

TDCC Cross-Border Custody Service

ACG Cross-Training Seminar
Vivien Chang



Outline

- **Why** did TDCC endeavor to establish the cross-border custody business?
- **How** does TDCC carry out the cross-border custody business?
- **What** are the benefits and potential legal risks of the cross-border custody business?



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I. Why did TDCC endeavor to establish the cross-border custody business?



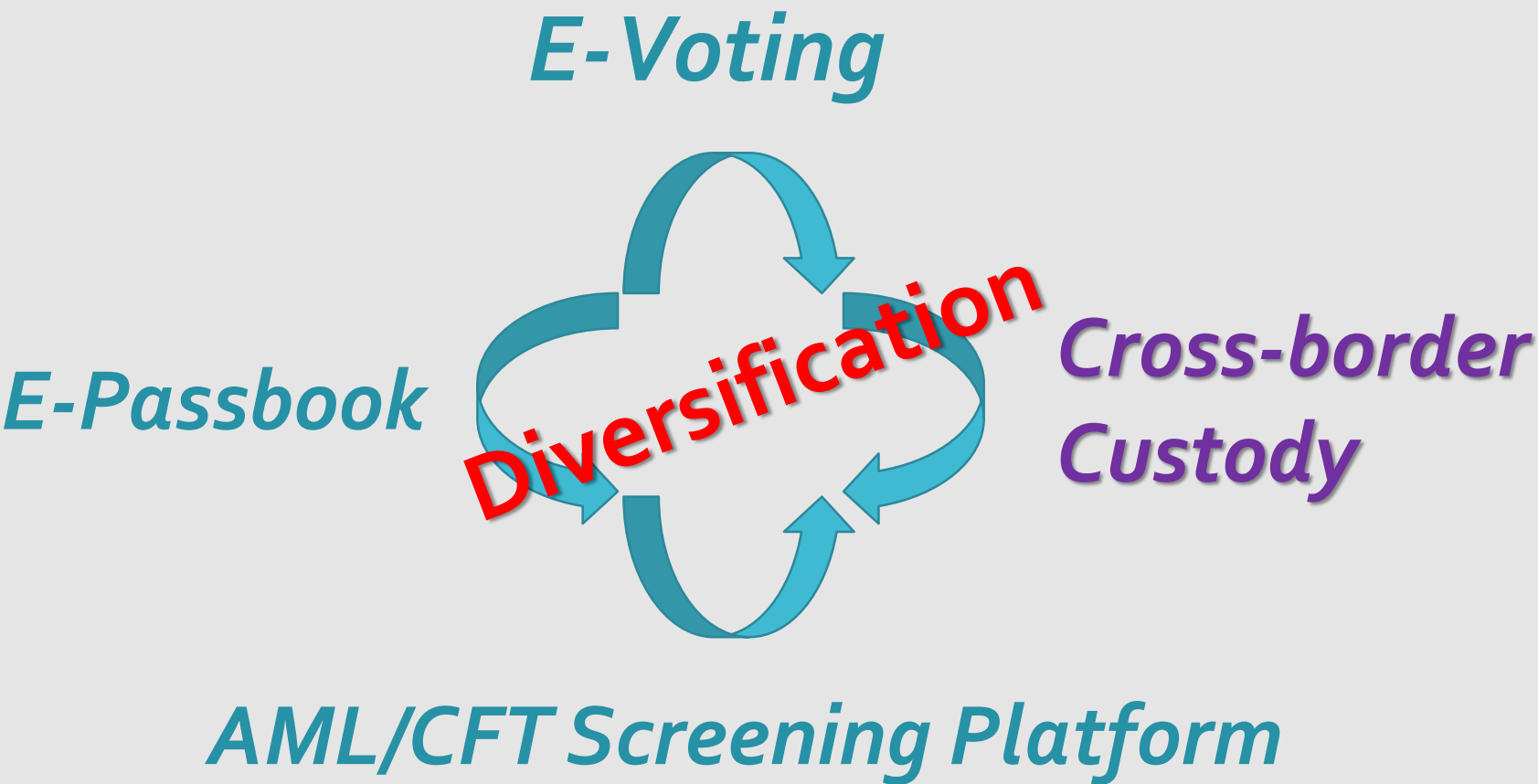
TDCC's Role & Mission

- Serve as the sole back-end office for the securities market and efficiently supports domestic transactions
- Create infrastructure for the market
- Provide solutions to Regulators to better supervise the market
- Expand TDCC's business scope in line with ICSDs through diversification and globalization

