

TDCC

2015 ANNUAL REPORT



Taiwan Depository & Clearing Corporation

TDCC

To highlight the milestone of the full securities dematerialization achievement in Taiwan market, TDCC planned and reconstructed the original vault where physical stock certificates were put in safekeeping into the first Taiwan Stock Museum. The collections are displayed in five different exhibitions, including Introduction, Inception, Continuation, Transformation and Incorporation. Taiwan Stock Museum aims to show the close relationship between the stock market and the economic development of Taiwan, also to explore the past, present and future of stocks.



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President

Ching-Li Meng

Chairman

Sherman Lin

Letter to Shareholders

Dear Shareholders,

Looking back at 2015, the world economy had to confront numerous uncertainties as it faced reduced raw material profit margins, worse than expected European and American recoveries, a slowing Chinese economy, recent volatility in the global financial markets, and heightened geopolitical risks. Lower raw material prices dealt heavy economic blows to countries that rely on raw material exports, such as Russia, Venezuela, and Columbia, making for mounting deficits in their national budgets. Even the “King of Oil”, Saudi Arabia, has not been spared. America’s economic outlook, on the other hand, looks to be good, and a predicted rise in American interest rates that strengthened the dollar, coupled with the continued flow of hot money out of emerging markets and back into the American economy, caused severe fluctuations and uncertainties in the global capital markets. In addition, factors such as the European economy’s inability to leave the shadows of deflation and decline, and a persistent slowing of the Chinese economy, continued to impact the performance of the global economy.

However, in the midst of such economic chaos and instability, years of hard work by numerous international entities are finally producing results for a number of important economic and environmental issues. The L'accord de Paris, coming after the Kyoto Protocol, obtained unanimous support from nations around the world and demonstrated the world's determination to limit carbon output in the face of climate change. Also, the Trans-Pacific Strategic Economic Partnership Agreement (TPP), which covers nearly 40% of global GDP, has reached an agreement among its economic partners after 8 years of negotiations between the 12 trans-Pacific countries, including America, Australia, and Japan.

On the global capital markets front, the various economic indices indicated that the American market performed well, prompting a December announcement from the Federal Reserve System for an interest rate rise. The Dow Jones Industrial Average, affected by the predicted interest rate hike and the wider global markets, opened 2015 at 17,823 points and closed the year at 17,425 points, registering a small fall of 2.2%. The European economy faced the joint threats of deflation and decline, and though the European Central Bank was proactive in its easing and stimulus policies, it achieved only limited economic recovery. The three major European markets saw both growth and decline, with the German stock market growing by 9.57%, the French by 8.54% and the U.K. stock market suffering a fall of 4.93%. The Japanese market benefitted from improved corporate profits and a continued weakening of the Yen. The Nikkei 225 started 2015 at 17,450 and closed at 19,033, up by 9% for the year.

As for emerging markets, in 2015 China's economic growth fell below the 7% mark, to the lowest rate of economic growth in 79 years. China's Development Research Center of the State Council also pointed out that, in the face of various interacting factors including the slowing global economy and its excess of domestic production capacity, a fairly strong downward pressure is hitting the Chinese economy. Due to stagnant exports, a push by the People's Bank of China to globalize the RMB, and other factors, the RMB deflated by about 5% against the USD during 2015. China's stock market also experienced severe turbulence, as its SSE Composite Index plummeted from June's high of 5,178 points to September's low of 2,983 points, a fall of over 40%. The Chinese stock market crash also affected the performance of global stock markets. Overall, due to varied performances from the major economies, 2015's global economic outlook was filled with variables and uncertainty.

As a member of the global economic community, our country cannot help but be affected by the global economy. Impacted by external factors such as the weak European and American economic recoveries, as well as China's stock market crash and slowing economy, and pounded from within by a declining domestic economy and capital gain tax disputes for investment capital gains, our country's overall stock market performance fell short of expectations in 2015. The TAIEX fell from 9,292.1 points at the beginning of the year to 8,338.06 points at year's end, for a fall of over 10%. Trade volume has likewise fallen. In 2015, the aggregate trade volume for domestic stock exchange markets came to \$20,191.4 billion, 7.8% less than 2014's \$21,898.5

billion. On Taipei Exchange (TPEX), stock trades came to over \$5,689.2 billion, close to 10.5% less than 2014's \$6,355.9 billion. Emerging stocks traded a total of \$319.1 billion, which is about 23.9% less than 2014's \$419.5 billion.

Faced with such a treacherous financial landscape, in 2015 the Financial Supervisory Commission (FSC) motioned to promote the "Arising Stock Plan", so as to create fair, effective, transparent capital markets, to connect to the world, allow our nation's stock market flourish, and to raise our nation's international competitiveness. The Plan involves 8 strategies and 15 measures, such as widening the stock market's daily price fluctuation limit to 10%, and expanding the scope of eligible stocks for day trading to boost turnovers. It also promoted "finance import substitution" to expand the domestic financial markets and create more business opportunities, to help keep money and people in Taiwan, and to attract more financial institutions into increasing their presence in Taiwan, thus creating domestic employment opportunities. It further encourages the financial industry to "play in the Asia Cup", helping domestic financial institutions walk onto the international scene and speeding their Asian distribution. In addition, it is proactively building the next generation of Digital Financial Services: Bank 3.0—all to help the market react to environmental changes and promote industry transitions. Strategies such as making available remote-access business services, the promotion of electronic transactions, the completion of legislation for third party payments, and the advocacy of big data applications will transform the domestic market. All of the above mentioned forward-looking policies will enable our nation to quickly integrate with the global market and create a better environment for domestic businesses. The competent authority are also keenly promoting innovations in financial technology ("FinTech") and strongly pushing for transitions in the financial industry, which would generate new momentum and added energy.

In 2015, following the competent authority's policies of innovation and prudence, TDCC successfully took significant initiatives in the enhancement of capital market services, reinforcement of corporate governance, participation in corporate social responsibility and improvement of financial literacy, and expansion of international cooperation and business development. A summary of its achievements is provided below.

1. Capital Market Service

As TDCC's core business, the central securities depository continues to indicate a stable growth momentum in 2015, compared with 2014. As of the end of 2015, there were 2,422 participants and a total market value of TWD 36.728 trillion of securities and short-term bills were under TDCC's custody. The total value of custody included TWD 32.876 trillion of TWSE listed securities, TPEX listed securities, and emerging stocks; TWD 3.1763 trillion of corporate bonds, financial bonds, municipal bonds, and international bonds; TWD 1.473 trillion of short-term bills.

In 2015, TDCC processed book-entry deliveries totaling 1,470,127,193,000 shares including 1,202,659,071,000 shares for TWSE listed securities, 261,077,621,000 shares for TPEX listed securities, and 6,390,501,000 shares for emerging stocks. With respect to the clearing and settlement of short-term bills, the total value of TWD 55.5233 trillion included outright and

repo transactions and exercise amounts. Settlements processed through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 28.9430 trillion.

For the equity service, to promote the competent authority's policy of "Arising Stock Plan" and TDCC's business development, TDCC constantly provides the book entry transfer service, including the day-trading transactions, collateral margin calculation in accordance with the widening of fluctuation limit measure, expanding the scope of collateral for margin transactions, and diversified ETF products, to effectively enhance the diversified products and trading convenience. In addition, TDCC introduced a remote account opening service and plans to provide a mobile account passport, in coordination with the competent authority's policy of "Digital Financial Service: banking 3.0" to build up a digital environment.

For the fixed income service, TDCC started to provide the service for offshore custody of foreign securities, foreign currency denominated negotiable certificates of deposit, and foreign bonds, registered in response to the competent authority's policy of "financial import substitution". As of the end of 2015, approximately 50 investment instruments, denominated in 8 currencies including USD, EUR, AUD were under custody, and 18 institutions such as insurance companies, banks, securities firms, bills dealers and TPEx have entered into a contract with TDCC and the results show a significant achievement.



For the mutual fund service, in coordination with the competent authority's deregulation, to allow securities firms to subscribe to onshore funds in their own names on behalf of investors, via an omnibus account, TDCC has established an onshore mutual fund order routing platform, for securities firms to conduct the relevant operations. In addition, TDCC and Taipei Exchange jointly established Fund Rich Securities Company, aiming to provide investors with diversified alternative distribution channels, whilst utilizing cutting-edge financial technology to build a one-stop shop mutual fund platform.

For the information service, TDCC has introduced numerous new inquiry services, such as a paid service for the creditors of compulsory enforcement in a civil lawsuit to reduce the workload of district courts. Also, in response to the E-Government Promotion Project of Executive Yuan, TDCC provided a service to manage inquiries to the Ministry of Health and Welfare, which

provides automatic and data encryption functions, to increase operational efficiency. TDCC processed 50,000 and 680,000 of the above inquiries respectively, in 2015, and the results show a significant achievement.

2. Promoting Corporate Governance

To facilitate shareholder activism and to strengthen corporate governance, the competent authority has vigorously encouraged listed companies to adopt electronic voting for shareholders' meetings. With TDCC's active promotion in 2015, 281 companies adopting the TDCC e-voting platform, called STOCKVOTE. A total of 343,171 votes were cast through STOCKVOTE, representing about 196.9 billion shares, which accounts for 44 percent of shares represented by shareholders in attendance. In April 2015, TDCC unveiled an app that was the first electronic mechanism in the world, designed exclusively to allow shareholders to exercise their voting rights through an e-voting platform, via smartphones and tablet computers. This e-voting mechanism marked a new milestone in shareholder voting history and the usage has already accounted for 16 percent of general e-voting in its first year.



For foreign institution shareholders, at the end of 2014, TDCC launched a cross-border voting platform "Straight Through Process(STP)", which will allow shareholders more convenience to exercise their voting right. In 2015, working with Broadridge, custodians, and stock transfer agents, TDCC e-voting services operated smoothly, boosting the efficiency of shareholder meetings, and increasing the reputation of the Taiwanese capital markets.

3. Corporate Social Responsibility and Financial Literacy Promotion

In addition to business development, TDCC is actively committed to corporate social responsibility, and continuously takes part in charity events and promotes financial literacy. TDCC, along with organizations such as the Securities and Futures Institute, universities/colleges, and Fund for Children and Families jointly presented "Financial Literacy for Youth Program", to assist college students who came from financial disadvantaged families. This program is supported by the universities/colleges, financial companies, and associations aiming

to assist college students to enhance their financial knowledge, obtain a certificate, and become more attractive in the job market.

Furthermore, TDCC also sponsored several charity programs such as “Nurturing Athlete Program”, “Children Education Resource Program”, “Scholarship for university students who came from financial disadvantage families Program”, jointly organized by Taiwan Financial Services Roundtable, to achieve its commitment of Corporate Social Responsibility towards a better future.

In promoting financial literacy activities, TDCC, as a post-trading infrastructure with a view to enhancing the public’s financial knowledge, established the TDCC Stock Museum in 2012, which preserves historical materials and documents, where the number of visitors reached over 60,000 people in the past 3 years. TDCC will continuously promote financial literacy and invite securities-related organizations to jointly partake in establishing a virtual museum, which was launched in January 2016, making the exhibition more interactive.

4. International Cooperation And Exchanges

TDCC has actively participated in international meetings and activities, including the annual meeting of the International Organization of Securities Commissions (IOSCO), and World Forum of CSDs. For the first time in 11 years, TDCC hosted the 19th Asia-Pacific Central Securities Depository general meeting (ACG19) in 2015, following the 8th Asia-Pacific Central Securities Depository general meeting (ACG8) in 2004.

TDCC, as host of the ACG19, invited senior management officers and representatives from more than 20 countries/areas. Approximately 30 CSDs and CCPs participated in the ACG19 and exchanged and shared their business development experiences. The number of participants reached a historical high and TDCC successfully promoted Taiwanese culture, enhanced the presence of Taiwanese securities markets and developed future opportunities to cooperate in the global capital markets.



TDCC also signed a memorandum of understanding for cooperation and information exchange with Bank of China and China Construction Bank and will continue to seek the opportunities for further international cooperation in the future.

5. Corporate Development

TDCC, as a core post-trade infrastructure in Taiwanese securities market, is acknowledged that its achievement since the establishment in 1989 is resulted from the contribution of all employees as TDCC recognized that the human resource is the most important asset of company.

