



TAIFEX Cares 

Letter to Shareholders

Dear Shareholders,

The total trading volume of the Taiwan futures market reached 324,644,847 contracts in 2023, with an average daily volume (ADV) of 1,358,347 contracts. As the domestic stock market showed an upward trend throughout the year, hedging demands diminished, resulting in a decline in trading volume by 59,823,650 contracts, or 15.6%, compared to the 384,468,497 contracts traded in 2022. However, single stock futures have benefited from the emergence of artificial intelligence (AI). With AI-related single stock futures generating ample trading interest, the ADV of single stock futures held steady at the 2022 level. Institutional participation also remained consistent, staying at 51.89% in 2022. Additionally, the volatility in global financial markets during after-hours sessions sustained the proportion of night session to regular session ADV at a comparable level to 2022, with both exceeding 30%. This reflects traders' familiarity with adjusting positions and hedging in the night session.

Thanks to the joint efforts of regulators, the futures industry, my colleagues and all market participants, the market maintained its streak of trading over 300 million contracts for the fourth consecutive year. The four core products comprise TAIEX Options with an ADV of 737,544 contracts, Mini-TAIEX Futures with 247,484 contracts, equity futures with 218,521 contracts, and TAIEX Futures with 138,628 contracts, respectively.

Following the launch of U.S. equity index futures on Dow Jones, S&P 500, and Nasdaq-100, TAIFEX introduced PHLX Semiconductor Sector Futures on December 18, 2023. This launch positioned TAIFEX as the sole exchange outside the U.S. to offer futures on four major U.S. indices. In response to various financial events, TAIFEX established a flexible contract trading platform that allows for customization of contract specifications, providing traders with customizable expiration dates. The first flexible contract, Mini-TAIEX Flexible Futures, debuted on January 22, 2024. On the same day, TAIFEX also expanded its offerings by introducing standard and mini TSMC single stock futures to the night session to meet market demands.

To protect market participants and enhance price stability, TAIFEX has been progressively implementing the Dynamic Price Banding Mechanism (DPBM) in phases since 2018. DPBM was designed to prevent incidents such as erroneous transactions, fat-fingers, or instantaneous liquidity imbalances, thereby mitigating the risk of abnormal price fluctuations. In 2023, Gold Options and equity options were included in DPBM, making TAIFEX the first Asian futures exchange to apply such a mechanism to all products.

Following the introduction of central clearing services for domestic over-the-counter (OTC) derivatives in 2022, TAIFEX added New Taiwan Dollar (NTD) non-deliverable forward (NDF) and client clearing services in 2023, allowing non-member financial institutions to participate in the services. In 2023, there were 18 clearing members with the total amount of NTD IRS clearing exceeding NTD 590 billion, and 11 financial institutions were in the process of application for clearing membership or had contracted clients for the services. Besides being recognized by the European Securities and Markets Authority as a qualified third-country clearing counterparty (TC-CCP), TAIFEX was also approved by the Financial Services Agency of Japan to be exempted as a clearing counterparty for NTD IRS, and granted an extended transitional period from the HM Treasury of the UK. In 2024, TAIFEX obtained an exemption from registration as a derivatives clearing organization (Exempt DCO) from the U.S. Commodity Futures Trading Commission (CFTC), further reducing accrued capital expenditures for industry participants.

Another notable advancement in trading system development, TAIFEX also introduced Cancel on Disconnect (COD) for the proprietary trading business of futures commission merchants (FCMs). In addition, in conjunction with the government's initiative to promote a zero-trust network, TAIFEX has completed a demonstration system to introduce an identity recognition mechanism. To enhance service efficiency and digital experience for traders, TAIFEX launched a one-stop E-Data Shop, enabling traders to use diverse payment methods to order historical market data online.