I. Why did TDCC endeavor to establish the cross-border custody business? (cont.)



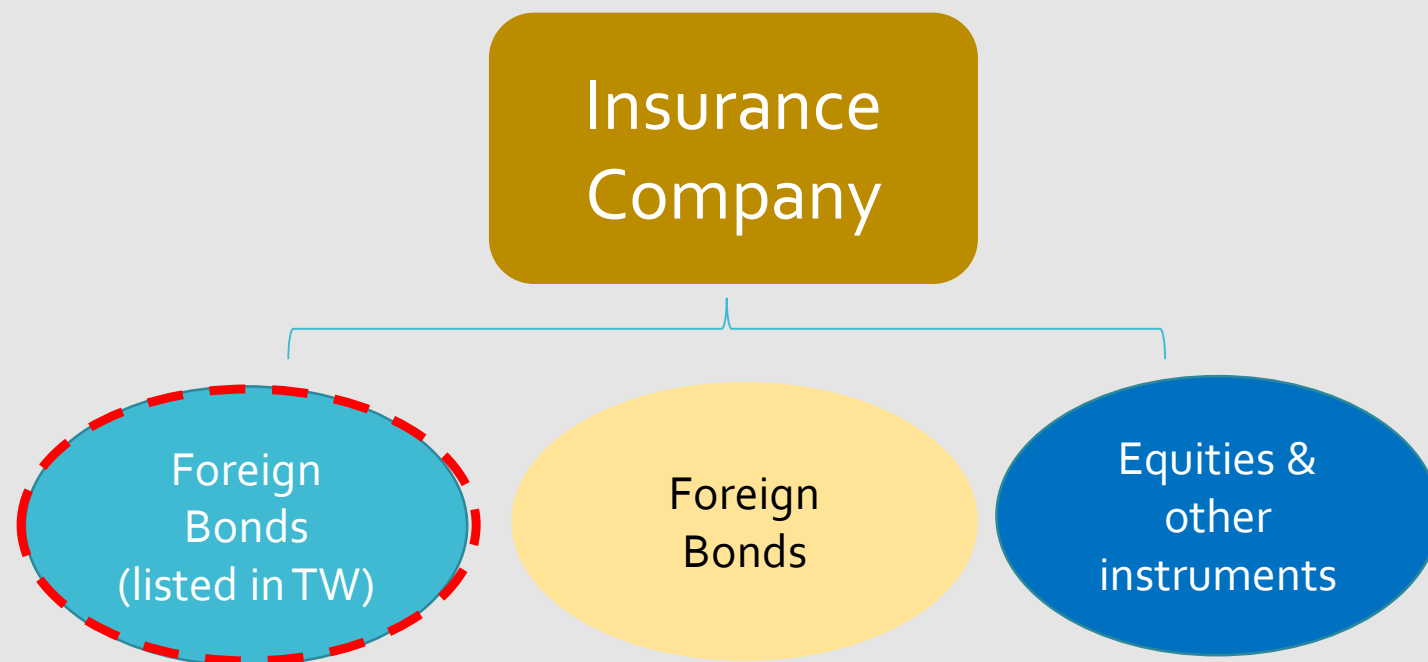
TDCC's Business Model



Cross-border Custody Business Opportunity

“Financial Market Import Substitution” in 2015

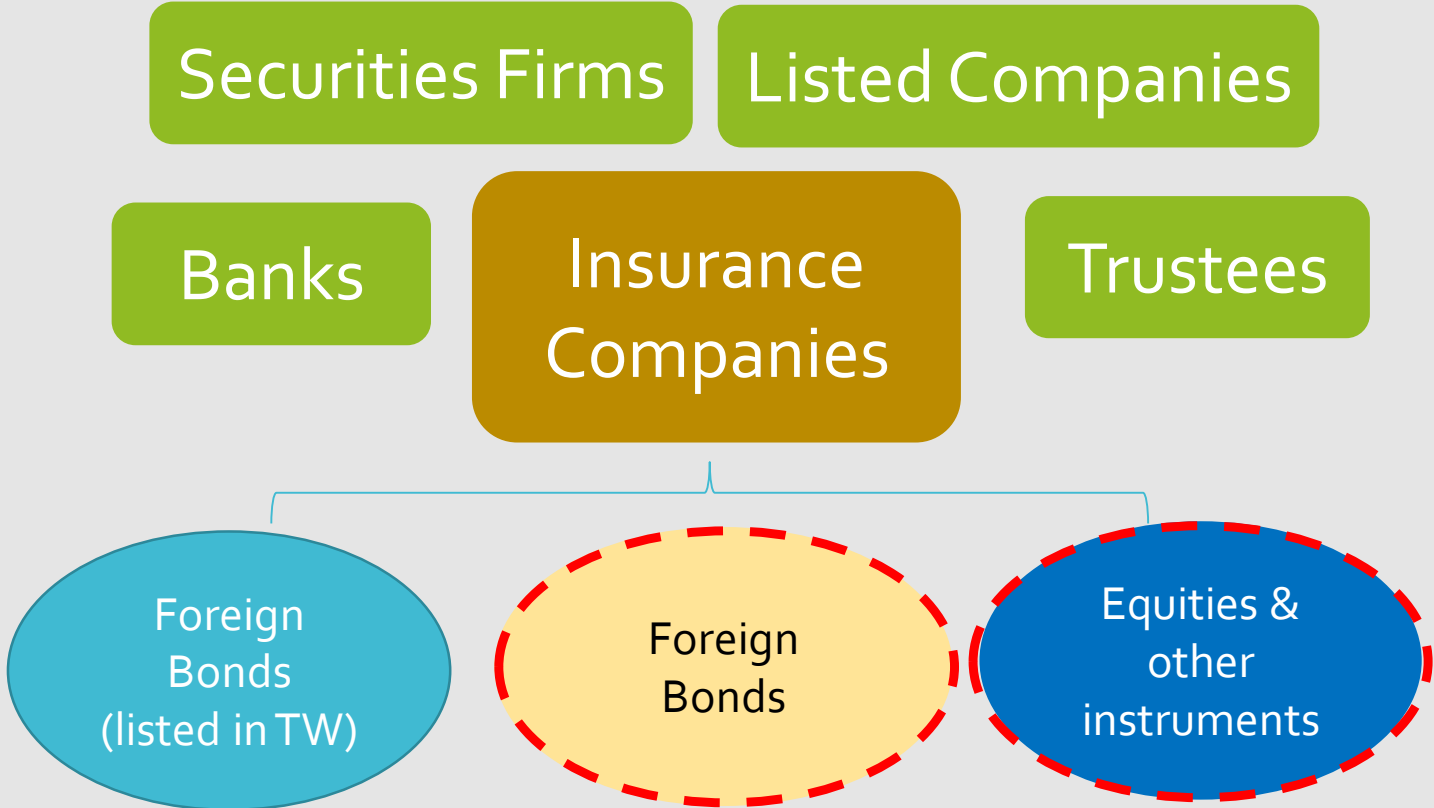
“Regulations Governing Foreign Investment by Insurance Companies”, Article 16



Must be in TDCC's custody



Cross-border Custody Business Expansion



