



**Asia-Pacific  
Economic Cooperation**

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## **How to Help Funding SMEs and Start-ups in Chinese Taipei**

Purpose: Information

Submitted by: Chinese Taipei



**APEC**  
PHILIPPINES  
2 0 1 5

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# **How to Help Funding Micro SMEs and Startups in Chinese Taipei**

**Financial Supervisory Commission, Chinese Taipei**

**June 11, 2015**



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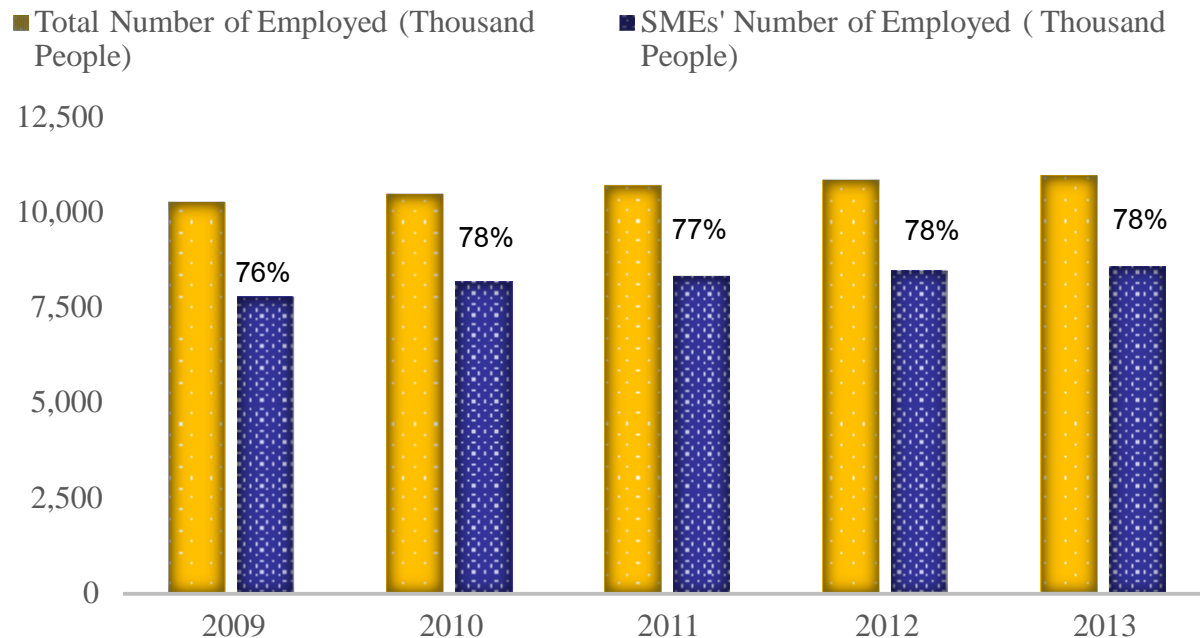
# Introduction – Important Facts

## ■ SME capital market plays a pivotal role in Chinese Taipei

- SMEs with Paid-in capital **US\$ 0.03m~US\$0.33m = 64%**
- SMEs with Paid-in capital **US\$ 0.33m~US\$1.6m = 18%**

➡ SMEs account for over **80%** of the total corporations

## ■ SMEs Account for **78%** of the total workforce in Chinese Taipei



Source: Small and Medium Enterprises Administration Ministry of Economic Affairs



# Introduction – SMEs' Traditional Financing Venues

Financing Venue	Government grants	Venture Capital / Angel Investor	Debt (Indirect Financing)	Capital Market (Direct Financing)
Type	e.g. National Development Fund	<ul style="list-style-type: none"><li>● Venture Capital</li><li>● Angel Investor</li></ul>	<ul style="list-style-type: none"><li>● Loan from financial institution</li><li>● Funding from family and friends(gifts and loans)</li></ul>	<ul style="list-style-type: none"><li>● Debt securities – Bond</li><li>● Equity securities – Stock</li></ul>
Challenges for SMEs	<ul style="list-style-type: none"><li>● Limited amount of subsidy</li><li>● Heavy Compliance requirement from government</li></ul>	<ul style="list-style-type: none"><li>● Startups are too small to attract proper VCs and angel investors</li><li>● Without adequate exposure to potential investors</li></ul>	<ul style="list-style-type: none"><li>● Hard to obtain bank loan unless SMEs have a substantial financial record or valuable collateral</li><li>● High interest rate</li></ul>	Insufficient profit, capital size and corporate governance create barriers to access to capital market