To confront the challenge of globalization of securities markets and innovation of financial technology (FinTech), in addition to business transformation, TDCC deliberately implemented the human resource planning. In 2014 and 2015, TDCC recruited 28 staff and 22 of them received master's degree or higher. The new entrants were assigned to the cross-border service division, mutual fund service division and e-voting service division and are expected to become main resource of core service expansion and business transformation in the drastic changes of future environment.

6. Future Perspective

TDCC, under the guidance of the competent authority, the support of shareholders, market participants, and investors, the supervision of its directors and supervisors, and the efforts of all its employees, experienced a steady growth in its' business during 2015. Looking ahead to 2016, TDCC will continue its mission of serving the market's participants and investors, responding to international developments, constantly enhancing its functions in custody, book-entry transfer, clearing and settlement services, and expanding the scope of its market services to provide market participants with even more secure and efficient services.

In addition to the business initiatives already under development in 2015, TDCC will continuously expanding its three businesses, focusing on cross-border services, assisting the business operations of Fund Rich Securities Company, and build up the Digital Financial Services: Bank 3.0 environment, under the guidance of competent authority, securities related organizations, and participants.

On the cross border services front, TDCC will continue to cooperate with global custodian banks to increase the variety of products, seeking the export opportunities for the services developed in recent years, such as the E-voting, and mutual fund services.

For the operation plan of Fund Rich, TDCC has assisted Fund Rich Securities to complete the

application for company establishment and successfully obtained a securities broker license. The preparation tasks for personnel recruitment and system build-up are also under progress as scheduled. Currently, the company is entering into sales contracts with asset management companies and master agents of offshore mutual funds and will provide investors with a safe and sophisticated one-stop shop platform for mutual funds.

With respect to the initiative on building up digital financial services: Bank 3.0 environment. TDCC's joint venture company-Fund Rich Securities plans to start operations in 2016 aiming to utilize cutting-edge financial technology to build up an innovative mutual fund platform for investors. In addition, TDCC also plans to expand the service for E-voting, and examine the feasibility of customer remote book entry transfer functions, based on the need of securities firms.

Looking towards the future, TDCC, as a post trade infrastructure, will endeavor to provide higher-quality services through strengthening the functions of central depository, clearing and settlement, and book entry transfer, aiming to provide an even more safe, convenient and efficient environment for the Taiwanese securities market.





Business Report

I.Foreword

In 2015, the average daily transaction value on the Taiwan Stock Exchange (TWSE) was TWD 92.2 billion, and on the Taipei Exchange was TWD 24.5 billion, while on the Emerging Stock Market the figure was TWD 1.3 billion. The total daily average of approximately TWD 118 billion represented a decrease of 2.85% from the 2014 daily average of TWD 121.5 billion. In the bond market, government bond issuance volume in 2015 was TWD 613.5 billion, financial debenture issuance was TWD 118.4 billion, and corporate bond issuance was TWD 210.5 billion. In the bills market, short-term bills issues in 2015 amounted to a total of TWD 10.8782 trillion, with outright purchases and sales in the secondary market of TWD 19.2317 trillion and repo transactions amounting to TWD 18.1970 trillion.

Under the guidance of the competent authority, TDCC is fully committed to serving the securities markets and continues to provide efficient and secure services for registration, custody, and book-entry transfers service while provides post-trading service for fixed-income instruments and mutual funds to lower the operation cost. In addition, TDCC also made a significant achievement on the enhancement of service quality, information system efficiency and international business expansion. A summary of its 2015 business achievements and 2016 business plan are provided below.

II. 2015 Business Report

1. Major Initiatives

(1) Provide institutional investors with cross-border foreign security depository and related book-entry transfer services

In order to implement its Financial Import Substitution Program, the competent authority commissioned TDCC as the depository agency for institutional investors investing in foreign assets. As per Paragraph 6, Article 5 of Regulations Governing Centralized Securities Depository Enterprises, and Paragraph 3, Article 2 of Regulations Governing Book-Entry Operations for Centrally Deposited Securities, it authorized TDCC to operate cross-border foreign security depository and related book-entry transfer services. This project shall provide services in two stages: fixed income instruments and equity instruments.

TDCC completed the first stage in August 2015, enabling it to perform fixed income instrument plus related cross-border settlement and depository services through international depository agencies such as Euroclear and Clearstream, and provide institutional investors with fixed income instrument services including cross-border purchase and sale synchronous settlement, delivery versus payment, security transfer, inbound/outbound fund transfer, account management, redemption and coupon payment, and other related works. It will continue to work towards providing equity securities products and offering a complete range of value added services.

(2) Provide clearing, settlement and book-entry transfer service for the centralized transactions of foreign currency denominated products

To coordinate with TWSE's planned mechanisms for listing and trading foreign currency denominated products at stock exchanges, and to establish a trading platform for such products, including the listing and trading of RQFII ETFs and RMB denominated stocks at stock exchanges, TDCC has completed its clearing, settlement and book-entry transfer operations framework design. As well, it has proceeded to amend various related rules and to modify its information systems. The project was completed on April 13, 2015 and the information system went online on that date.

(3) Establish a fund order routing platform for securities firms to conduct the relevant operations

In coordination with the competent authority's deregulation, to allow securities firms to subscribe to onshore funds in their own names on behalf of investors, via an omnibus account, TDCC has established an onshore mutual fund order routing platform, for securities firms and SITEs to conduct the relevant operations and revised/made the relevant rules with regard to the user agreement, fee table and rebates.

The service was launched on July 1, 2015, and, to facilitate user familiarity with its operations, it introduced a "Onshore Fund Trading Platform Operating Manual v1.0", which was published and publicized on September 14, 2015.

(4) Provide a DVP settlement services for OTC foreign currency denominated bonds and bills through FISC's foreign currency settlement platforms

Following Central Bank policies, TDCC and Financial Information Service Co. Ltd. (FISC) jointly developed a Delivery Versus Payment (DVP) settlement mechanism for foreign denomination securities through FISC's foreign currency settlement platform. The service was launched on July 28, 2015 and processed transactions for numerous bills houses, securities firms, clearing and settlement banks, and funds payment and receipt agents. It also processed the clearing and settlement cycle of redemption for dollar-denominated bills in primary and secondary markets.

(5) Promote the Securities and Futures Cloud

TDCC worked in concert with the "Securities and Futures Cloud Promotion Project" and promoted cloud computing and related services to securities and futures organizations, so that market participants can tightly connect and integrate through the "Securities and Futures Cloud" service platform and so that it can effectively provide investors with even more convenient data integration services, and related services to securities and futures organizations. TDCC completed three projects in 2015, including the "internet transmission of securities owner register information to issuers or their transfer agents", "provision of electronic transmission method by which transfer agents of issuers may transmit the register of shareholders to e-voting companies", and "building of a mobile app that facilitates e-voting at shareholder meetings". These projects went officially online in March and April of 2015.

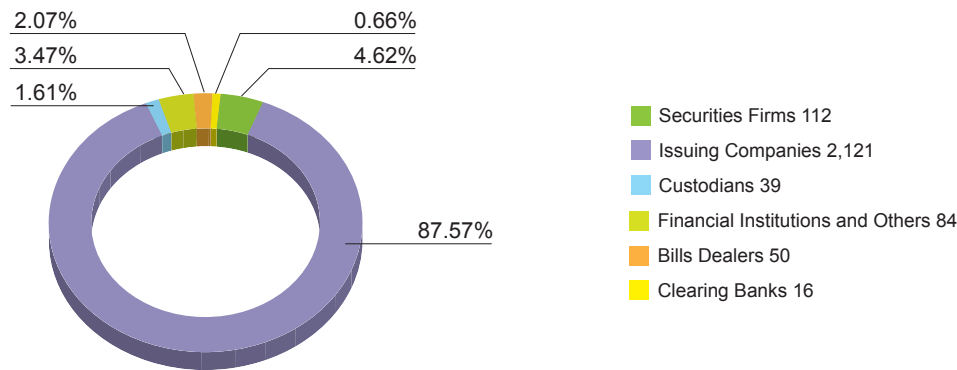
(6) Allow securities firms to entrust their respective branch offices with each other's trade-related book-entry transfer operations

To coordinate with the competent authority in its effort to boost the securities market and its policy to "Convenience Securities and Futures Investors with Trading and Account Opening", TDCC deliberated over the integration, arrangement and use of securities firm branch office resources, related risk management, and over provisions for allowing investors to entrust different branch offices with trading. Also with respect to risk management, a securities firm may be asked to trade on a client's behalf and needs to access client related data from other branches, implement partial risk management, or modify transaction information. With respect to trade-related book-entry transfer operations, TDCC deliberated on allowing cross-branch operations. The 13 operations included the querying of listed / emerging stock delivery information, processing notifications and enquiries for depositing into and withdrawing from prepaid securities, and processing credit trades without offset information notification and enquiries, and were announced and implemented on May 7, 2015.

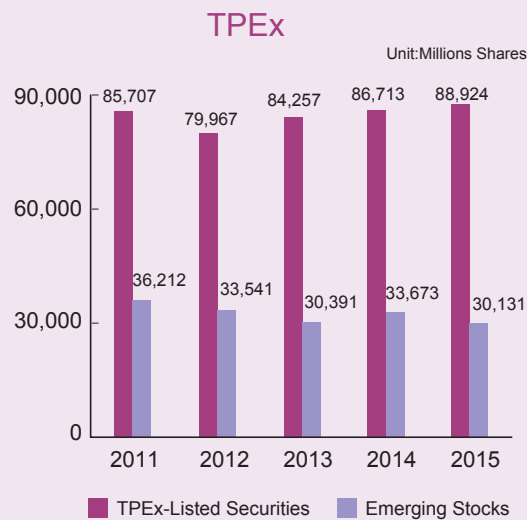
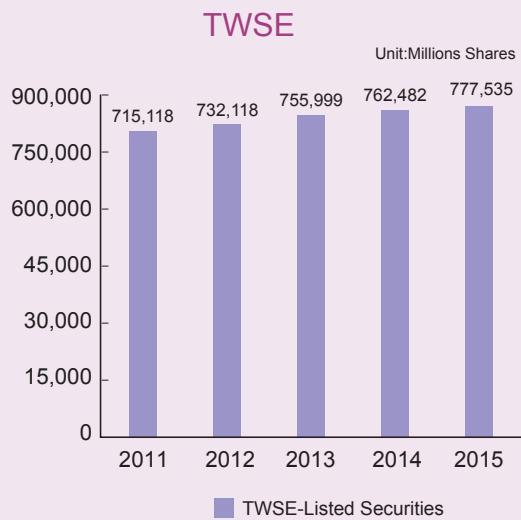
(7) Provide the related book-entry transfer service for the expansion of eligible collateral securities

To response to the competent authority's measures of "Arising Stock Plan" such as the expansion of the criteria on fund and eligible collateral for margin transaction which included open-end beneficiary certificates, gold, corporate bonds, financial bonds and government bonds as the eligible collateral, TDCC designed the book-entry operation framework to provide the service of collateral execution, return, deposition and shareholder registry. In addition, TDCC also modified its related information systems and amended related rules. This project was implemented and launched on November 30, 2015, as scheduled by the competent authority.