Create market infrastructure for all players in all investment instruments



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II. How does TDCC carry out the cross-border custody business?

Key Steps

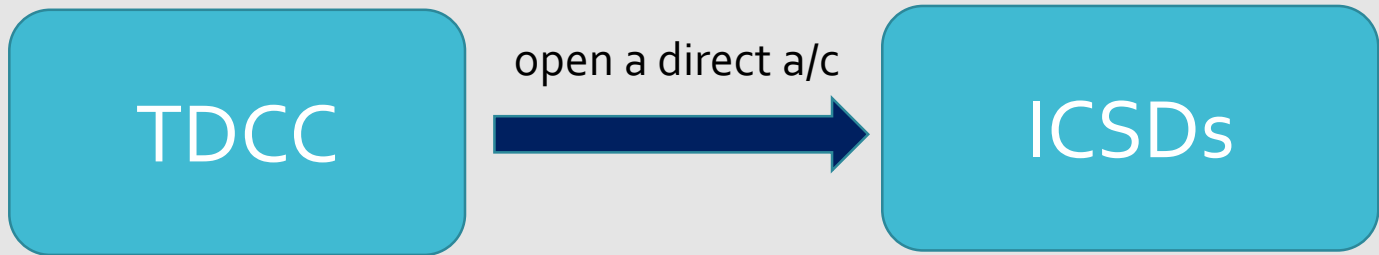
- Create linkages with ICSDs and global custodians
- Build up the System
(Cross-Border Custody System, or CBCS)
- Provide customized functions to serve the market
- Continuously upgrade the system and created a user-friendly interface with convenient functions