In international cooperation and exchanges, TAIFEX co-hosted the "FIA Forum: Taipei 2023" with the Future Industry Association (FIA) on August 31, 2023, attracting over 300 international and local industry participants. The event garnered a historically high level of foreign institutional participation, establishing it as a key regional event for the derivatives industry. TAIFEX actively attended conferences held by global organizations, including the FIA, the International Organization of Securities Commissions (IOSCO), the World Federation of Exchanges (WFE), and the Association of Futures Market (AFM), to stay informed about trending issues and developments in the global market. Additionally, TAIFEX exhibited at FIA IDX, FIA Expo and FIA Asia, while proactively conducting roadshows in Hong Kong, Singapore, and Korea to promote Taiwan's market and its products.

In terms of institutional promotion in 2023, TAIFEX continued to organize corporate governance seminars for directors and supervisors of listed companies, as well as training programs for futures industry personnel. Additionally, TAIFEX held the 9th Diamond Awards to encourage institutions to utilize futures and options. Through these efforts, 100 new institutional investors participated in the market in 2023. TAIFEX also maintained its commitment to launching various promotional activities targeting market makers, FCMs and institutional investors. Moreover, the Exchange arranged two annual meetings with the managing directors of FCMs to exchange views and experiences regarding market status, further advancing market development.

TAIFEX also continues to promote itself to various groups through activities such as financial planning courses, simulated trading competitions for universities and colleges, industry-academia collaborations, calls for papers, campus lectures, and recruitment efforts. Additionally, TAIFEX held both online and in-person seminars to introduce new products and measures. These sessions were recorded and uploaded to the Exchange's YouTube channel and educational website. Furthermore, TAIFEX produced pamphlets and bilingual webpages to expand its reach to a broader trading public.

To prevent investment fraud and align with government policies, TAIFEX proactively conducted anti-fraud educational activities, including collecting and reporting fraudulent advertisements or suspected cases to the related media or agencies, producing anti-fraud educational clips, refining its anti-fraud webpage, and collaborating with other organizations to prevent investment scams. These efforts helped the public in understanding financial fraud schemes and reinforced their awareness of fraud risks.

In terms of promoting the implementation of ESG, TAIFEX established an ESG information platform in 2023 to integrate relevant ESG indicators of the underlying companies of single stock futures and disclose FCMs' ESG data. To further implement green finance action plan, the Exchange introduced the ISO 14064-1 greenhouse gas inventory management system and promoted energy conservation and carbon reduction initiatives. TAIFEX also encouraged FCMs to digitize their operations to further reduce resource waste, paper consumption, and promote net-zero emissions. These efforts were recognized by Commonwealth Magazine's Sustainable Citizenship Award.

In response to the United Nations' 2030 Sustainable Development Goals (SDGs), TAIFEX achieved several objectives in 2023. These included coordinating donations to the Food (Necessities) Bank Program, implementing office energy conservation measures to increase the utilization of green electricity, collaborating with disabled individuals to clean up shorelines and protect marine resources, assisting in training trail masters to preserve mountains and forests, and requesting suppliers to commit to compliance with the sustainability policy, among others. Additionally, to give back to society, the Exchange organized arts and cultural activities in rural areas to bridge the cultural gap between urban and rural areas and cultivate a high-quality cultural environment. TAIFEX received the 16th Arts and Business Award by the Ministry of Culture.

In 2023, TAIFEX celebrated its 25th anniversary by unveiling a new corporate identity, "TAIFEX Cares", symbolizing its core values of caring, dedication, and loving. The Exchange remains steadfast in its commitment to advancing its core business, fulfilling its social responsibilities, supporting social welfare enterprises, and collaborating with domestic and international partners to promote sustainable development, fostering an open, efficient, and stable financial environment. Looking ahead, TAIFEX will continue to develop new products and refine measures to create an efficient, low-cost, fair, just, and transparent trading environment. We are grateful for the ongoing support and encouragement from all shareholders and look forward to working together to mark another successful year in 2024.

Chairman

Handwritten signature of Wu Tzu-hsin in black ink.