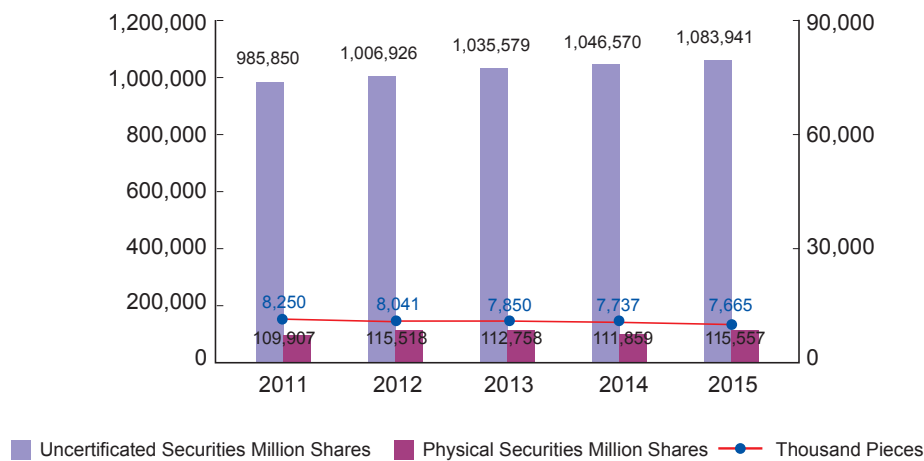
TDCC Participants



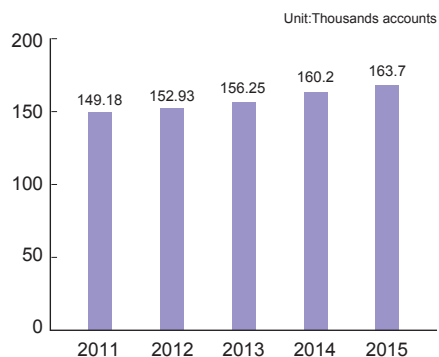
Statistics of Equities in Custody



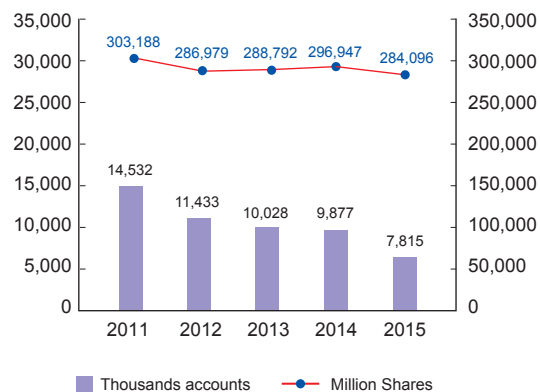
Statistics of Equities in Custody



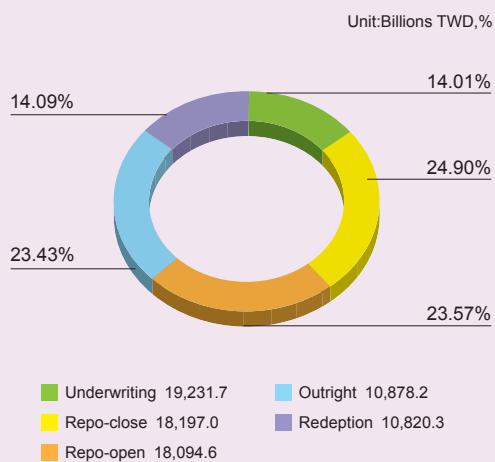
Statistics for Accumulated Book-Entry Account



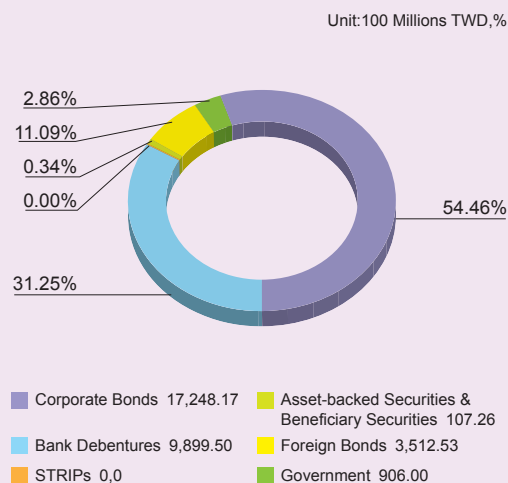
Statistics of Book-Entry Distribution for Equities



Statistics of Clearing & Settlement of Fixed Income Instruments in Custody



Amount Balance of Fixed Income Instruments in Custody



(8) Provide related services to response to the competent authority's plan to simplify and consolidate offshore structured product information reporting

To simplify and consolidate the information reporting process of offshore structured products for their issuers or master agents, and for those who are entrusted for investment and distribution such as trusty and insurance companies, and to avoid replicate reporting and ensure efficient information use, TDCC proactively completed tasks related to the “simplification and consolidation of offshore structured product information submissions” to response to the needs of competent authority. The service started on January 1, 2016 to provide the information related to offshore structured products to Taipei Exchange every business day via a dedicated line. It also provide the announcement service for newly reported information to issuers and master agents, to satisfy the needs of competent authority while providing a positive influence to market management.

(9) Provide related clearing and settlement services for foreign currency Negotiable Certificates of Deposits (NCD)

To expand its channels for obtaining foreign funds and supply enterprises and individuals with investment instruments that provide both income and liquidity, the Central Bank announced its amendment of “Regulations Governing Foreign Exchange Business of Banking Enterprises”, allowing appointed domestic banking units (DBU) to issue paperless, one year (or shorter) term foreign currency negotiable certificates of deposit (NCD) in coordination with related agencies' information systems. This project went online in two stages, matching two methods of registration. TDCC completed Stage 1 on August 31, 2015, after which it provided bank-issued fixed interest foreign currency NCD and registration related services through bill houses.

(10) Provide securities transfer and DVP services as part of domestic book-entry transfer services for registered foreign bonds.

To meet operational demands stemming from the competent authority now allowing securities firms to negotiate and trade in foreign currency bonds that are issued offshore by domestic or foreign entities and approved for registration by Taipei Exchange (henceforth referred to simply as “foreign bonds”), TDCC provides securities transfer and DVP services as part of domestic book-entry transfer services for registered foreign bonds. This is to facilitate operations such as basic data filing, overseas remittances, various book-entry transfers for secondary markets, redemption and coupon payments, and related account operations. The service successfully went online on July 1, 2015, providing bond transfer services, and expanding to provide DVP services on July 29. Dealers may, after having processed outright and repo transactions with institutional investors, access cross-border bond deposit and domestic book-entry transfer services through TDCC. This effectively expands market participation, increases trade volume for said bonds, helps promote industry sales, and helps develop the bond market.

(11) Provide registration and deposit record services for dematerialized deposit certificates of business guaranty bond

To simplify the cumbersome processes of deposit, renewal, and exchange that securities firms go through when using deposit certificates as business guaranty bond, and to reduce operational risk, TDCC developed dematerialized registration and deposit record services for deposit certificates of business guaranty bond. These enable new deposit, contract termination, deposit renewal, and physical to paperless services. In this way, the depository institution and bank can perform individual/account queries or print reports, and the competent authority or authorized agency can perform queries and quickly get hands on

information related to unusual market movements. This project was announced on December 31, 2015, and the service was launched that same day.

(12) Promote electronic voting at shareholder meetings and enhance the corporate governance

TDCC actively supported the competent authority in promoting electronic voting, has generated yearly increases in both its usage ratio and user base, implemented actual case-by-case voting in companies that use it, enhanced decision making transparency for conference topics, and implemented a nomination system for directors and supervisors. Among 2015's shareholder meetings, 281 publically listed companies have applied to use TDCC's STOCKVOTE platform, and all of them have successfully cast votes electronically during their regular shareholder meetings. A total of 343,171 votes have been cast in 2015, representing 196.9 billion shares. This is a significant growth over 2014's 161,713 votes and 156.6 billion shares, with 2.12 times the votes and 1.26 times the shares.

Among these, the results of e-voting adopted by institutional investors (including depositing banks, investment trusts, dealers, banks, insurance companies, etc.) grew 36 billion shares, for a 1.26 times growth. In April, 2015, in addition to personal computers, TDCC introduced its STOCKVOTE app, which uses smartphones and tablets as its voting interface to exercise their voting rights. In 2015, common shareholders cast 44,151 votes through this "mobile voting app", representing 16% of all electronic votes cast that year which shows a significant achievement.



(13) Complete the cross-border voting Straight Through Process (STP) solution

To enhance the corporate governance in Taiwanese market, TDCC coordinates with the competent authority to strengthen the promotion of policies that form the blueprint for governing companies in our country. Working with Broadridge, an international company that deals in voting mechanism frameworks, in one stage and 9 months ahead of schedule, it completed the establishment of its Straight Through Process cross-border voting solution, a system suitable for use in shareholder meetings for all listed companies in all markets. The system went online on December 29, 2014 and enabled direct connection and automation for a depository agency's cross-border shareholder meeting votes with respect to all its foreign shareholders' decisions on investment bids, raising its voting efficiency.

Now that TDCC has finished establishing its cross-border direct processing STP solution, foreign clients under custodians who voted through the cross-border STP solution numbered over 100 thousand accounts in 2015, representing about 80% of all foreign institutional investors in the market. Among these, over 60% completed their cross-border STP voting process. This conforms to suggestions made by Asian Corporate Governance Association's 2012 Corporate Governance Report, wherein it asked for enhancement's to our country's voting efficiency for foreign shareholders. This also reached the goal of "eliminating obstacles in exercising voting rights across borders", found in the 2015 G20/OECD

Corporate Governance Standard, Item 6, Section C, Chapter 2: “Shareholder Rights and Entitled Fair Treatment”.

(14) Establish a digitalized offshore funds information and announcement platform

To enhance the efficiency for offshore funds information reporting and announcement operation, and to avoid human errors during application delivery and manual filing, TDCC established a offshore funds digitalized information reporting and announcement platform, replacing high volume, time sensitive service items within its existing paper-based application system. These include adding approved funds, adding sector funds, terminating sales for funds, change names of funds, adding/terminating fund-selling agencies, and so forth. The system officially went online on November 2, 2015, and right now both paper based and electronic applications are concurrently in use. Full scale digitalization is expected to take place on July 1, 2016.

(15) Conduct shareholding examination and verification

To reinforce Article 43-1 of the Securities and Exchange Act, on shareholding management for specific holders of listed shares, the TDCC was instructed on September 2014 to establish a shareholding examination and verification mechanism to enhance the accuracy and completeness of shareholding information declared by shareholders. Every day, TDCC uses specific shareholder declaration information provided by the competent authority and changes in shareholding status to handle notification services and help the competent authority maintain up-to-date shareholding data for specific shareholders, so as to decrease the chances of specific shareholders not declaring as required. Also, to enhance safety and efficiency, all relevant information is transmitted through encrypted, dedicated lines.

(16) Establish a digitalized system of information requisition for the Ministry of Health and Welfare

TDCC has established a dedicated digitalized information requisition system for the property declaration of officials from Control Yuan and the Agency Against Corruption, MOJ. Also, in response to the E-Government Promotion Project of Executive Yuan, TDCC provided a service to manager inquiries to the Ministry of Health and Welfare, which provides automatic batch process without human intervention and data encryption through its dedicated fiber-optic wire, to increase operational efficiency. This project officially went online on November 9, 2015.

(17) Establish a Securities and Futures Virtual Museum

To record in detail an accurate history of Taiwan’s securities market development, for the education



www.tsfvm.com.tw

all, TDCC tapped into the Internet's far-reaching powers and built the nation's first Securities Market Virtual Museum. The virtual museum's subject matters include the Taiwan Stock Exchange , Taipei Exchange, Taiwan Futures Exchange , Securities Investment Trust & Consulting Association, and Taiwan Depository & Clearing Corporation. Through easy to understand securities information, it guides the viewer through understanding the securities market and provides financial management know how, acting as an educational platform for disseminating financial knowledge. This project officially went online on December 31, 2015.

(18)Introduce U.S. Foreign Account Tax Compliance Act (FATCA) as a response

In response to continued diversification and globalization of the domestic capital market, and to avoid the withholding of U.S. sourced income affecting the rights and interests of our members, TDCC followed U.S. FATCA provisions and established an inter-departmental special projects group for instituting FATCA provisions. Tasks completed include the inventorying of participants, establishment and announcement of management essentials for following TDCC's FATCA provisions, content revision of procedural documents related to opening and managing accounts for participants, introduction of the "FATCA Identity Declaration Agreement" form as proof of FATCA participation identity, formulation of information infrastructure and needs, and so forth, all integrated into TDCC's current operations. The future shall see continued work and coordination toward further modifications of information system functions and declaration related undertakings.

(19)Host the "Financial Literacy for Youth Program"

To response the commitment to corporate social responsibility promoted by competent authority, TDCC takes part in charity events and promotes financial literacy of "Financial Literacy for Youth Program" to assist college students who came from financial disadvantaged families. This program aims to assist college students to enhance their financial knowledge, obtain a certificate, and become more attractive in the job market.



