, or the proviso to paragraph 2 of Article 15-33 herein; or the company's name is changed to "investment holding company," and it fails to comply with a requirement of Article 3, paragraph 1, subparagraph 1, 3, 4, 6, 7, 8, 9, or 12 of the TPEX Supplemental Directions for Applications by Investment Holding Companies for TPEX Listing.

21. Where there is any other significant event for which the trading of securities shall be terminated.

Where trading of the issuer's securities is suspended by the TPEX due to any circumstance set forth in paragraph 1, subparagraph 4 or 5 of the preceding paragraph and 6 months thereafter correction has not yet been made, or where due to the existence of the circumstances set forth in subparagraph 5 of the preceding paragraph the TPEX has announced the termination of TPEX trading of its securities but the termination has not yet been implemented, if the issuer meets all of the following requirements, none of the circumstances set forth in the other subparagraphs of the preceding paragraph exist, and it submits the relevant evidence and applies to the TPEX not less than 8 business days before the date of termination of TPEX trading, the TPEX may announce an exemption from the termination of its TPEX trading:

1. Where trading of the issuer's securities is suspended by the TPEX due to the existence of circumstances set forth in paragraph 1, subparagraph 4 or 5 of the preceding paragraph and 6 months thereafter correction had not yet been made, and it is subsequently found that the issuer has met the remedial conditions set forth in Article 12-1, paragraph 2, subparagraph 1.

2. After termination of its TPEX trading under subparagraph 5 of the preceding paragraph is publicly announced its financial institution places it on a blacklist or dishonors its negotiable instrument due to insufficient funds on deposit, and it completes the remedial procedures as set forth in Article 12, paragraph 4, subparagraph 3 and submits the relevant documentary evidence.

An issuer that makes full supplementations or corrections before the date of termination of TPEX trading following public announcement of termination of TPEX trading of its securities shall be eligible for an exemption from termination only if such issuer has never previously been granted an exemption from termination of TPEX trading based on the same reasons.

Upon the termination by the TPEX of TPEX trading of a security, the TPEX shall publicly announce the termination 40 days before the implementation date, except in the case of a financial institution subject to the circumstances in paragraph 1, subparagraph 18, in which case the financial institution shall be subject to the procedures under paragraph 5.

Where a financial institution has become subject to receivership duly imposed by the competent authority in charge of the relevant industry, the TPEX, upon receiving notification of the receivership from the competent authority, will publicly announce that beginning from the next day following the date of announcement, the trading of its securities shall be suspended for a period of 10 days, and before the expiration of the period of suspension of trading, the TPEX will publicly announce that the securities shall be traded under an altered trading method by means of periodic call auction trading for 20 days beginning from the next day following the expiration of the suspension period, and the trading of the securities shall then be terminated.

Where TPEX trading of a security is terminated pursuant to Article 15-1, Article 15-7, Article 15-12, Article 15-13, Article 15-18, Article 15-31, and Article 15-33, paragraph 1 or paragraph 2, and Article 15-34 of these Rules or because a TPEX listed company becomes listed on the Taiwan Stock Exchange, the TPEX shall publicly announce the termination 5 days before the implementation date.

Where TPEX trading is terminated pursuant to paragraph 1, subparagraph 17 herein, or the security is delisted pursuant to Article 50, paragraph 1, subparagraph 15 of the TWSE Operating Rules, the TPEX listed parent company shall undertake to unconditionally purchase all remaining outstanding shares of the listed/TPEX listed company.

Bonds may be exempted from the public announcement date requirements in paragraphs 4 and 6, subject to the approval of the competent authority considering their maturity or any other special circumstances.

Within 2 days counting inclusively from receipt of the TPEX notice of termination of TPEX trading of its securities, an issuer shall disclose the termination on the Internet information reporting system designated by the TPEX.