



2020Q4 Online Bulletin

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ePASSBOOK for Investors to Track Personal Assets

With coronavirus concerns high in 2020, stock markets in Taiwan are experiencing wide fluctuations of a dramatic 4,500-point movement. As heavy volumes changed hands, volume activities exceeding NT\$300 billion have been observed dozens of times. Over the first half of the year, 660,000 investors have opened securities accounts. The number is expected to exceed 1.2 million—1.7 times the number of accounts opened in the securities market throughout 2019—by the end of the year. The growth means that investors are active participants in stock markets, and they are keeping a close eye on how the value of their assets changes.

According to big data analysis by the Taiwan Depository & Clearing Corporation (TDCC), over 80% of the investors who have recently opened integrated securities accounts are users of ePASSBOOK, an advanced multi-functional app that allows users to register their passbooks from different banks. As of now, the app has more than 1.5 million users. My Assets is the most popular function of all the convenient services on ePASSBOOK. Investors can not only examine visualizations of the market value of their equities, but they can also get a clear picture of the value and ratio of the top five stocks they hold according to filters in the app's settings. The asset value data are beautifully and clearly displayed in a concise way.

To take asset inquiry services to the next level, TDCC, as the first in the market, launched Securities History to show the changes in investors' assets in the past year. The approach records the users' total investment history so that they can closely observe the changes in the value of their securities. Investors can also easily track the value of their assets in custom intervals in a month, a quarter, six months, or a year.

Han-Chiang Chu, President of TDCC, stated that ePASSBOOK has integrated information of assets such as securities, funds, bonds, and gold. The app will take the next step in incorporating bank deposits and credit card data, and develop interfaces and functions that better suit investors as users. TDCC is aiming to make ePassbook a sophisticated tool that cleverly integrates investor's assets.

*Source: [Taiwan Depository & Clearing Corporation, 2020/10/07](#)

TDCC's VMU Service a Secure, Efficient Choice for Institutional Trading and Reconciliation

Institutional investors are a critical part of Taiwan's securities market, accounting for more than 40% of the total transaction volume on the Taiwan Stock Exchange. About 40,000 large trades are executed and settled daily through securities firms and custodian institutions. Referencing DTCC's approach in the U.S. years ago, Taiwan Depository & Clearing Corporation (TDCC) has developed a Virtual Matching Utility (VMU) to securely transfer data and facilitate trade pre-matching and affirmation for trade settlements between securities firms and custodians, simplifying the complex clerical process of delivering statements by hand or mail.

An increase of cyber attacks in recent days has brought the issue of cyber security to public attention. Trade email communication is susceptible to data hijacking and higher risks for the securities market. To further improve efficiency and level of convenience, TDCC launched its VMU system on October 1st under the guidance of the Securities and Futures Bureau of FSC, with 208 main and branch offices of securities firms, as well as 32 custodian institutions onboard. Institutional trade reconciliation conducted in the VMU system is substantially more efficient and secure. Taiwan's institutional trade environment and international image can both benefit from it.

"Market-wide adoption of the VMU system will greatly reduce operational cost incurred from two different reconciliation methods used by custodian institutions with domestic and foreign institutional investors. The fully-automated process will bring greater synergy," said TDCC President Han-Chiang Chu.

The VMU system also allows TDCC to retain complete statement records. With the consent of competent authorities, Taiwan Stock Exchange officially adopts the VMU system for securities firms that reconcile for institutional investors, offshore overseas Chinese and foreign nationals. Those with the consent of the custodian institution are exempt from mailing monthly statements as stipulated by law, a move towards an all-electronic and paperless environment, higher efficiency and lower operational cost.

*Source: [Taiwan Depository & Clearing Corporation, 2020/12/01](#)

Introduction of electronic Debit Instruction Slips (eDIS)

Currently, CDSL facilitates investors to authorise any debits in their demat accounts by issuing signed Delivery Instruction Slip (DIS) OR providing Power of Attorney (POA) to the CM OR through CDSL's internet facility – electronic access to securities information and execution of secured transactions (easiest) which allows electronic instructions to be given by an investor anytime, anywhere. Apart from the internet, this facility is available through CDSL's mobile application.

During these unprecedented times of the COVID-19 pandemic, as investors were finding it difficult to visit their DPs to submit debit instructions due to the lockdown, CDSL introduced another facility for investors to submit debit instructions from the portal of the DP/CM which would be validated by the CDSL. This makes it convenient for investors as they do not need to visit multiple webpages to submit their debit instructions, electronically. The eDIS facility with a provision for authentication of the investor by CDSL, was launched on June 01, 2020

A TPIN will be generated by CDSL for each investor wishing to avail eDIS facility, which is communicated directly to the investor. The TPIN is entered by the investor each time a eDIS is submitted. The TPIN is generated and communicated to the registered Mobile Number and Email ID of the investor by CDSL which ensures confidentiality. The DP/CM portal /mobile app will call for CDSL's web-page for entry of TPIN to ensure confidentiality of the TPIN. The TPIN is entered by the investor on the CDSL system only at the time of authentication of the transaction. CDSL also generates an API key while registering a DP for eDIS facility, which will be used during the communication by the DP with CDSL for authentication on eDIS portal.

Transaction process through DP/CM's web-portal or mobile app

- a. investor will access the DP/CM portal or mobile app using Login ID-Password and 2 Factor Authentication. The login credentials will be verified by the respective DP/CM.
- b. On entry of transactions, an API will be made available to DP such that DP can call CDSL's API and submit details of transactions in encrypted format to the depository webpage.
- c. CDSL's web page will be opened on the investor's device, which will display the details of debit instructions entered by the investor. The investor is thereafter prompted by the system to confirm the details

and to enter the TPIN provided by CDSL.