(20) International Business Development

In response to the government's policy to accelerate globalization of Taiwanese capital markets, TDCC supported competent authority to hold the 2015 International Forum of Independent Audit Regulations (IFIAR), Enforcement Workshops and "Advanced Financial Professionals Training Program" jointly held by the Financial Supervisory Commission (FSC) and the U.S. Securities and Exchange Commission

(SEC). TDCC also hosted the 19th Asia-Pacific Central Securities Depository general meeting (ACG 19) from 3rd to 5th November, 2015. The number of participants reached a historical high where TDCC successfully facilitated the opportunity of international cooperation and business experience exchange as well as enhanced the presence of Taiwanese securities market. Furthermore, TDCC has actively participated in international meetings and activities, including World Forum of CDSs (WFC), International Organization of Securities Commissions (IOSCO) and Asia-Pacific Central Securities Depository to further facilitate the opportunity of business cooperation and business experience exchange.

2. Operating Performance

(1) Clearing and settlement Service

1. TDCC has 2,422 participants, with additional 986 branches, for a total of 3,408 participants head and branch offices.
2. TDCC processed book-entry deliveries totaling 1,202,659,071,000 shares for Taiwan Stock Exchange (TWSE) transactions, with a daily average of 5,032,046,000 shares.
3. TDCC processed book-entry deliveries totaling 261,077,621,000 shares for Taipei Exchange (TPEX) transactions, with a daily average of 1,092,375,000 shares.
4. TDCC processed book-entry deliveries totaling 6,390,501,000 shares for emerging stocks transactions executed at TPEX, with a daily average of 26,738,000 shares. The total trading volume was TWD 315 billion, with a daily average of TWD 1.318 billion.
5. TDCC processed delivery versus payment (DVP) settlement for TWD denominated fixed income securities totaling TWD 4.3415 trillion including 11.3 billion for primary market transactions and TWD 4.3302 trillion for secondary market transactions. TDCC processed TWD 328.4 billion of registration service for TWD denominated non physical securities, TWD 4.3302 trillion of DVP book-entry transfer, TWD 1.375 trillion of OTC outright purchases and sales transfer, bond passbook transactions representing TWD 8.1201 trillion.
6. TDCC processed transfer for foreign currency denominated OTC outright trades such as international bond and registered bond totaling 3 transactions valued AUD 70,000; 42 transactions valued USD1.743 billion. TDCC processed bond passport transactions totaling 986 transactions valued USD2,495.42 million; 84 cross-border inward remittances valued USD590.87 million, 7 outward remittances valued USD85 million; processed transfer for 164 OTC outright transactions valued RMB5.422 billion, processed 3,541 bond passport transfer valued RMB 27,351.14 million, cross-border inward remittances valued 3,897.2 million, 16 outward remittance valued 532 million.
7. TDCC processed TWD denominated short-term bills clearing and settlement including TWD 10.8782 trillion in underwriting and initial purchases, TWD 10.8203 trillion in redemptions, TWD 19.2317 trillion in outright trades, TWD 18.197 trillion in repo transactions, and TWD 18.946 trillion in exercises of repo transactions, and a daily average clearing volume of TWD 313.9 billion in the primary and secondary markets. Settlements through the Central Bank's Interbank Funds Allocation and Clearing System totaled TWD 28.943 trillion.
8. TDCC processed clearing and settlement for onshore USD denominated bills, including underwriting and initial purchases of USD 2.838 billion, redemptions of USD 2.348 billion, and outright, repo, and repo exercise transactions of USD 9.002 billion, and a daily average clearing volume of USD 24.74 million in the primary and secondary markets. Funds settlements through US Dollar clearing banks totaled USD 3.4 billion, redemption valued 1,701.5 million, primary market daily average clearing

valued RMB 41.02 million; clearing through foreign currency clearing platform valued 3,054.25 million.

9. TDCC processed book-entry transfer for cross-border custody of foreign fixed income securities totaling 50 transactions valued USD 120.57 million.

(2) Book-entry Service

1. TDCC processed dematerialized equity registration service totaling 36,551 issues, and dematerialized debt securities registration and book-entry delivery totaling 159 issues.
2. TDCC processed dematerialized open-ended beneficial certificates registration service totaling 38 issuers of 672 issues, and private placements of beneficial certificates registration service totaling 43 issuers of 715 issues.
3. TDCC processed book-entry delivery of 105,918,846,000 shares for equity margin trading, with a daily average of 430,564,000 shares.
4. TDCC processed book-entry delivery for pledged equity securities totaling 12,920,711,320,000 shares, on a total balance of 54,061,157,000 shares of pledged securities; there was a balance of TWD 13.174 billion in pledged debt-type securities; balances of pledged international bonds was RMB 200,000 ; the balance of pledged short-term bills was TWD 9,820.9 million.
5. TDCC processed book-entry delivery for 7,815,678 distributions of equity securities, making distributions of 284,095,537,000 shares to a total of 36,172 accounts, for a monthly average of 3,014 distributions; TDCC processed book-entry delivery for a total distribution amount of TWD 3,302,960,000,000 for debt-type securities to a total of 660 accounts, with a total of 157 distributions and a monthly average of about 13 distributions.



6. TDCC processed 10,069,550 book-entry delivery for a total of 266,842,743,000 units, a total of 180,583 book-entry deliveries and a monthly average of about 15,049 deliveries.

(3) Custody Service

1. The number of securities under custody for TWSE-listed securities was 777,534,692,000 shares, TPEx-listed shares was 88,923,819,000 shares, and emerging-stocks was 896,589,639,000 shares, totalling TWD 28.4552 trillion.

In addition, there were a total of 303,008,640,000 shares (including physical certificate of 7,664,975 lots represented 115,657,116,000 shares and dematerialized securities of 187,351,524,000 shares) under custody which were delisted shares and non-listed shares deposited by the Central Bank's Department of the Treasury.

To summarize, there are a total of 1,199,598,279,000 shares of equity securities under TDCC custody with a total market value of TWD 32.876 trillion.

2. The balance of fixed income securities under centralized custody was TWD 2.8161 trillion, including international bonds and registered bonds of USD 8.0697 billion, RMB 17,467.7 million, and JPY 5 billion. TDCC processed the coupon payment and redemption service including 19 AUD denominated issues valued 4.3 million, 48 RMB denominated issues valued 57.27 million, and AUD denominated issues valued 60.07 million.
3. TDCC processed 2,695,716,000 shares under special custody control, and released special custody control of 2,959,824,000, for a remaining balance of 4,069,532,000 shares.
4. The balance of custody for short-term bills was TWD 1.4731 trillion, USD 490 million, and RMB 1.15 billion.
5. TDCC provided cross-border custody for 39 foreign fixed income securities valued USD104.77 million of which currency denominated ranging from USD, EUR, AUD, RMB, IDR, INR, RUB, to MXN.

(4) Computer linkages with participants

1. Computer links have been established with 1,012 securities firms (including 930 branches) and 96 bills houses.
2. Participants have submitted 719 applications for links to TDCC computers; of those, 288 were for links to the "TDCC networks", and 431 were for links to the "Quadruple combined networks".
3. A total of 16,366,643 depository accounts have been opened by investors.
4. A total of 16,728 account statements and reports of various kinds were produced by TDCC on behalf of securities firms.
5. A total of 211,861,571 book-entry transactions were handled on behalf of securities firms.
6. The number of consultations service provided by TDCC Network Communications Center provided for securities firms was 29,352, for an average of about 118 inquiries per day.
7. Voice inquiry passwords for custody balances were created for 63,102 accounts, for a cumulative total to date of 7,749,766, and 15,590 voice inquiries were made, for a cumulative total to date of 3,678,754.

(5) Offshore funds information reporting, announcement and payment service

1. A total of 45 master agents are conducting offshore funds information reporting and announcement through TDCC's Fund Clear.
2. A total of 79 entities have been administering their offshore funds order routing and payment operations through Fund Clear, including 52 master agents and 27 distributors.
3. TDCC provided offshore funds payment and receipt service including TWD 26,400.83 million in subscriptions, TWD 23,264.94 million in redemptions and TWD 12,725.81 million in conversions.



III. 2016 Business Plan

Looking towards to its development for 2016, TDCC will follow international development trends, enhancing the efficiency of the clearing and custody systems in Taiwanese market, continuing to further strengthen its book-entry transfer functions for centralized depository service, and effectively utilizing the payment mechanisms of the CBC Interbank Funds Transfer System, expanding the scope of services offered to the securities, bond, and bills markets and providing market participants with even more secure and efficient service. Furthermore, TDCC will continue to develop the benefits resulted from the integration of post trade services for the securities, bond, and bills markets aiming to reduce market costs and enhance the efficiency of operations. The major initiatives of TDCC in 2016 will be as follows:

1.Support for the changing of T+2 netting settlement cycle for emerging stocks

As of February 2009, T+2 netting settlement went in force for listed stocks. Taking into account that the trade volumes for foreign investors increased in recent years, and the burden put on foreign investors due to the difference of settlement cycle between listed and emerging stocks transactions, Taipei Exchange proposed to modify the settlement cycle for emerging stocks transaction from T+1 to T+2 while planning “Sound Emerging Stock Trading Policies”. To response to the change of settlement cycle to T+2 initiated by Taipei Exchange, TDCC modified its clearing, settlement and book-entry transfer operation, revised its business operating procedures, and amended the various related items and standards. These were launched and fully implemented on the first stock market opening day of 2015.

2.Provide foreign securities cross-border custody and related book-entry transfer mechanisms, and provide a complete range of cross-border custody services

To implement its Financial Import Substitution Program, the Financial Supervisory Commission (FSC) commissioned TDCC as the depository agency for institutional investors investing in foreign capitals, and authorized TDCC to operate cross-border foreign security custody and related book-entry transfer services. TDCC completed the first stage in August 2015, enabling it to perform fixed income instrument plus related cross-border settlement and depository services. Aside from being able to provide related services to the insurance industry as policy coordination, it may also service the banking industry, securities industry, government investment agencies, and so forth. For 2016, TDCC shall, step by step, continue to provide equity securities product services to expand its scope of service. It would also provide a safe, efficient, zero-lag service that connects international depository agency accounts immediately, helping institutional investors invest in the global market and providing Taiwan’s investment agencies with diversified, globalized back-end services.

3.Cooperate with Taiwan Stock Exchange to establish cross-border connections, plan for providing foreign securities trading services, and deliberate on the post trade operation mechanism

Taiwan Stock Exchange plans to partner with the Singapore Exchange in building a Taiwan-Singapore connection system and establishing a foreign securities trading business. This is to allow investors from both sides to perform cross-border trades and provide for clearing, settlement, depository, stock affairs, and related

operation processes, and provide a mechanism for security firms to process sub-brokerage business through TDCC's platform. TDCC shall act as the intermediary agency and handle related accounts and stock affairs services.

4.The establishment of Fund Rich Securities Company

In order to strengthen the management of mutual fund distribution market and provide investors with diversified alternative distribution channel, TDCC and Taipei Exchange jointly established Fund Rich Securities Company to build up a mutual fund distribution platform. Currently the application submitted to Taipei City Government for company establishment has been completed and successfully obtained a securities broker license from competent authority. Fund Rich Securities is entering into the relevant progress of building up a safe and sophisticated one-stop shop platform for mutual funds to investors

5.Boost clearing and settlement operations for foreign currency negotiable certificates of deposit (NCD) that have yet to enter the securities market.

To expand its channels for obtaining foreign funds and supply enterprises, the Central Bank allowed appointed domestic banking units (DBU's) to issue paperless, one year (or shorter) term foreign currency negotiable certificates of deposit (NCD) in coordination with related agencies' information systems. This project went online in two stages, matching two methods of registration. TDCC completed Stage 1 on August 31, 2015, after which it provided bank-issued fixed interest foreign currency NCD and registration related services through bill houses. For 2016, Stage 2 shall plan for the addition of floating interest foreign currency NCD that have yet to enter the securities market, issuable by banks, and have banks autonomously register foreign currency NCD through TDCC. These are to be implemented and online on January 4, 2016. Plans are also in place to provide monitoring and management information to the Central Bank, including foreign currency NCD circulation, holder types, interest rates, credit controls, initial and secondary trades, circulation balance, and so forth. These are projected to go online by month end March 2016.