II. How does TDCC carry out the cross-border custody business

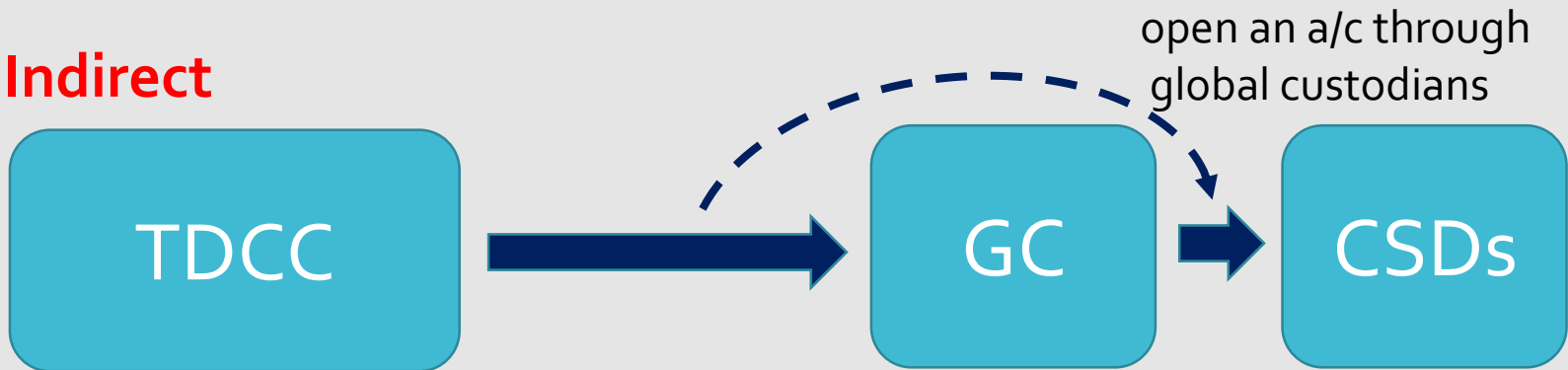


Linkage with CSD

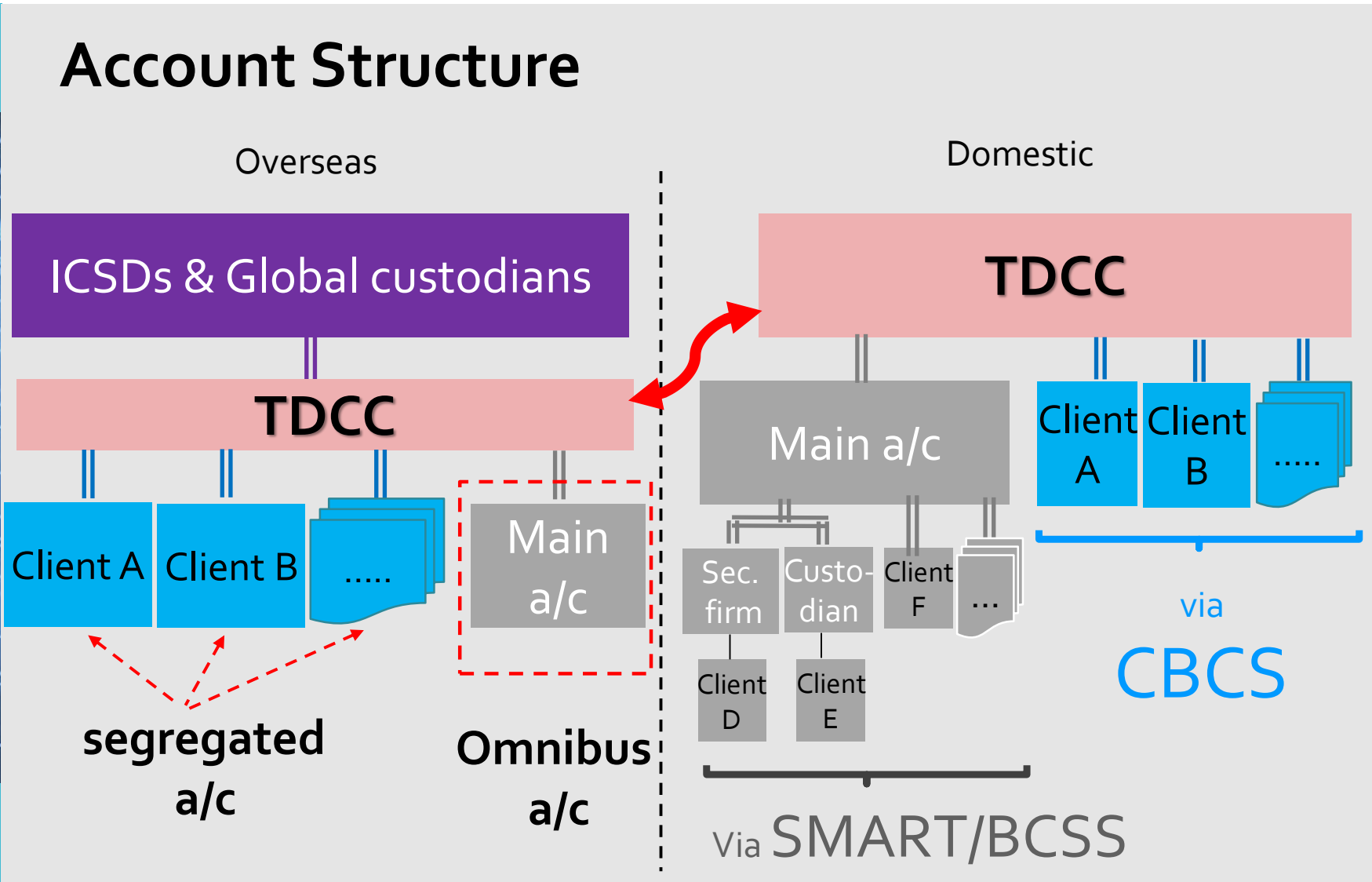
Direct



Indirect