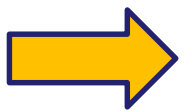
# Introduction

## –SMEs Challenges and Solutions

### ■ Challenges – Not only finance but also in other crucial areas

- **Without** corporate governance
- **Without** internal control
- **Without** own brand
- **Without** adequate access to available capital

### ■ Solutions – SMEs have unique needs that are different from larger companies. Capital market only help if it offers solutions that match SMEs needs.



We Build up Multi-tiered funding channels to fulfill the needs of enterprises in different stages.



# Financing Channels in Chinese Taipei

Funding platform runs by private firm

**Capital Market**

Equity  
Crowdfunding

GoFunding  
Zone

GISA

(Go Incubation Board for  
Startups and Acceleration Firms)

62

Micro SMEs, Non-Public Companies

Emerging  
Stock Market

287

TWSE or TPEx  
Main Board

TWSE: 858  
TPEx : 694

Public Companies

Donation-based

Equity-based

Registering

IPO & Listing

\* The company numbers above are by end of April 2015



# Policy to Improve Micro SME Capital Market -GISA

- **The Incubation Board for Startup and Acceleration Firms (GISA)** established in January 2014 by Taipei Exchange (TPEX) to help small-sized innovative companies to grow and pave the way for future economic and industrial development.



- ④ GISA is designed as a platform for **small-sized non-public companies**.
- ④ GISA works as an integrated mechanism with **counseling, coaching, controlling and capital raising functions** to improve the quality of operation and governing of SMEs.
- ④ Enhance the confidence of the full spectrum of investors (VCs, securities firms and Gov't agents... ) in innovative micro SMEs and startups.





# How GISA Works

The company can only raise up to US\$ 500,000 to add to its capital annually through GISA



