



THE FUTURES MARKET IN TAIWAN

by

Guo-Shiung Huang,

A research study submitted in partial fulfillment of the requirements for the degree of Master of Business Administration

Examination Committee	Professor John C.S. Tang (Chairman) Dr. Fredric W. Swierczek Dr. Truong Quang
-----------------------	---

Nationality	Taiwanese
Previous Degree	Bachelor of Business Administration Chung Hsing University Taichung, Taiwan

Scholarship Donor	Taiwan Provincial Government
-------------------	------------------------------

Asian Institute of Technology
School of Management
Bangkok, Thailand
April 2000

T

เลขหุ้	H86024.T3	H82 2000
Bib Key	ด17256	

พจนานุกรม	คุณหญิงทอง	บรรณารักษ์
มหาวิทยาลัย	อัสสัมชัญ	กรุงเทพฯ
วิชา	บริหาร	การคลัง
ได้รับจาก		
วันที่	4	เดือน

TABLE ABSTRACTENTS

Chapter	Title	Page
	This research study examines the current development of futures market in Taiwan, and its interactions with spot market. Futures market is the symmetry of the spot market. It plays two important roles. One is price discovery, and another is risk transference. Commodities of Taiwan Futures Exchange are playing such two important roles. One is to discover the real price of spot share, another is to offer a hedging channel for stock market participants.	
	This research attempts to explore the possible problems of indigenous futures market. Two major unfavorable issues are identified. High transaction costs results in the insufficiency of market liquidity. On the other hand, institutional investors have low involvement in the futures trading, especially foreign investors. These issues will be detrimental to the enhancement of the prospects of Taiwan Futures Market.	
1.2	Rationale of the Study	vii
	Based on the issues identified, Taiwan futures market may adopt some measures to promote its robustness and enhance its market liquidity. They are made up of enhancement of tax incentive, introduction of market maker system, diversity of derivative commodities, pursuit of strategic alliance, and appropriate relaxation of regulation.	
	Formation of a complete and robust financial market does not just depend on control and regulation of spot markets. If derivatives markets could be established step by step, they will be a great complement to the spot markets.	
2.2.1	Non-Storable Commodities	3
2.2.2	Financial Futures Debit	5
2.2.3	Advent of Internationalization	6
2.3	Recent Development	7
2.3.1	Electronic Trading Dominance	7
2.3.2	Linkages between Exchanges	8
2.3.3	On-line Trading on the Rise	8
2.3.4	Demutualization and Merger of Exchanges	8
2.4	Major International Exchanges and Contracts	9
3.	Taiwan Futures Market	11
3.1	Development of Taiwan Futures Market	11
3.2	Present of Taiwan Futures Market	12
3.2.1	Market Participants	12
3.2.2	Domestic Futures Trading	14
3.3	Structure of Taiwan Futures Industry	17
3.3.1	Authority	17
3.3.2	Self-regulatory Organization	17
3.3.3	The Exchange	17
3.3.4	The Clearing House	17
3.3.5	Clearing Member	17
3.3.6	Futures Commission Merchant	19
3.3.7	Introducing Broker	20