II. How does TDCC carry out the cross-border custody business

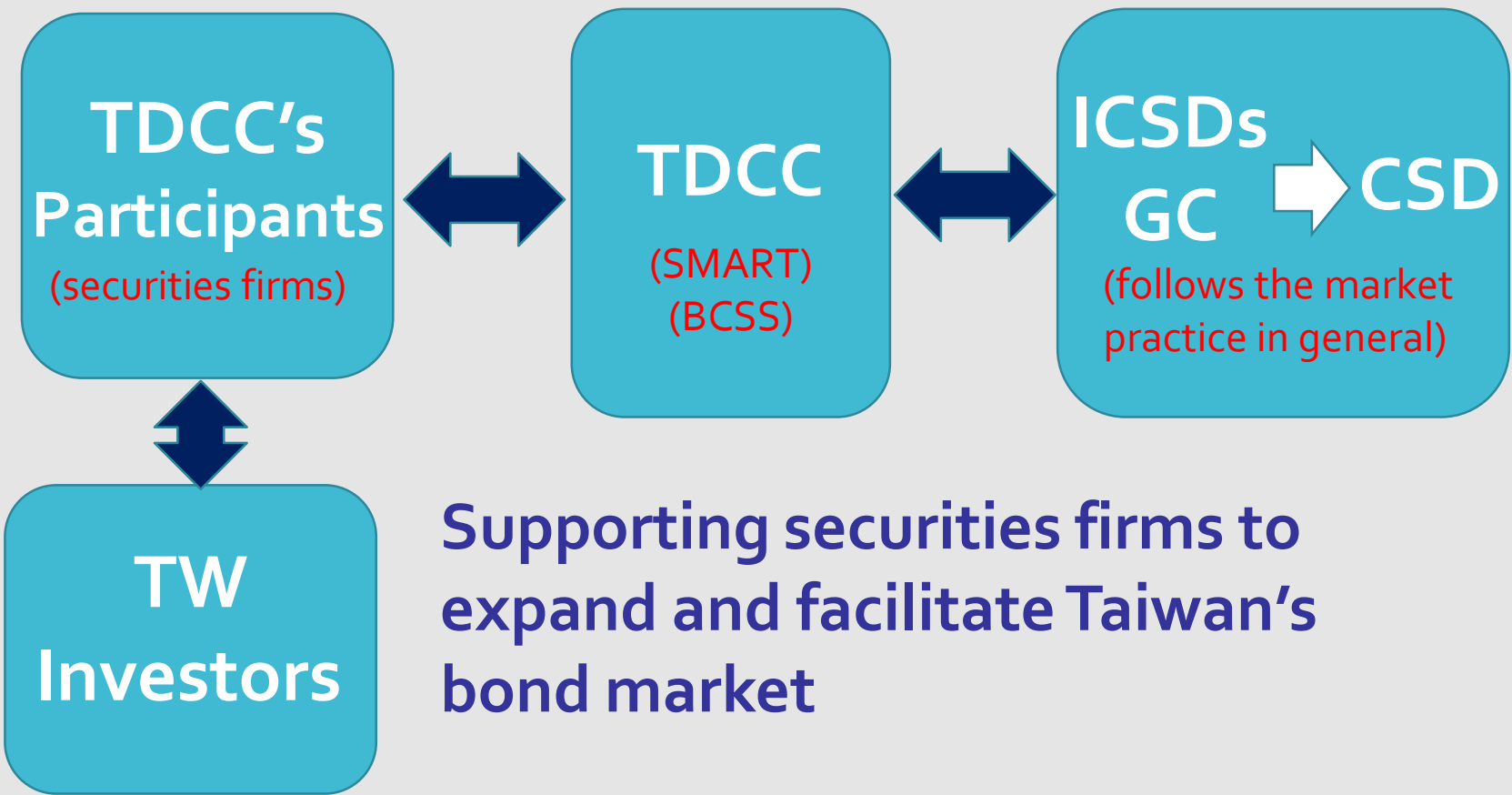


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II. How does TDCC carry out the cross-border custody business?