## Free counseling

Financial

Accounting

Internal Control

Marketing

Regulation

Corporate Governance



**Small-sized innovative companies**

Taipei Exchange and related institutions provide integrative counseling



Disclose business operation plan and capital-raising info. on GISA



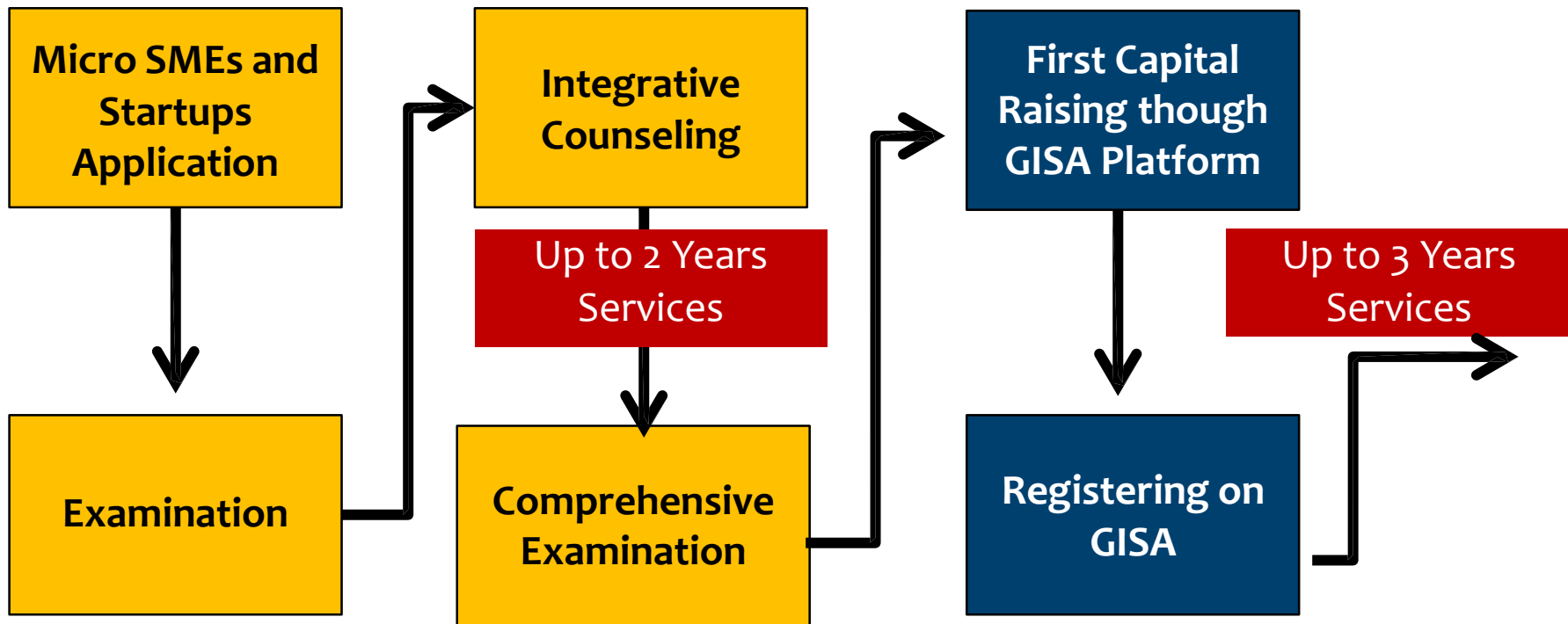
**Retail investors**  
Investing cap: US\$2,000/year