- d. On confirmation by the investor and successful validation of TPIN, CDSL will store transaction details as validated transactions and send 'success' message to the DP or in case of unsuccessful validation of TPIN, send 'reject' message to the DP.

Subsequently, DP will upload the transactions of the investor on the CDSL system. CDSL will match the validated details against the details of such uploaded transaction and allow the transaction to go through, only if they match.

*Source: Central Depository Services (India) Limited, 2020/12/29

Introduction of Pledge/ Re-pledge in CDSL System for meeting Margin obligations

The Indian equity markets follow the T+2 settlement cycle. Most investor therefore provide a power of Attorney (POA) to their TM/CM to debit their demat accounts and transfer it to the TM/CM account from where the securities are pledged with the CC towards margin requirements. This often leads to misuse which includes use of one client's securities to meet the exposure, margin or settlement obligations of another client. The Securities and Exchange Board of India (SEBI), the capital markets regulator, has devised a framework that mitigates the risk of misuse of client's securities available with the TM / CM / DP.

As a result, with effect from August 01, 2020, the TM/CM can now accept client collateral and margin funded stocks by way of creation of pledge / re-pledge in the CDSL system. Thus, for the purpose of providing collateral in form of securities as margin, a client shall pledge securities with TM, and TM shall re-pledge the same with CM, and CM in turn shall re-pledge the same to Clearing Corporation (CC). The complete trail of such re-pledge is reflected in the de-mat account of the pledgor.

CDSL provides a separate pledge type viz. 'margin pledge', for pledging client's securities as margin to the TM / CM. The TM / CM shall open a separate demat account for accepting such margin pledge, which shall be tagged as 'Client Securities Margin Pledge Account'. The TM shall re-pledge securities to the CM's 'Client Securities Margin Pledge Account' only from the TM's 'Client Securities Margin Pledge Account'. The CM shall create a re-pledge of securities to CC only out of this account.

Funded stocks held by the TM / CM under the margin trading facility shall be held by the TM / CM only by way of pledge. For this purpose, the TM/ CM shall be required to open a separate demat account tagged 'Client Securities under Margin Funding Account' in which only funded stocks in respect of margin funding shall be kept/transferred, and no other transactions shall be permitted. The securities lying in 'Client Securities under Margin Funding Account' cannot be pledged with any other Bank/NBFC.

On receipt of the margin pledge instruction either from the client or by TM / CM as per the POA, DP of a client shall initiate a margin pledge in the client's account and the status of instruction will remain pending till confirmation is received from client / pledgor. The client will submit acceptance by way of One Time Password (the "OTP") confirmation on mobile number / registered e-mail id of the client or other verifiable mechanism. Such OTP confirmation from client shall also be required, if securities of such client are being re-pledged. CDSL has developed a verifiable mechanism for confirmation of the pledge request by the client.

For release of client securities given to TM/CM as margin pledge and which are re-pledged in favour of the CC, the CM makes a request to the CC. The client through TM, or the TM on his own, may request the CM to make an application to the CC for the release of margin pledge. CC performs a margin utilisation check at the CM level before releasing the re-pledge of securities to the CM. The CC can then release the re-pledged client securities to CM after blocking other available free collateral of CM. The CM /TM in turn after doing their risk management shall release the securities to TM / client.

In case of default by a client of TM whose securities are re-pledged by TM with CM, the invocation request shall be made by TM to the CM. The CM, after doing its internal exposure and risk management, shall release the re-pledged securities to the 'Client Securities Margin Pledge Account' of the TM. The TM in turn will invoke the pledge of client's securities.

*Source: Central Depository Services (India) Limited, 2020/12/29

KSD Launching Revamped E-voting System (K-VOTE)

Korea Securities Depository (KSD) held a ceremony to celebrate the successful launch of its new e-voting system K-VOTE (evote.ksd.or.kr) on November 23, 2020.

The revamped e-voting system, which went live on November 15, provides enhanced support to institutional investors including pension funds and asset managers, in addition to existing e-voting and e-proxy services. It also plans to introduce new services to facilitate the running of general meetings of shareholders.

A new moniker, K-VOTE, was adopted to reflect its expanded aims to provide more comprehensive services for the administration of shareholders' meetings, from schedule notification to on-site meeting support.

"When shareholders take interest in shareholders' meetings, corporations change their way of thinking and raise investor value, so we must go beyond e-voting management to take a leading role as a shareholders' meeting management institution," Mr. RHEE Myongho, Chairman & CEO of KSD, said during the ceremony.

KSD will continue to make every effort to provide a reliable and fair voting environment and support the smooth running of general meeting of shareholders.

<Enhanced Features of K-VOTE>

24/365 User Convenience	Complete redesign of user interface and 24-hour voting capability during exercise periods
Automated Links	Automated links to DART (Data Analysis, Retrieval and Transfer System) and the transfer agent (KSD) reduce cumbersome application procedures
Enhanced Support for Institutional Investors	Processing of large volumes of e-votes at one time Support for voting by discretionary investment clients such as pension funds and credit unions
Statistical Analysis Reports	Provision of customized e-voting data analysis reports for corporations and institutional investors Shareholders' meeting analysis of voting results by shareholder type and agenda

On-site Shareholders' Meeting Support	Support for registration of paper ballots, on-site attendance management, on-site e-voting, etc. (To be launched in 1st half of 2021)
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*Source : [Korea Securities Depository, 2020/11/27](#)