

## **The Implementation Status of the Advocacy for Insider Trading Prevention**

1. The company' s newly appointed directors and managers are required to undergo education and awareness training on "Insider Trading Prevention Management" and "Information Disclosure and Insider Trading Prevention Procedures" within three months of taking office, either through promotional materials or arranged educational sessions. New employees receive the same training as part of the onboarding program provided by the Human Resources Department.
2. This year, on August 21, a two-hour awareness training session was conducted for 34 existing managers and employees.
3. Directors and managers are reminded via email 30 days before the Board of Directors meeting for the annual financial report and 15 days before the Board meeting for each quarterly financial report to refrain from trading company shares during the blackout periods—30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of each quarterly financial report.
4. This year' s training courses covered topics including the definition of insider trading and its key elements, such as the subject of the act, actual awareness, material information, timing of trades, and the traded securities. The training also included common violations of the Securities and Exchange Act regarding the declaration of changes in shareholdings by insiders and the legal responsibilities associated with insider trading.
5. The presentation materials related to the courses have been uploaded to the company' s internal website for reference by all employees.

# Advocacy content

## 2024 Insider Trading Prevention Awareness Campaign

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### Individuals specified under Article 157, Paragraph 1, Item 1

Individuals listed below, upon becoming **aware of material non-public information** regarding a company that may significantly impact the stock price, **after the information is confirmed**, are prohibited from buying or selling the company's listed shares or other equity-related securities within **18 hours** before or after the public disclosure of the information, either directly or through others. The individuals include:

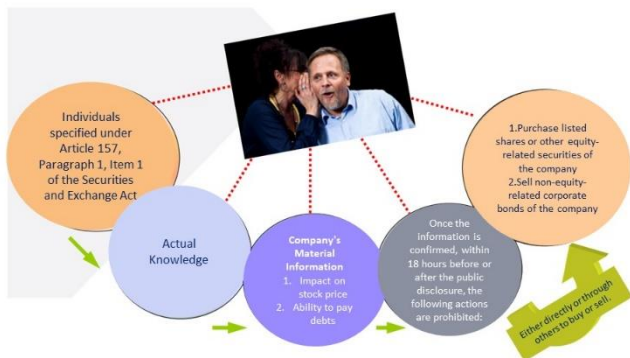
1. The company's directors, supervisors, managers, and representatives performing duties on behalf of the company as defined in Article 27, Paragraph 1 of the Company Act.
2. Individuals holding more than **10%** of the company's shares.
3. Individuals who, due to their profession or control relationships, obtain insider information.
4. Individuals who have resigned from any of the three roles listed above and have not yet completed **six months** since resignation.
5. Individuals who have obtained insider information from any of the aforementioned persons.

Individuals mentioned in the preceding paragraph who become aware of material non-public information regarding the company's ability to pay debts are prohibited from buying or selling the company's non-equity-related securities within 18 hours before or after the public disclosure of the information, either directly or through others.

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Source : Taiwan Stock Exchange  
[https://www.twse.com.tw/downloads/zh/investor/edu/edu\\_present.pdf](https://www.twse.com.tw/downloads/zh/investor/edu/edu_present.pdf)

## Definition of Insider Trading



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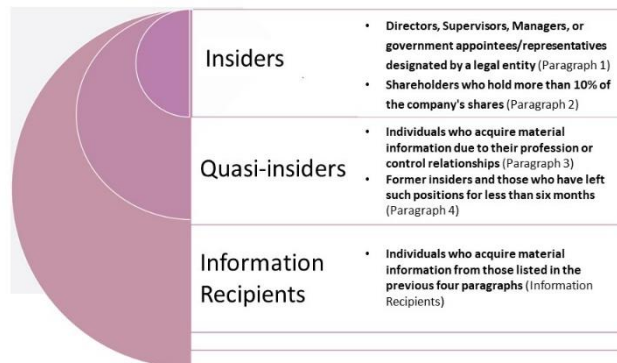
## Components



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## Subject of Action



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## Actual Knowledge

**Actors who have actual knowledge of the company's material non-public information.**

Examples:

- Participating in important meetings
- Executing critical business operations

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## Material Information

### Scope

Related to the company's finances and business

- Examples:
- ✧ Handling capital reduction, mergers, acquisitions, or stock conversions
  - ✧ Occurrence of internal control lapses or significant irregular transactions
  - ✧ Acquisition or disposal of major assets

Related to the supply and demand of securities in the market or public acquisition

- Examples:
- ✧ Listed shares being publicly acquired
  - ✧ Changes in the trading method or delisting of listed shares

### Specific content

- Significant impact on the stock price of the company
- Major impact on the decisions of regular investors

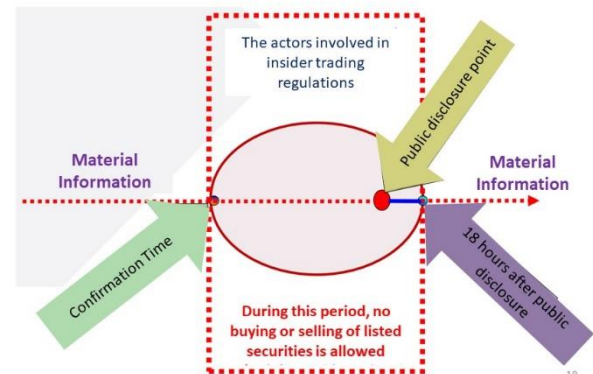
Defined as "Material Information" under Article 157-1 of the Securities Exchange Act

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## Timing of Transactions

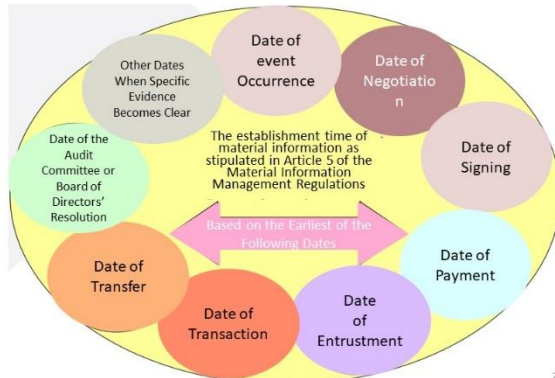


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## Timing of Transactions - Specific Time Points



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## Timing of Transactions - Disclosure Time



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## Subject of the Transaction

### Listed Stocks

Stocks bought and sold at the business premises of a securities firm (Including stocks listed on the stock exchange and OTC stocks).