6.Deliberate on promotion strategies for creating a digital financial environment, innovating services, and supporting measures

To help meet Taiwan Securities Association's digitization needs, TDCC investigated on enabling clients to apply for book-entry transfer services with securities firms using digital certificates. It continued to collect and analyze applications and market development needs for technology in the financial field, and deliberated on its own strategic blueprint for digitizing its services, all to provide higher efficiency, innovative services to its various members and investors.



7.E-voting services for shareholders meeting

The competent authority has announced on 12nd November, 2014 that criteria of mandatory e-voting will extend to companies with capital of TWD 2 billion or more and with 10,000 shareholders or more as of the previous ex-date of which will be effective from 2016. TDCC will actively support the competent authority to promote the e-voting and design the relevant operation in accordance with the regulations and users' needs including the smartphones and tablet computers APP for e-voting, STP cross-border voting solution, and holding relevant promotion events and market testing aiming to provide shareholders and international institutions a more convenient platform to facilitate shareholder activism and strengthen corporate governance.

8.Information Transmission Integration Project for Securities & Futures Market Peripheral Organizations: system architecture integration and standardization

In line with the project of "Information Transmission Integration Project for Securities & Futures Market Peripheral Organizations" promoted by the competent authority, it integrates and standardizes the resources such as private networks, facilities, services run separately by the securities, futures, and OTC markets, and build up integrated system architecture and interface.

9.Execute relevant tasks in response to the "Name Lengthening Project for Securities Abbreviations"

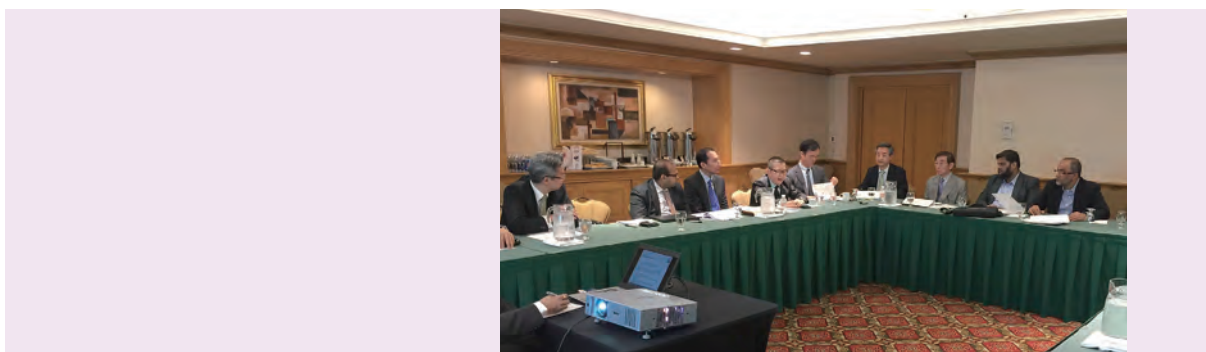
To indicate securities attributes and provide for future business development needs, TDCC acted in support of Taiwan Stock Exchange's plan to expand the length of security name abbreviations, from the present 6 characters (i.e. bytes) to 16 characters, such that for traders or security holders, it would become easy to identify securities attributes based on the abbreviated name, thus helping investors purchase, trade, and control investment directions. To minimize operative costs for users and investors, project planning was undertaken under the premise of minimal operational change. Project development began on July 1, 2015 and would take an estimated 12 months, and scale adaptation of the new name format shall begin 6 months after system completion.

10.Build an online query name list database of anti-money laundering and counter terrorist financing

In coordinating with the competent authority's policies and various ancillary units' needs to lower membership building costs for securities firms and SITCA, TDCC took the initiative to provide a full line of services and made plans to create a database of lists using information obtained from judicial authorities. These would include a blacklist of sanctioned identities, a list of highly visible foreign politicians, and a list of high risk areas and countries, among others. Aside from providing the ability to batch compare the list of current investors to previously disclosed lists, the system also provides instant online queries. TDCC system users can either have TDCC send them comparison results or print query results themselves, and relevant stored data can be used as evidence and trail in examining and evaluating client risk and identity. Aside from decreasing user cost and showcasing TDCC's market functionality through its back-end value-added services, this will also serve to improve The Asia/Pacific Group on Anti-Money Laundering's view of Taiwan.

11. International business

TDCC will assist the competent authority in promoting international business and actively participating in planning for the various international conferences held by the competent authority. TDCC will also continue to promote the activities and cooperate with global clearing and depository institutions including mutual visits or training programs. As needed, TDCC may also sign memorandums of understanding with global clearing and depository institutions for cooperation on information, to facilitate mutual exchanges of information or personnel in the future.



IV. Conclusion

In the past year, under the guidance of the competent authority and with the full support of the industry, TDCC's custody, clearing and settlement, and book-entry transfer business enjoyed steady growth, whilst it developed more diversified services. Looking ahead to 2016, TDCC will continue to enhance its service functions on registration and delivery, book-entry transfer, clearing and settlement, funds payments of funds, issuers services, information transmission, market management, information system operation and maintenance, and personal information protection operations and maintenance, aiming to maintain secured market operation and provide market participants with a more efficient operating environment. TDCC will continue to promote STOCKVOTE for shareholders' meetings, to further enhance corporate governance, protect shareholder rights and interests, and create market synergies. TDCC will also continue to operate the Stock Museum, to participate in implementation of the competent authority's plan for promoting financial knowledge, and to fulfill its social responsibility, aiming to enhancing the public's financial knowledge. On the business innovation front, TDCC will actively support the competent authority's policy of "Arising Stock Plan", "build the next generation of Digital Financial Services: Bank 3.0" and "Finance Import Substitution", and expand the scope of service through referring the business experience of global peers and implementing of international standard.

For cross-border business, TDCC will introduce brand-new policies and services in the areas of cross-border business, payment mechanism and integration of market information, to contribute to the effort to advance Taiwanese capital markets. In the process, TDCC aims to make greater strides in its business development, and to transform itself into an even more international and diversified post trade infrastructure which can be compared favorably with any other global peers.





Introduction of TDCC

I. Overview

After the merger with Debt Instruments Depository and Clearing Co., Ltd. (DIDC), Taiwan Securities Central Depository (TSCD) was renamed as Taiwan Depository and Clearing Corporation (TDCC).

To enhance market efficiency, reduce operational burden of processing paper securities and provide a secure and reliable central depository, the Securities and Futures Bureau (SFB) of the Financial Supervisory Commission (FSC) drafted the Rules Governing Centralized Securities Depository Enterprises and the framework of book-entry settlement in January 1988 in accordance with the newly amended Securities and Exchange Act as a prelude to the establishment of TSCD in October 1989 through joint venture of Taiwan Stock Exchange Corporation (TWSE), Yuanta Securities Finance Co., Ltd. and a number of securities brokers. The company started its business in January 1990 and provided services including central depository and book-entry transfer for securities, settlement of securities traded on TWSE and GrTai securities market (GTSM), clearing and settlement for both cash and securities for the Emerging Stocks, and registration of securities issued in dematerialized form. Entrusted by the SFB, TSCD was also responsible for auditing the corporate action operations carried out by the transfer agents of issuing companies.

To promote securities dematerialization and central clearing and settlement system in the short-term bills market, the Ministry of Finance promulgated the Regulations Governing Short-term Bills Clearing and Depository Organizations in June 2002. DIDC was then incorporated in August 2003 through the joint venture among local bills dealers, Financial Information Service Co., Ltd. (FISC) and other financial institutions and started operation in April 2004. In addition to the management of the central depository of short-term bills, the company provided clearing and settlement services on Delivery Versus Payment (DVP) basis via the linkage with the Inter-bank Fund Transfer System of the Central Bank.

With the growing trend of cross-industry operations in domestic financial sector, securities firms and bills dealers who have businesses across securities, bonds and bills market experienced a steady increase in transaction volume. In July 2005, the FSC encouraged the merger between TSCD and DIDC with a view to providing convenience to market participants, avoiding duplicate investment and following the trend of back-office integration in global securities markets. It was anticipated that the integration of clearing, settlement and central depository infrastructures would help reduce costs and improve market efficiency, expand service scope, and stimulate market development. The two companies completed the merger on March 27, 2006, and TSCD was the surviving entity and renamed Taiwan Depository and Clearing Corporation.

In consideration of the voting operations for general meetings of shareholders are organized around the world in recent years, TDCC has been developing the electronic voting system for general meetings, and following the trends of integrating platforms and establishing global network connections in order to make voting easier and more efficient for international investors. Consequently, the board of directors of TDCC and the board of directors of the Taiwan Integrated Shareholder Service Company (TISSC) passed resolutions to proceed with a merger of the two companies in November 2013. The merger was completed on March 24, 2014, and TDCC became the continuing company. TISSC's Shareholders Meeting Electronic Voting Platform, after the merger, was replaced by TDCC's Stockvote platform as the single contact point in the market. Integration of the two platforms will not only save on operating costs for issuing companies, but also offer an easier-to-use and more integrated voting interface for investors in Taiwan. In addition, TDCC works with an international voting service provider to build a straight-through processing (STP) mechanism, which can be used to extend the voting deadlines for foreign shareholders and enhance timeliness for the cross-border voting process. As a result, the mechanism will serve to protect shareholder rights and improve market efficiency, while complying with the competent authority's vision of creating a "Corporate Governance Roadmap".



TDCC's business scope and eligible securities for the book-entry operation are listed as follows:

1. Major businesses of TDCC

- Custody of securities and of short-term bills in certificate form.
- Registration of issuance of dematerialized securities and short-term bills.
- Settlement, pledge and book-entry operations for securities and short-term bills
- Computer processing of securities book-entry transfer matters
- Distribution of securities through book-entry transfer
- Clearing and settlement of emerging stocks
- Payment processing of offshore fund transactions
- Presentment and redemption of short-term bills upon maturity, and payments and receipts in connection with underwriting, initial purchases, and redemptions upon maturity
- Settlement confirmation and account reconciliation for short-term bill
- Compilation of short-term bill interest rate indices
- Transmission and exchange of participants' business-related information
- Provide Consultation and planning services on participant IT system backup and automation operation
- Other services approved by the competent authorities

2. Types of eligible securities for book-entry operation:

- Stocks, new share certificates, subscription payment certificates, preferred stocks with warrant and warrants listed on the centralized market
- Beneficiary certificates traded on the centralized market
- Depositary receipts traded on the centralized market
- Convertible corporate bonds, exchangeable corporate bonds, corporate bonds with warrant, corporate bonds and bond conversion certificates traded on the centralized market
- Bonds traded on the centralized market
- Call (put) warrants traded on the centralized market
- Beneficiary certificates and asset-backed securities traded on the centralized market
- Stocks, new share certificates, subscription payment certificates, and preferred stocks with warrant traded over-the-counter
- Beneficiary certificates traded over-the-counter
- Depositary receipts traded over-the-counter
- Convertible corporate bonds, exchangeable corporate bonds, corporate bonds with warrant, corporate bonds, bank debentures, and bond conversion certificate traded over-the-counter
- Bonds traded over-the-counter
- Call (put) warrants traded over-the-counter

- Beneficiary certificates and asset-backed securities traded over-the-counter
- Employee stock warrants
- Stocks issued by public companies that are printed in consolidated form representing the total number of the new shares in one issue or issued in dematerialized form
- Privately placed stocks, subscription payment certificates, bond conversion certificates, corporate bonds, and bank debentures issued by public company that are printed in consolidated form representing the total number in one issue or issued in dematerialized form
- Privately placed preferred stocks with warrant, corporate bonds with warrant, convertible corporate bonds, and exchangeable corporate bonds issued in dematerialized form by public company
- Open-end beneficiary certificates and bank debentures issued in dematerialized form
- Privately placed beneficiary certificates or asset-backed securities issued in dematerialized form by trust institution or special-purpose company
- Negotiable certificates of deposit, NCD
- RMB-denominated corporate bonds issued overseas by public companies where investors are offshore banking units of banks and the bonds are issued in dematerialized form
- Foreign securities under the custody of overseas custodian, transfer or clearing organizations.
- Commercial paper I, CPI
- Commercial paper II, CPII
- USD-dominated commercial paper
- Bank acceptance
- Short-term beneficiary securities and asset-backed securities
- Municipal treasury bills
- Other securities or short-term debt certificates approved by the competent authorities.





