

Taifex Set For Asian Competition With Intensified International Participation

New products, international certifications and increased educational efforts are set to drive growth on the Taiwan Futures Exchange, one of the top ten largest derivatives exchanges in Asia-Pacific. As international interest grows, learn what opportunities this aspiring exchange presents to you.

WHILE MANY OF THE TOP global exchanges have turned to mergers and acquisitions to cope with weak growth in their core markets, several regional exchanges have continued to grow organically by successfully introducing new products and attracting new customers from other parts of the world. The Taiwan Futures Exchange is a leader among these exchanges, with solid growth across an increasingly wide range of futures and options, backed by expanded international participation, the launch of new products and increased local and international educational and promotional initiatives.

Expanded Product Range

More than 241 million contracts were traded in 2016, an increase of 32% over the last five years and more than 100% over the last decade. The most heavily traded contract was the option on the TAIEX, the benchmark for Taiwan's stock market. This contract accounted for 69% of the exchange's total trading volume in 2016, and it ranks as the fifth most heavily traded equity index option in the world.

The exchange's recent growth has been complemented by several new product launches. In 2015, TAIEX launched futures on the Chinese currency and Japan's Topix stock index as well as a suite of ETF options. In 2016 the exchange added RMB options, futures on India's Nifty 50 stock index, and futures on EUR/USD and USD/JPY exchange rates.

Regulatory developments in the U.S. during 2016 helped to expand the exchange's foreign participation. The Securities and Exchange Commission granted TAIEX relief, allowing U.S. market participants to trade equity options and the newly listed ETF options. The Commodity Futures

Trading Commission certified the exchange's Topix futures and Nifty 50 futures, allowing U.S. investors to trade the contracts. Five other futures products have previously been certified by the CFTC, including TAIEX futures, the exchange's flagship stock index futures contract.

"We are situated in a time zone where both the economic growth and the futures market expansion is one of the strongest in the world. Seizing this opportunity, we have continued our marketing efforts to foreign institutions and roadshows, which has seen foreign participation – the combined trading by overseas and foreign proprietary trading houses in Taiwan – increased from 26% in 2013 to 33% in 2016," said Dr. Len-Yu Liu, Chairman of TAIEX.

Strategy in 2017

To better serve the market, the exchange plans to implement after-hours trading in May. This will be the first time since the exchange opened in 1997 that trading has extended into

the evening. "The after-hours facility will be a major breakthrough for TAIEX. It will increase our depth of liquidity and enhance our global competitiveness," said Dr. Liu.

On the technology front, TAIEX implemented a major trading system upgrade in December 2016 and migrated its self-built IT system to a new Linux-based platform. The in-house system doubles its capacity from 24,000 to 48,000 orders per second, with latency reduced from 800 to 200 microseconds. Connections to the system are now via TAIEX Proprietary Protocol (TMP) and Financial Information eXchange (FIX) Protocol.

Looking forward, TAIEX will continue to enhance the depth and breadth of its market, to break down the limitations on market operation, and to ease market access to expand its international customer base. "We are sure our recent growth and product innovation will place us at a leading position and continue our international expansion," said Dr. Liu. ♦

TAIFEX ANNUAL TRADING VOLUME CONTRACTS (IN THOUSANDS)