### Other Securities with Equity Characteristics

Including: convertible corporate bonds, corporate bonds with attached warrants, stock warrants, subscription (sale) rights certificates, stock payment receipt certificates, new share subscription rights certificates, new share rights certificates, bond conversion rights certificates, Taiwan depositary receipts, and other securities with equity characteristics. (According to Article 11, Paragraph 1 of the detailed rules for the implementation of the Securities Exchange Act).

### Corporate Bonds Without Equity Characteristics

## Common Violations of the Securities Exchange Act in Insider Shareholding Change Reporting

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[https://www.twse.com.tw/downloads/zh/investor/edu/edu\\_present.pdf](https://www.twse.com.tw/downloads/zh/investor/edu/edu_present.pdf)

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### The common patterns of prior reporting violations of stock transfer by insiders according to securities law regulations (1/2).

1. Selling stocks in the centralized trading market before six months have elapsed since acquiring insider status.
2. Insiders, along with their spouses, minor children, and those holding shares in someone else's name, failing to complete prior reporting before stock transfers.
3. An insider transfers stocks in the centralized trading market and has completed prior reporting; however, the number of shares transferred each day exceeds the allowable limit for that trading day.
4. An insider transfers stocks in the centralized trading market, but the method reported for the transfer differs from the actual trading method (for example, reporting the transfer as a large amount in individual transactions or after-hours pricing, while the actual transfer occurs as a large block pairing).
5. Insiders, along with their spouses, minor children, and those holding shares in someone else's name, collectively transferring more than 10,000 shares daily in the centralized trading market without prior reporting before the transfer.

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Source : Taiwan Stock Exchange

### Common patterns of prior reporting violations of stock transfers by insiders according to securities law regulations (2/2).

6. An insider has completed prior reporting before transferring shares, but fails to observe that transfers in the centralized trading market must begin three days after the reporting date. For transfers reported to specific individuals, they must be completed within three days from the reporting date.
7. Shares held by insiders, their spouses, minor children, and those holding shares in someone else's name are subject to margin calls by financial institutions or court auctions, but prior reporting was not completed.
8. If an insider has reported a transfer in the centralized market but does not complete the transfer within the expected period, they must report the "reason for non-transfer" to the competent authority within three days after the transfer period expires, but they fail to do so.
9. After receiving or subscribing to restricted employee rights shares, an insider does not fulfill the required conditions. The company buys back or reclaims the issued restricted employee rights shares from the insider's exclusive restricted account, but fails to notify the insider of the buyback or reclamation date, resulting in the insider not completing prior reporting.
10. An insider engages in securities lending transactions related to their affiliated company.

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Source : Taiwan Stock Exchange

### Common patterns of post-reporting violations regarding changes in stock holdings by insiders according to securities law regulations.

1. Insiders fail to report changes in stock holdings of their spouses, minor children, and those holding shares in someone else's name.
2. Insiders inaccurately report their holdings due to typographical errors or omissions, failing to reflect their actual stock holdings in post-reporting.
3. Insiders correctly report their changes in stock holdings to the company; however, the company's stock administration (or stock agency) incorrectly reports the insider's changes due to typographical errors or omissions.
4. Shares held by insiders, their spouses, minor children, and those holding shares in someone else's name are subject to margin calls by financial institutions or court auctions, but no post-reporting is completed.
5. An insider fails to notify the company immediately after setting up a pledge on their shares.
6. After an insider notifies the company about the pledge on their shares, the company fails to report and announce the pledge status within the required five days after the pledge is established (including instances where the insider enters into a non-purpose loan agreement with a securities firm, using the company's stock as collateral, but does not complete the required reporting and announcement within the specified timeframe after the pledge is established).

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Source : Taiwan Stock Exchange

### Legal liability for insider trading.

#### (1) Criminal Liability

1. Imprisonment: 3 to 10 years.
2. Fines: May be imposed in addition to fines ranging from NT\$10 million to NT\$200 million.
3. If the illegal gains exceed NT\$100 million: imprisonment of 7 years or more, and fines ranging from NT\$25 million to NT\$500 million may be imposed in addition.
4. If the illegal gains exceed the maximum fine amount: the fine may be increased within the scope of the illegal gains.
5. If the act undermines the stability of the securities market: the sentence may be increased by up to one-half.
6. If the person confesses after the crime or cooperates during the investigation: they may receive a reduced sentence or be exempt from punishment.

#### (2) Civil Liability

1. Damages: The individual is liable for damages to those who conducted opposing trades in good faith on the same day.
2. Amount of compensation: The difference between the trading price of the good-faith trader and the average closing price over the 10 business days following the public disclosure of the information.
3. In significant cases: The court may increase the amount of compensation up to three times.
4. In minor cases: The court may reduce the amount of compensation.

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# Q & A

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## Photos of the advocacy event