II. Organization

The Board of Directors is the highest executive body of the company. The chairman convenes and presides over the Board meetings and represents the company. Following the chairman's order, the president executes the resolutions of the Board meetings and the shareholder meetings and manages all businesses pursuant to relevant laws, regulations and bylaws. One to two senior executive vice presidents are assigned to assist the president and handle company business. One secretary general is assigned to supervise documentation and coordination across departments and to assist the president and senior executive vice presidents in administrative management. One general auditor, being the head of the Internal Auditing Department, is in charge of internal control and internal audit. The Internal Auditing Department reports directly to the Board.





TDCC has nine business departments including Equity Services, Fixed Income Services, Fund & Global Services, Issuer Services, Equity System Development, Fixed Income System Development, IT Infrastructure, Corporate Strategy & Public Affairs, and General Administration and five functional departments including Labor Safety, Intermediaries Compliance & Inspection, Legal Affairs, Finance, and Internal Auditing. Headed by one senior vice president, each department carries out businesses with subordinate functional divisions. Two independent committees, the Risk Control Committee and the Research, Development and Fee Committee, directly report to the Board of Directors. Duties of the committees and the organizational structure are outlined as follows:

1. Committees

■ Risk Control Committee

Pursuant to Article 27 of the Regulations Governing Central Depository and Clearing Institutions for Short-Term Bills, TDCC establishes the Risk Control Committee in charge of the risk control on operational flows of depository, clearing and settlement of short-term bills, computer system operation, and the operational flows between TDCC and participants. The Committee establishes risk control standards and auditing policies for participants and conducts periodic audit on participants risk management.

■ Research, Development and Fee Committee

The Research, Development and Fee Committee is formed to ensure the business development and its service fee meet market needs. Main functions of the Committee include planning of business development and operational principles, reviewing the service fee for depository, registration of issuance, book-entry transfer, clearing and settlement services, reviewing major operational revisions and business initiatives.

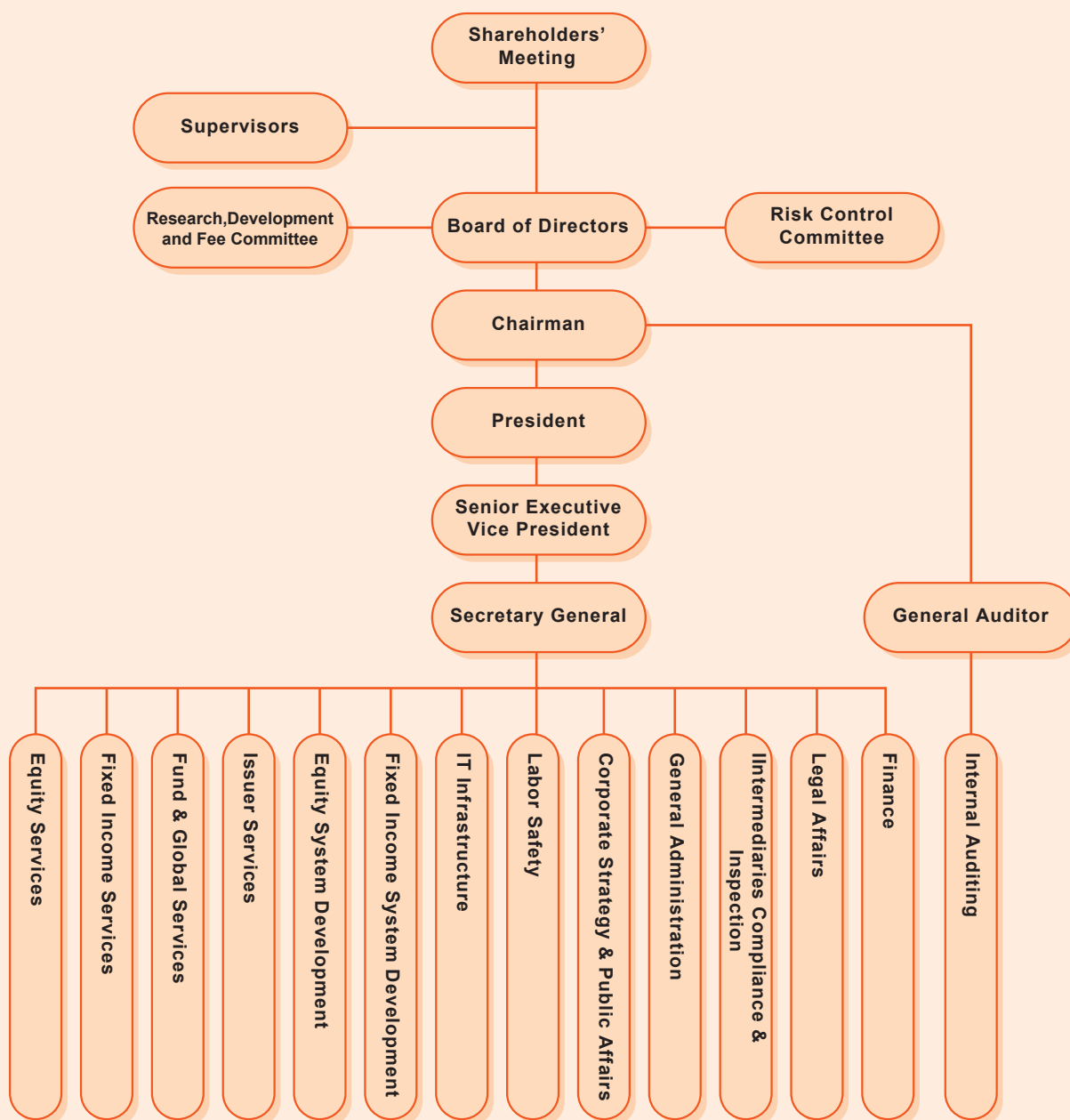
2. Responsibilities of Departments

- **Equity Services Department** is in charge for the business planning, service promotion, book-entry operation, securities settlement, securities deposit and withdrawal, key-in and registration of securities information, securities inspection before custody, labeling bar codes, vault management, examination of the certificate printing specification, barcode inspection, book entry of pledged securities, clearing of emerging stocks, cross border custody and settlement service. The department includes four divisions: Business Promotion, Settlement, Account Management, and Digital Financial Service.
- **Fixed Income Services Department** is in charge of fixed-income products related business planning , service promotion, book-entry operation, clearing and settlement, cross border custody and settlement service, custody of physical bills. The department includes three divisions: Business Planning, Business Administration, and Clearing Service.
- **Fund & Global Services Department** is in charge of mutual fund business planning, service promotion, information transmission, cash payment, and global service planning and promotion. The department includes two divisions: Mutual Fund Service and Global Service.
- **Issuer Services Department** is in charge of registration of securities issued in dematerialized form, book-entry distribution, title transfer handling, e-voting, cross boarder voting services, cross border shareholder affairs administration, and business coordination with issuing companies and their transfer agents. The department includes three divisions: Planning and Administration, Assets Service, and Marketing.
- **Equity System Development Department** is in charge of information system planning, development, design, testing, quality control, and design and promotion of information and communication security mechanism. The department includes four divisions: Securities Operations, Futures Operation, Digital technology, and Planning and Administration.
- **Fixed Income System Development Department** is in charge of information system operation related to fixed income products and second type telecommunication, system development, design, testing and quality control, providing IT consultation to participants, and design and promotion of information and communication security mechanism. . The department includes three divisions: Fixed Income Operation, Planning and Administration, and Internet Operation.
- **IT Infrastructure Department** is in charge of deployment, maintenance, operation, management and connection of information system facilities. The department includes five divisions: System Engineering, System Operation, Information Service, Planning and Administration, and Network Engineering.

- **Corporate Strategy & Public Affairs Department** is in charge of the Board Meeting related matters, business planning, research and analysis, public relations, financial literacy promotion, corporate social responsibility, and the administration and management of stock museum. The department includes four divisions: Planning, Communication, Continuing Finance Education, and Research.
- **General Administration Department** is in charge of procurement, construction projects, general affairs, property management, documentation, intern and human resource management, training, and personnel review. The department includes four divisions: General Affairs, Administration, Document Management and Personnel.
- **Labor Safety Department** is in charge of prevention of occupational accidents and management of health and safety of employees. The department does not have any division under it.
- **Intermediaries Compliance & Inspection Department** is in charge of providing participants with guidance on internal control related to TDCC operation and information and communication security, examining, in coordination with Taiwan Stock Exchange and Taipei Exchange, securities firms' TDCC-related operations, examining operations and securities related to corporate action of listed companies, promoting secured information communication, processing reports on participants' personnel shuffle, and auditing bills interest rate and transaction data transmitted by participants. The department includes four divisions: Securities Firms Guidance, Shareholder Affairs Auditing, Planning and Administration, and Risk Management.
- **Legal Affairs Department** is in charge of providing legal opinions, compiling information on regulations and rules and providing data query service for investors and competent organizations. The department includes two divisions: Legal and Securities Query.
- **Finance Department** is in charge of financing and accounting. The department includes two divisions: Budgeting and Accounting.
- **Internal Auditing Department** is in charge of internal control and internal audit. The department includes two divisions: Internal Auditing and Data Control.



3. Organizational Chart



III. Workforce Background

As of the end of 2015, TDCC has 502 employees, of which 54.8% are male and 45.2% are female. The majority are between the ages of 50 and 59, and 37.5% have obtained a university or college degree

IV. Shareholders Background

As of the end of 2015, TDCC has a total of 1,684 shareholders, consisting of 103 institutional and 1,581 individual shareholders. TWSE is the principal shareholder holding 50.43% of shares, followed by Yuanta Securities Finance Company (YSFC) holding 17.96%. The shareholding structure by the end of 2015 is shown as follows:

As of December 31, 2015

Shareholders	Shares	%
Taiwan Stock Exchange Corp. (TWSE)	173,417,054	50.43
Yuanta Securities Finance Co. (YSFC)	61,750,600	17.96
Financial institutions (securities firms, banks, bills dealers...) and individuals	108,741,554	31.61

V. Board of Directors and Supervisors

The Board of Directors consists of 7 directors representing TWSE, YSFC, and Fubon Securities respectively. There are three supervisors and one of them is the standing supervisor. A list of directors and supervisors is shown as follows:

As of January 4, 2016

Title	Name	Shareholder Represented
Chairman	Sherman Lin	Taiwan Stock Exchange Corp.
Director	Huo-Dang Lin	Taiwan Stock Exchange Corp.
Director	Ho-Sheng Wang	Taiwan Stock Exchange Corp.
Director	Ching-Li Meng	Taiwan Stock Exchange Corp.
Director	Ko-Yang Wang	Taiwan Stock Exchange Corp.
Director	Arthur Chen	Yuanta Securities Finance Co.
Director	Ming-Chien Chen	Fubon Securities Co., Ltd.
Standing Supervisor	Hung-Wen Chien	Taiwan Securities Association
Supervisor	David S. Hong	Taiwan Securities Association
Supervisor	Ting-I Chan	Taiwan Futures Exchange Corp.



Management Team





Secretary General
Gloria Ching

Senior Executive Vice President
Han-Chiang Chu

Senior Executive Vice President
Edith Lee



Equity Services / Jane Chang

Internal Auditing / Jenny Ho

Intermediaries Compliance & Inspection / Kuang-Hui Chen

Fixed Income Services / Suh-Yann Tsaur

Corporate Strategy & Public Affairs / Olivia Chang

Fund & Global Services / Eric Hsu

Issuer Services / Julie Wang

(From left to right)



IT Infrastructure / Cheng Hsu

Fixed Income System Development / Win-Cheng Wang

Legal Affairs / Yuan-Hua Hsiao

Equity System Development / Andy Yeh

Finance / Susan Huang

General Administration / Jennifer Chen

(From left to right)



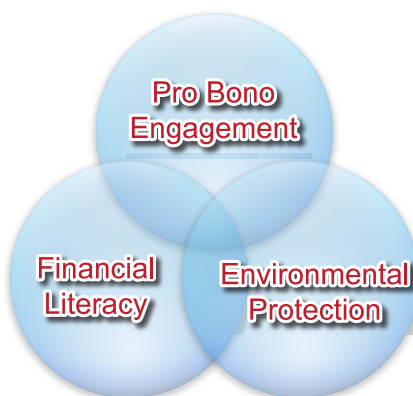
Corporate Social Responsibility

Corporate social responsibility (CSR) has emerged as a global trend and the importance has been widely acknowledged by corporations and governments recently. TDCC, as a post trade infrastructure in securities market, endeavors to provide an even more safe, convenient and diversified service to increase the efficiency of market service with the mission of sustainable development and the principles of taking from society, giving back to society. In addition, TDCC spares no effort to commit corporate social responsibility through the engagement in social contribution, promoting financial literacy and environmental protection aiming to implement the principle of CSR through the real action and realize the commitment of CSR.