Transaction Flow: Main a/c

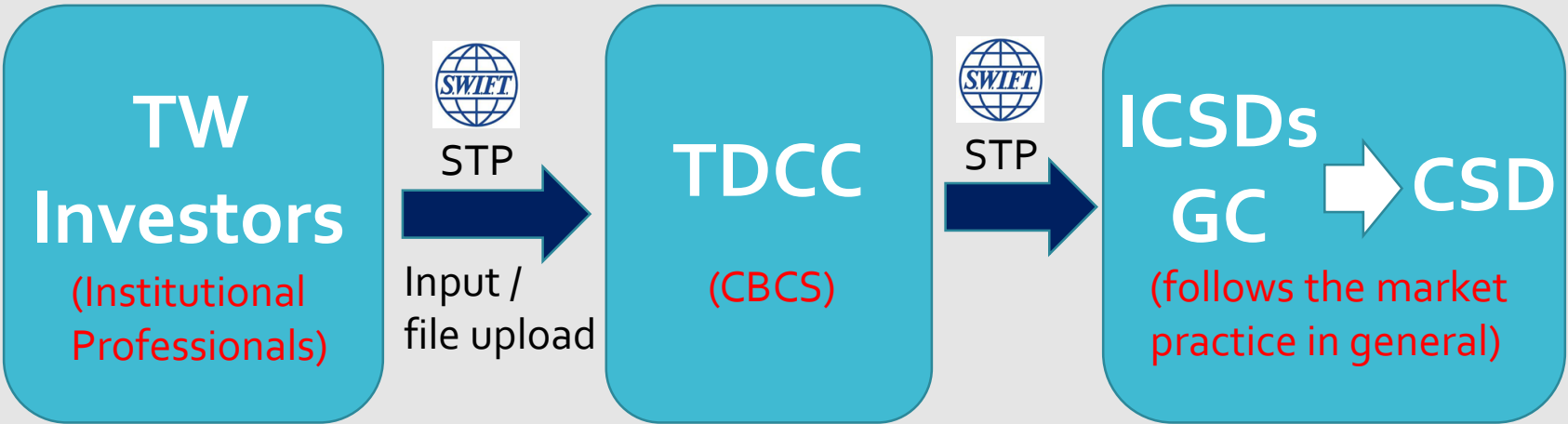


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II. How does TDCC carry out the cross-border custody business?



