

### Box 4

#### Taiwan Stock Exchange introduced T+2 DVP Settlement System

With the aim of coming further into line with international standards and enhancing the efficiency of Taiwan's securities market, the Taiwan Stock Exchange (TWSE) launched a series of reforms in the securities market. Among the reforms, the TWSE implemented a new settlement system called "T+2 DVP (Delivery-Versus-Payment, DVP)," which became effective from 2 February 2009. The implementation of the T+2 DVP Settlement System can shorten the settlement time gap between securities and funds and, in turn, reduce settlement risk.

#### *1. Deficiencies in the original settlement system*

The fund/securities settlement operation of the Taiwan Stock Exchange is divided into two tiers: (1) settlements between investors and securities companies, and (2) settlements between securities companies and the TWSE. Under the original settlement system, there was a one-day gap for investors between the delivery of securities/funds and the receipt of funds/securities. This time gap between delivery and receipt was not only unfair to investors, but also could become a source of settlement risk.

#### *2. Comparisons of the original system and the new system*

Item	Original System	New System
<b>Tier I : Investors and securities companies</b>	<p>Investors should deliver securities or funds to securities companies before 12 p.m. of <u>T+1</u>.</p> <p>Securities companies should deliver securities or funds to investors after 10 a.m. of <u>T+2</u>.</p>	<p>Investors should deliver securities or funds to securities companies before 10 a.m. of <u>T+2</u>.</p> <p>Securities companies should deliver securities or funds to investors after 11 a.m. of <u>T+2</u>.</p>
<b>Tier II : Securities companies and the TWSE</b>	<p>Sell-side securities companies should deliver securities to TWSE before 6 p.m. of <u>T+1</u>.</p> <p>Buy-side securities companies should deliver funds to TWSE before 10 a.m. of <u>T+2</u>.</p> <p>TWSE should deliver securities to buy-side securities companies and deliver funds to sell-side securities companies after 10 a.m. of <u>T+2</u>.</p>	<p>Sell-side securities companies should deliver securities to TWSE before 10 a.m. of <u>T+2</u>.</p> <p>Buy-side securities companies should deliver funds to TWSE before 11 a.m. of <u>T+2</u>.</p> <p>TWSE should deliver securities to buy-side securities companies and deliver funds to sell-side securities companies after 11 a.m. of <u>T+2</u>.</p>

Note: "T" represents the day on which investors buy/sell securities from/to securities companies.

### ***3. Benefits of the new system***

The new T+2 DVP system requires the delivery and receipt of either securities or funds to occur on the same day (i.e. day T+2). It not only enhances the usability of securities and funds, but also brings the TWSE's settlement system further into line with international standards and expedites the internationalization of Taiwan's securities market.