TDCC's three commitments to corporate social responsibility from the perspective of pro bono engagement, financial literacy, and environmental protection respectively are as followings:

1. Pro bono engagement

TDCC's three commitments to corporate social responsibility



■ Coordinate the Financial Literacy for Youth Program

To response the commitment to corporate social responsibility promoted by competent authority, TDCC coordinated with securities peripheral organizations to promote financial literacy of "Financial Literacy for Youth Program" to assist college students who came from financial disadvantaged families. This program aims to assist college students to enhance their financial knowledge, obtain a certificate, and become more attractive in the job market.

The financial academy class received heated feedback from many universities/colleges. The number of applicants far exceeded the expectation and a total of 617 students from different schools were accepted as a result. Financial institutions also enthusiastically supported this project and provided over 1,000 career opportunities to job applicants. That financial academy class was expected to cultivate new talents for the financial industry and set a new example of CSR commitment.



■ Contribute to the Nurturing Athlete Program

To support the “Competitive Sports – New Breakthroughs through Competitive Edge” program and strengthen the cultivation mechanism of outstanding athletes, TDCC sponsored the fundamental training of focus sports in different schools to cultivate more seed athletes and promoted the development of these focus sports. By supporting potential athletes, we provided them with a worry-free training environment or funds for participating in relevant events to enrich their ability to win medals.

■ Sponsore the Children Education Resource Program

TDCC, in recent years, not only have been making significant achievement on the business diversification but also proactively engaged in social contribution under the principle of “taking from society, giving back to society”, given that pro bono engagement is part of CSR fulfillment. In order to response to the competent authority’s policy of encouraging the financial industry to involve in pro bono engagement, and support the government’s education policy to care the education and living of the children in remote areas, particularly the after-school care and learning ability improvement of students in remote areas, TDCC invited peripheral securities organizations to sponsor the Children Education Resource Program providing after-school club service for underprivileged students aiming to prevent students from hanging out after school which can affect their academic, physical, and mental development. The children education resource program supported the underprivileged students with living care whilst supported the parents with a worry-free environment to work.



■ Charity Donation

To response the commitment to corporate social responsibility promoted by competent authority, TDCC contributes to the charity donation program towards a better society as follows:

- Donated to the “Park Eight Immortals Dust Explosion Relief Program”
- Fund drive of “Food (Fund) Bank” raised by Taiwan Futures Exchange to support the underprivileged communities in 22 counties and cities
- Donated to “Eden Social Welfare Foundation”
- Sponsored “Taiwan Fund for Children and Families” to support the underprivileged communities
- Donated to “Taipei Autism Children Social Welfare Foundation”

- Donated to “Kanner Support Group” in Taiwan
- Sponsored “Young Artist Nurturing Program” of Shihding Elementary School
- Sponsored “Young Entrepreneur Nurturing Program” of elementary schools in Hua-Lian remote area
- Donated to “Yi-Lan nursing home”
- Held “Blood Drives, Love Thrives” activity and philanthropy charity donation activities



2. Financial Literacy

■ "Taiwan Stock Museum" and Financial Literacy Promotion

TDCC "Taiwan Stock Museum" was established in 2012 which preserves historical materials, documents and multimedia tools to record the development of Taiwanese securities market and the relationship between Taiwanese stock market and Taiwanese economy. Taiwan Stock Museum takes the crucial role as a platform for securities peripheral organizations, issuers, academic, and education organizations to jointly promote the financial literacy.

Taiwan Stock Museum also launches industry-academia cooperation with the department of finance of

colleges and universities and recruits outstanding students to provide guided tour service. Taiwan Stock Museum also plans many educational tour packages for schools of all levels to organize field trips. Contents at Taiwan Stock Museum are interactively presented to vividly demonstrate its characteristics which received critical acclaim from the public.



■ Establish Taiwan Securities and Futures Virtual Museum

To record the development of Taiwanese securities markets and promote the financial literacy, TDCC established the first Taiwan Securities and Futures Virtual Museum which was launched on December 31st, 2015 as a financial literacy platform where the general public is easily to acquire the knowledge regarding to securities market development and investment literacy.

■ Sponsor Financial Literacy Class

TDCC coordinated with Taiwan Financial Services Roundtable and peripheral securities organizations to sponsor the “Financial Literacy Class” at colleges and universities across Taiwan. Besides shortening the gap between theory and practice, these lectures included financial practice as the general education for the financial department of colleges and universities which accommodated the financial business operation or case study. TDCC’s senior management officers were frequently invited as instructors to share with students their experience in financial practice



■ Donate Financial Education Foundation, Strengthen Human Resources Development

TDCC proactively engaged in contribute to the financial service industry education foundation, financial service industry scholarship foundation and financial technology development foundation aiming to strengthen the human resources development and technology development under the principles of “taking from society, giving back to society” to contribute the development of Taiwanese financial industry.

3. Environmental Protection

■ Electronic Operation

- Promoting 100% Equity Dematerialization

To response to the competent authority’s policy of promoting dematerialization, as of July, 2011, 100% dematerialization issuing for TWSE/TPEX listed and emerging stocks was achieved which reducing the issuing cost, increasing the operation efficiency to meet the global trend and environmental protection commitment. 100% dematerialization decreased the number of physical certificates of which height equal to 44 Taipei 101 buildings or its length can be extended to 14 rounds of Taiwan island.



- STOCKVOTE

TDCC built up the e-voting platform called STOCKVOTE (URL: www.stockvote.com.tw) launched on March 2009 for shareholders to exercise their voting rights aiming to decrease the operation burden and cost of issuing companies and transfer agents, improve the standardization and qualification of corporation action operation, facilitate the shareholders’ voting infrastructure, and increase the ratio of shares represented by shareholders in attendance and voting.

- Computer Linkage Service for Issuers

In order to provide a high-quality service and response to the paperless environmental protection policy, TDCC utilized the automatic and electronic computer linkage operation for transfer agents to replace the physical application documents as followings:

- ★ -Utilize the Issuance Operation Platform to provide the electronic application service for securities registration, distribution book-entry operation.
- ★ -Promote the dematerialization of listed stocks and emerging stocks, and utilize the electronic notification operation via Issuance Operation Platform.

★ -Utilize the automatic operation of capital reduction and transfer for issuers

- Facilitate CA Net to provide automatic transmission service

TDCC facilitated CA Net to provide electronic application transmission and receiving for split voting documents between custodians and transfer agents. CA Net accommodates the information transmission service related to shareholders affairs such as dividend allocation and tax break between custodians and agents aiming to standardize the market information transmission operation through TDCC's efforts in stipulating the standardized operation procedure and unifying the media format.

- Cross-border voting platform "Straight Through Process(STP)"

TDCC entered into a cooperative agreement with Broadridge and launched the STP solution at the end of 2014. Cross-border voting platform "Straight Through Process(STP)" enable custodians and transfer agents to standardize the voting operation, automatize and unify the voting flow, increase the efficiency of voting operation and decrease the risk of operation, and reduce the human resource for the whole market.

- Provide the consolidated service combines the inquiry service for book-entry handbook, procedure, voucher or certificate format online browsing

To improve participants' operation efficiency, TDCC developed a centralized SMART system that integrated frame-relay protocol and e-TSCD services. The system provides real time query service for book-entry handbook and procedure, online browsing/printing service for voucher format or certificate, and consolidated S.M.A.R.T. operation information enable participants simplifying the query process without referring to the physical document.

- e-Report

In order for participant to preserve custody general ledger and subsidiary ledger, TDCC provided the hardcopies of transaction statement and balance statement to participants. In the efforts to reduce the storage space of hardcopy printouts and easy to review the past statement, TDCC launched e-Report Inquiry and Query system (referred to as e-Report system) on March 2001 aiming to provide a more safe and convenient service that enabled participant to receive, inquire or print statements and past reports via TDCC's website with the effective access ID and password.

- Inquiry service provided to investors and competent organizations

TDCC proactively promotes the paperless inquiry service in line with the commitment of environmental protection and energy conservation and carbon reduction. TDCC provide CD-ROM inquiry service or electronic inquiry via leased line which significantly increased the efficiency and saved the relevant social cost.

- Build up an information reporting and announcement platform for offshore structured product

TDCC built up an information reporting and announcement platform for offshore structured product accepted electronic application documents and provided the functions such as new products registration services, registration contents change service and early redemption registration service to meet the commitment of energy conservation and carbon reduction, and paperless.

- Build up an e-Training digital education platform and online subscription system

TDCC built up an e-Training digital education platform to provide online subscription services for the participants' employee, and e-Learning courses/material download service. The platform also produces the trainee list for the securities association to record the job training details.

■ Commitment of Energy Conservation and Carbon Reduction

- Internal conferences, symposia and training program materials are continuously transmitted electronically to minimize ink and paper uses
- Provide downloadable annual reports and bimonthlies on TDCC's corporate website to minimize paper uses. When paper reports are required, we print on both sides as much as possible to reduce unnecessary paper use
- "Online document approval system" was implemented to minimize the volume of paper documents
- The "news and presentation database" was constructed for online enquiries to replace paper clippings
- Energy-saving lights and recycled paper were used throughout the company
- All computers, LCD displays, printers, fax machines, and photocopiers are equipped with energy-saving function in standby mode
- Instead of providing paper cups and bottled water, employees are requested to bring their own cups to internal meetings



Supervisors' Report

To the 2016 Annual Shareholders' Meeting,
Taiwan Depository & Clearing Corporation

The Board of directors have compiled and submitted to us for examination the 2015 balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows, consolidated financial statements, operations report and proposal for earning distribution for year 2015, etc. The undersigned Supervisors, accompanied by Deloitte & Touche, CPAS have completed our examination and found them correct. This report is hereby prepared in accordance with Article 219 of the Company Act and submitted for your approval.

Taiwan Depository & Clearing Corporation

Standing Supervisor

Hung-Wen Chien



Supervisors

Dr. David S. Hong



Ting-I Chan



April 20, 2016

Internal Control Statement

Based on self-inspection, the following declaration is made regarding the Taiwan Depository & Clearing Corporation (hereinafter referred to as TDCC) internal control system for the period from January 1, 2015 to December 31, 2015 :

1. TDCC is fully aware that the establishment, implementation and maintenance of the company's internal control system are the responsibility of the board of directors and of the company's management. TDCC has already established an internal control system. The objective of the system's establishment was to provide a reasonable level of assurance that the company's goals for the efficiency and effectiveness of the company's operations (including profitability, performance and asset protection, etc.), the reliability, timeliness, transparency of its reports and adherence to relevant laws and regulations can be met.
2. Any internal control system has certain pre-ordained limitations. No matter how carefully designed the system may be, even the most effective internal control system can only provide a reasonable level of assurance for the three objectives noted above. In addition, the effectiveness of the internal control system is liable to be affected at changes in the environment and circumstances. However, TDCC's internal control system has a self-monitoring function; as soon as any failing in the system comes to light, the company will immediately take steps to improve it.
3. TDCC has evaluated the result of the design and implementation of the internal control system in accordance with the inspection items from the Implementation Guidelines for the Establishment of Internal Control System by Securities and Futures Market Service Enterprises (hereinafter referred to as "the Implementation Guidelines"). The inspection items adopted by the Implement Guidelines are classified into five components in line with the management control procedures: (1) Control environment; (2) Risk evaluation; (3) Control operations; (4) Information and communication; (5) Supervision. Each components in turn contains a number of items. Please refer to the Implementation Guidelines for details of these items.
4. The above-mentioned internal control inspection items have been used by TDCC to inspect the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the inspection, TDCC believes that the design and implementation of the company's internal control system during the above mentioned period are acceptable in terms of the efficiency and effectiveness of the company's operations, the reliability, timeliness, transparency of its reports and adherence to relevant laws and regulations, and can therefore provide a reasonable degree of assurance for the achievement of the above objectives.
6. Any false, hidden or illegal matters of this Declaration will lead to lawsuit responsibility according to the Article 174 of the Securities Exchange Act.
7. This Declaration was approved by TDCC's Board of Directors on February 17, 2016.