Transaction Flow: Segregate a/c



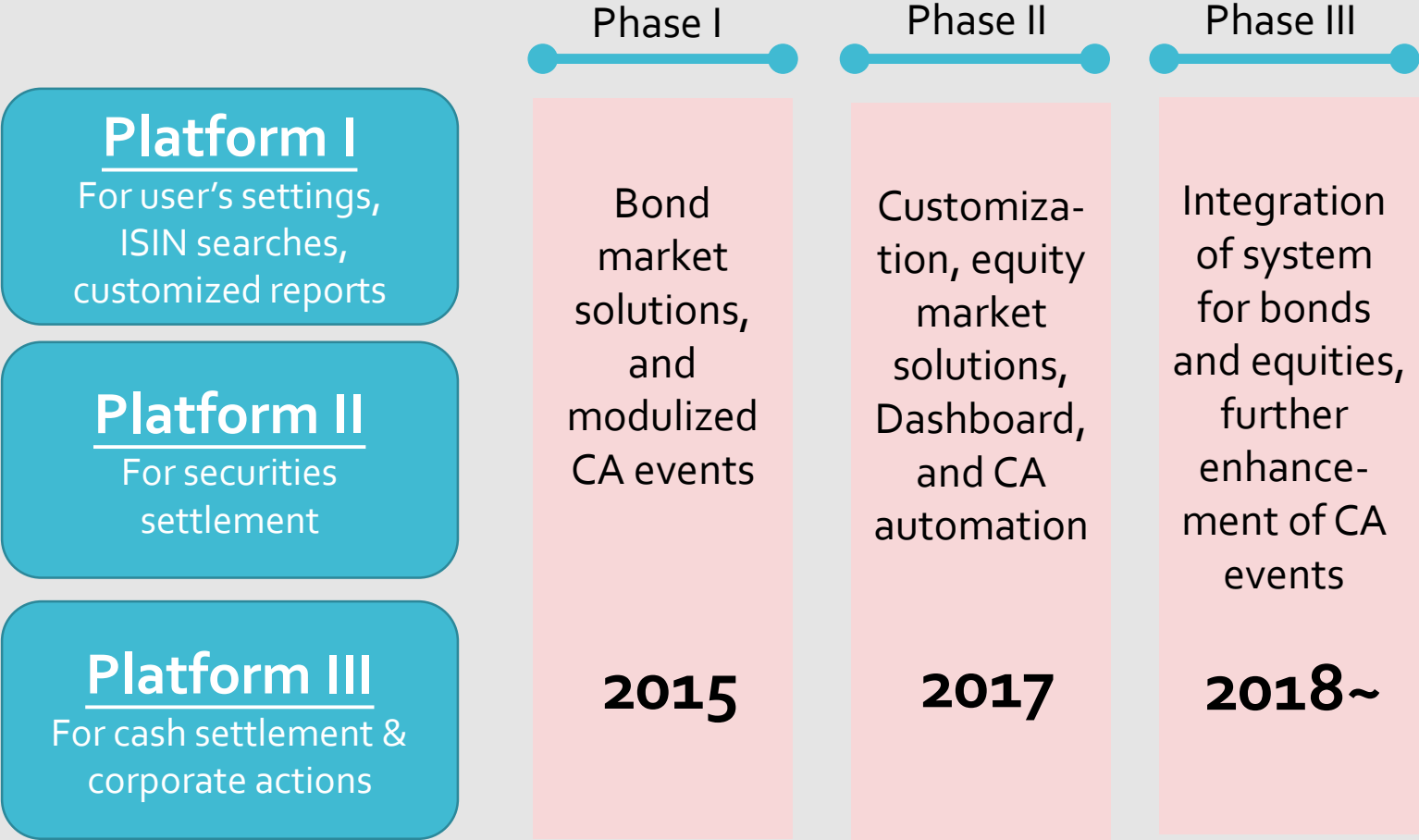
Supporting Taiwan Investors to hold global assets

- Optimal local solutions to link with global CSDs:
- Bilingual interface
 - consulting services
 - Automation of all settlements and corporate actions

II. How does TDCC carry out the cross-border custody business?



CBCS



Achievements

In 2017, TDCC accomplished the mission assigned by its regulator to provide 100% custody service for foreign bonds listed in Taiwan with an asset value of US\$125 billion.

In 2018, TDCC brought in Tableau software to utilize Big Data by creating analytical reports for the Insurance Bureau of Taiwan in order to monitor the market risks of Taiwan's insurance companies' investments in foreign bonds.