Taiwan Depository & Clearing Corporation

Chairman

Sherman Lin



President

Ching-Li Meng



February 17, 2016



Independent Auditors' Report

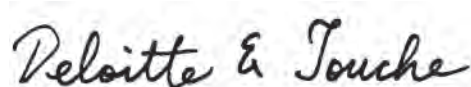
The Board of Directors and Stockholders
Taiwan Depository & Clearing Corporation

We have audited the accompanying consolidated balance sheets of Taiwan Depository & Clearing Corporation (the "Corporation") and subsidiaries (collectively refer to as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Depository & Clearing Corporation and subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Taiwan Depository & Clearing Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.



March 9, 2016

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	2015		2014	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,653,212	12	\$ 2,041,198	10
Financial assets at fair value through profit or loss - current	2,038,085	9	1,754,229	9
Available-for-sale financial assets - current	39,973	-	-	-
Held-to-maturity financial assets - current	1,456,735	7	751,850	4
Other financial assets - time deposits with original maturities of more than 3 months	3,253,504	15	3,736,904	18
Notes and accounts receivable, net				
Unrelated parties	210,309	1	201,846	1
Related parties	102,947	-	107,574	-
Other financial assets - other	207,808	1	187,995	1
Other current assets	95,456	-	71,560	-
Total current assets	10,058,029	45	8,853,156	43
NONCURRENT ASSETS				
Held-to-maturity financial assets - noncurrent	7,236,079	33	7,152,644	35
Available-for-sale financial assets - noncurrent	1,187,157	6	1,060,865	5
Financial assets measured at cost - noncurrent	12,000	-	-	-
Default damage fund	2,257,973	10	2,145,694	11
Investments accounted for using the equity method	75,868	-	84,949	-
Property and equipment	637,284	3	586,933	3
Investment properties	234,970	1	238,247	1
Intangible assets	40,538	-	64,085	-
Goodwill	237,545	1	237,545	1
Deferred tax assets	10,601	-	10,383	-
Refundable deposits	139,334	1	138,427	1
Operation guarantee deposits	50,000	-	-	-
Other noncurrent assets	277	-	277	-
Total noncurrent assets	12,119,626	55	11,720,049	57
TOTAL	\$ 22,177,655	100	\$ 20,573,205	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY**CURRENT LIABILITIES**

	2015		2014	
	Amount	%	Amount	%
Accrued expenses	\$ 482,138	2	\$ 484,773	2
Current tax liabilities	140,414	1	157,962	1
Receipts under custody	140,170	1	124,095	1
Other current liabilities	64,252	-	42,108	-
Total current liabilities	826,974	4	808,938	4

NONCURRENT LIABILITIES

Deferred tax liabilities	29,351	-	29,036	-
Guarantee deposits	34,473	-	38,487	-
Net defined benefit liabilities	294,992	1	327,446	2
Total noncurrent liabilities	358,816	1	394,969	2

Total liabilities

1,185,790	5	1,203,907	6
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EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION

Capital stock	3,439,091	16	3,355,211	16
Capital surplus	476,234	2	476,234	2
Legal reserve	2,075,853	9	1,918,076	9
Special reserve	12,079,240	55	10,953,487	53
Unappropriated earnings	1,836,191	8	1,735,425	9
Other equity - unrealized gain on available-for-sale financial assets	1,055,381	5	930,865	5
Total equity attributable to owners of the Corporation	20,961,990	95	19,369,298	94

NON-CONTROLLING INTERESTS

29,875	-	-	-
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Total equity

20,991,865	95	19,369,298	94
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TOTAL

\$ 22,177,655	100	\$ 20,573,205	100
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TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES				
Securities settlement	\$ 673,193	18	\$ 714,168	20
Securities recording	756,076	21	800,046	22
Transfer processing services	465,877	13	443,909	13
Maintenance services	368,549	10	357,018	10
Bills and bonds clearing and custodial services	846,571	23	798,629	22
Futures clearing services	142,954	4	135,718	4
Securities registration and distribution services	94,633	3	104,818	3
Mutual fund services	156,291	4	119,314	3
Others	143,819	4	113,706	3
Total operating revenues	3,647,963	100	3,587,326	100
OPERATING EXPENSES				
Personne	988,992	27	1,025,316	29
General and administrative	990,190	28	881,103	24
Total operating expenses	1,979,182	55	1,906,419	53
OPERATING INCOME	1,668,781	45	1,680,907	47
NONOPERATING INCOME				
Interest income	214,935	6	210,069	6
Net gain arising on financial assets designated as at FVTPL	10,044	-	8,769	-
Share of profit of subsidiaries associates and joint ventures	11,861	-	17,188	1
Dividend income	36,904	1	33,247	1
Gain on disposal of available-for-sale financial assets	7,377	-	-	-
Other income	16,586	1	13,441	-
Other expenses	(7,547)	-	(8,179)	-
Total nonoperating income	290,160	8	274,535	8

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,958,941	53	\$ 1,955,442	55
INCOME TAX EXPENSE	(331,649)	(9)	(377,675)	(11)
NET INCOME	1,627,292	44	1,577,767	44
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	86,247	2	18,882	1
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	(225)	-	(742)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	38	-	126	-
	86,060	2	18,266	1
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	124,516	4	79,353	2
Other comprehensive income for the year, net of income tax	210,576	6	97,619	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,837,868	50	\$ 1,675,386	47
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Corporation	\$ 1,627,417	45	\$ 1,577,767	44
Non-controlling interests	(125)	-	-	-
	\$ 1,627,292	45	\$ 1,577,767	44
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Corporation	\$ 1,837,993	50	\$ 1,675,386	47
Non-controlling interests	(125)	-	-	-
	\$ 1,837,868	50	\$ 1,675,386	47
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic earnings per share	\$ 4.73		\$ 4.59	



Independent Auditors' Report

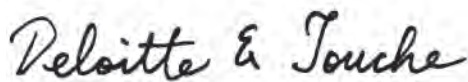
The Board of Directors and Stockholders

Taiwan Depository & Clearing Corporation

We have audited the accompanying balance sheets of Taiwan Depository & Clearing Corporation (the "Corporation") as of December 31, 2015 and 2014 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Depository & Clearing Corporation as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to financial accounting standards, financial accounting standards and interpretations issued by the Accounting Research and Development Foundation in Republic of China, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.



March 9, 2016

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN DEPOSITORY & CLEARING CORPORATION

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	2015		2014	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,493,238	11	\$ 2,041,198	10
Financial assets at fair value through profit or loss - current	2,038,085	9	1,754,229	9
Available-for-sale financial assets - current	39,973	-	-	-
Held-to-maturity financial assets - current	1,456,735	7	751,850	4
Other financial assets - time deposits with original maturities of more than 3 months	3,253,504	15	3,736,904	18
Notes and accounts receivable, net				
Unrelated parties	210,309	1	201,846	1
Related parties	102,947	-	107,574	-
Other financial assets - other	207,788	1	187,995	1
Other current assets	95,407	1	71,560	-
Total current assets	9,897,986	45	8,853,156	43
NONCURRENT ASSETS				
Held-to-maturity financial assets - noncurrent	7,236,079	33	7,152,644	35
Available-for-sale financial assets - noncurrent	1,187,157	5	1,060,865	5
Financial assets measured at cost - noncurrent	12,000	-	-	-
Default damage fund	2,257,973	10	2,145,694	11
Investments accounted for using the equity method	255,118	1	84,949	-
Property and equipment	637,284	3	586,933	3
Investment properties	234,970	1	238,247	1
Intangible assets	40,538	-	64,085	-
Goodwill	237,545	1	237,545	1
Deferred tax assets	10,601	-	10,383	-
Refundable deposits	139,334	1	138,427	1
Other noncurrent assets	277	-	277	-
Total noncurrent assets	12,248,876	55	11,720,049	57
TOTAL	\$ 22,146,862	100	\$ 20,573,205	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY**CURRENT LIABILITIES**

	2015		2014	
	Amount	%	Amount	%
Accrued expenses	\$ 481,490	2	\$ 484,773	2
Current tax liabilities	140,414	1	157,962	1
Receipts under custody	140,170	1	124,095	1
Other current liabilities	64,252	-	42,108	-
Total current liabilities	826,326	4	808,938	4

NONCURRENT LIABILITIES

Deferred tax liabilities	29,351	-	29,036	-
Guarantee deposits	34,203	-	38,487	-
Net defined benefit liabilities	294,992	1	327,446	2
Total noncurrent liabilities	358,546	1	394,969	2

Total liabilities	1,184,872	5	1,203,907	6
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EQUITY

Capital stock	3,439,091	16	3,355,211	16
Capital surplus	476,234	2	476,234	2
Legal reserve	2,075,853	9	1,918,076	9
Special reserve	12,079,240	55	10,953,487	53
Unappropriated earnings	1,836,191	8	1,735,425	9
Other equity - unrealized gain on available-for-sale financial assets	1,055,381	5	930,865	5
Total equity	20,961,990	95	19,369,298	94

TOTAL	\$ 22,146,862	100	\$ 20,573,205	100
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TAIWAN DEPOSITORY & CLEARING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES				
Securities settlement	\$ 673,193	18	\$ 714,168	20
Securities recording	756,076	21	800,046	22
Transfer processing services	465,877	13	443,909	13
Maintenance services	368,549	10	357,018	10
Bills and bonds clearing and custodial services	846,571	23	798,629	22
Futures clearing services	142,954	4	135,718	4
Securities registration and distribution services	94,633	3	104,818	3
Mutual fund services	156,291	4	119,314	3
Others	143,819	4	113,706	3
Total operating revenues	3,647,963	100	3,587,326	100
OPERATING EXPENSES				
Personnel	988,946	27	1,025,316	29
General and administrative	989,332	28	881,103	24
Total operating expenses	1,978,278	55	1,906,419	53
OPERATING INCOME	1,669,685	45	1,680,907	47
NONOPERATING INCOME				
Interest income	214,906	6	210,069	6
Net gain arising on financial assets designated as at FVTPL	10,044	-	8,769	-
Share of profit of subsidiaries associates and joint ventures	11,111	-	17,188	1
Dividend income	36,904	1	33,247	1
Gain on disposal of available-for-sale financial assets	7,377	-	-	-
Other income	16,586	1	13,441	-
Other expenses	(7,547)	-	(8,179)	-
Total nonoperating income	289,381	8	274,535	8

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,959,066	53	\$ 1,955,442	55
INCOME TAX EXPENSE	(331,649)	(9)	(377,675)	(11)
NET INCOME	1,627,417	44	1,577,767	44
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	86,247	2	18,882	1
Share of the other comprehensive income of subsidiaries and associates accounted for using equity method	(225)	-	(742)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	38	-	126	-
	86,060	2	18,266	1
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	124,516	4	79,353	2
Other comprehensive income for the year, net of income tax	210,576	6	97,619	3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,837,993	50	\$ 1,675,386	47
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic earnings per share	\$ 4.73		\$ 4.59	



TAIWAN DEPOSITORY & CLEARING CORPORATION

SCHEDULE FOR APPROPRIATION OF EARNINGS

FOR YEAR 2015

(In New Taiwan Dollars)

	Amount	Amount
Earnings, beginning of year		\$ 122,714,008
Add :		
Actuarial gains arising from defined benefit plans	\$ 86,246,713	
Share of the other comprehensive income of associates	(187,130)	86,059,583
Adjusted unappropriated retained earnings		208,773,591
Net income in 2015		1,627,416,789
Reserved items :		
Legal reserve(10%)	(162,741,679)	
Special reserve(59%)	(960,175,906)	(1,122,917,585)
Earnings available to appropriation in 2015		713,272,795
Appropriation of earnings :		
Stockholder's cash dividends(NT\$1.50 per share)	(515,863,812)	
Stockholder's stock dividends(NT\$0.25 per share)	(85,977,310)	(601,841,122)
Unappropriated retained earnings at end of 2015		\$ 111,431,673



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