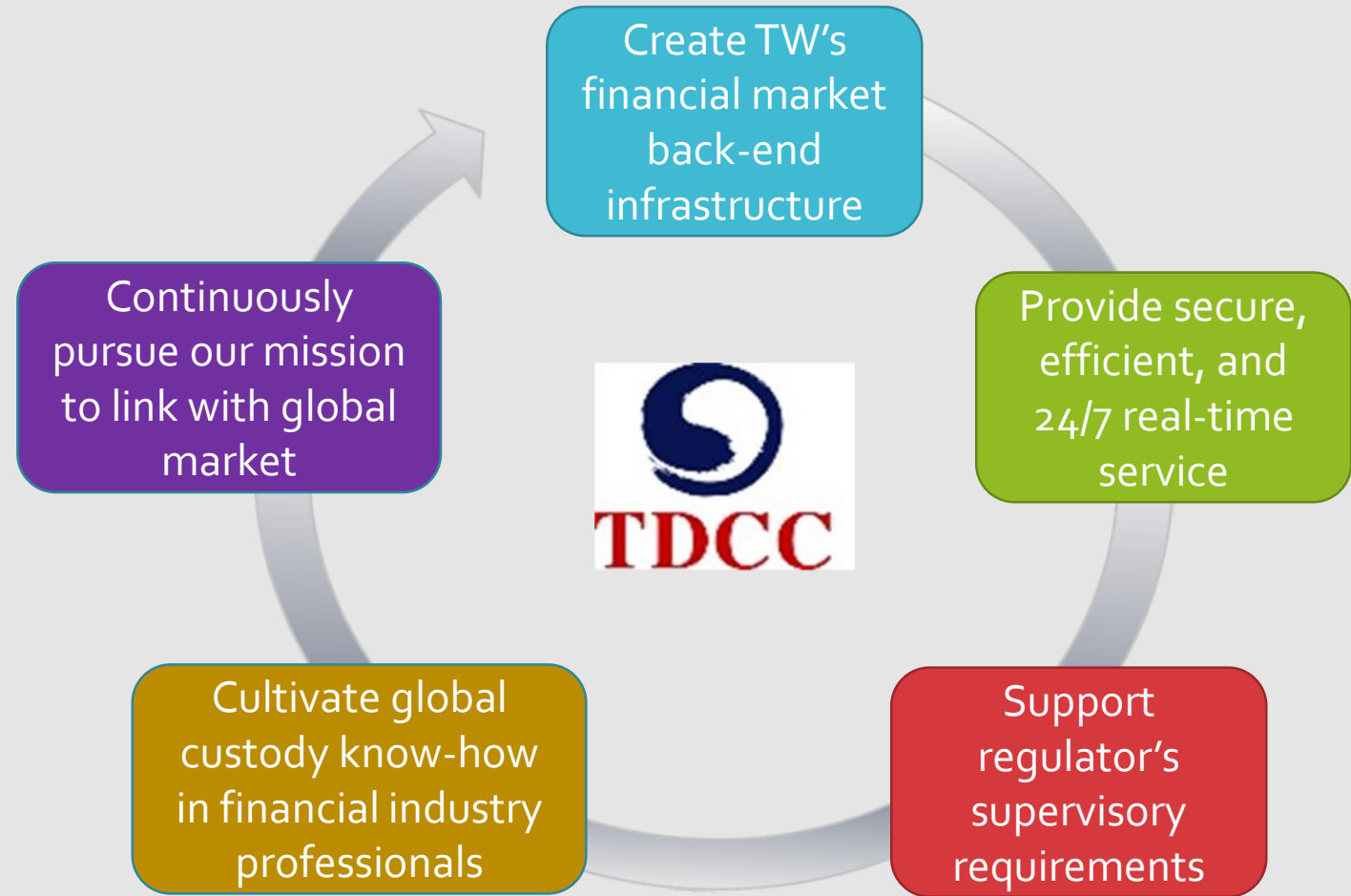


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III. What are the benefits and potential legal risks of cross-border custody?

Benefits to TW Market



III. What are the benefits and potential legal risks of cross-border custody?



Points of Concern for Legal Risks

- **Asset safety**
 - ▶ Understand CSD's account structure and how they separate their assets from participants' assets.
- **Operational risk**
 - ▶ Avoid settlement failure and not miss the CA deadlines
- **New regulations for implementation**
 - ▶ Follow the advice of CSDs/GCs to abide by their local rules
 - ▶ Keep pace with CSDs/GCs to align with global standards
- **Information security: Hacker attack**
 - ▶ Focus on cash movement control and internet domain control



Thank you

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