**Professional investors**

Invest small-sized innovative companies through subscribing from GISA

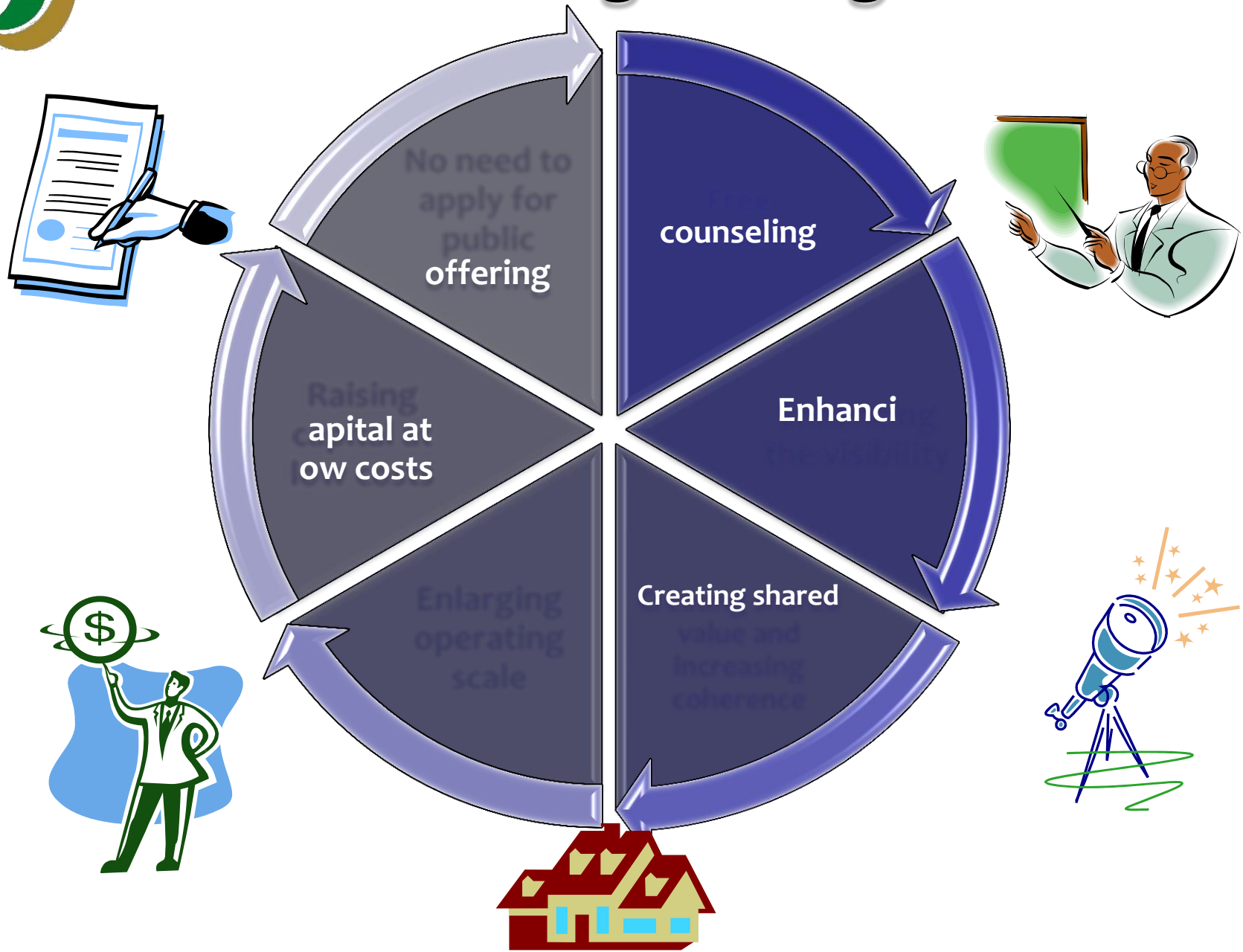


# How GISA Works (Cont.)





# Benefits for Registering on GISA





# GISA's Accomplishments

## - Good Companion to Grow a Business

- Paid-in Capital information when companies applied to and registered on GISA as of April 30, 2015
- GISA companies' paid-in capital grow through raising capital on GISA platform

Paid-in Capital (USD Thousand)	GISA Applicant	Registered GISA Company
Minimum	0.267	113
Median	667	1,085
Maximum	15,000	8,013
Average	1,225	1,702



### Where do we stand at April 30, 2015?

- The total **62** companies registered on GISA have raised capital approximately **US\$6.6M**.
- **GISA mechanism** has helped **3** of the GISA companies to grow and transferred **from GISA board to Public Issuance**. **1** of them even registered successfully on our **Emerging Stock Board (ESB)** on December 26, 2014.



# GISA's Accomplishments

## -Increase Industrial Diversification

■ As of April 30, 2015

Industries	GISA Applicant	Companies being Counseled	Registered GISA Company
IT	36	18	18
Biotechnology and medical care	28	9	16
<b>Cultural and Creative</b>	28	13	13
<b>Agriculture, Forestry, Fishing, &amp; Livestock</b>	9	3	5
<b>Social Enterprise</b>	2	1	1
<b>E- Commerce</b>	16	10	4
Other	16	9	5
Total	135	63	62

GISA Board creates a great platform for industries not prevalent in traditional capital market



# Policy to Improve Micro SME Capital Market - Equity Crowdfunding

- Besides GISA, **Financial Supervisory Commission (FSC)** authorized **Taipei Exchange (TPEX)** to announce regulatory approach to **Equity Crowdfunding** in April 2015 to further widen financing channel for SMEs.
- Equity Crowdfunding Platform needs to be operated by accredited security firms which retain permission from **FSC** and contract with **TPEX**.

## Funding/Investing Cap

## Related Requirement

### Issuer

- Issuer can offer aggregate amount via equity crowdfunding platforms no more than **US\$ 500,000** per fiscal year.

Accredited security firm needs to file issuer's funding information and profile to TPEX

### Investor

Accredited investor and each director, supervisor and person holding more than 10% of the outstanding equity of the issuer : unlimited investing amount

Retail investor :

- Per investment : **US\$ 1,666**
- Per platform : **US\$ 3,333 per fiscal year**

Accredited security firm needs to disclose investment risk to investor and monitor investor's investing records



# Equity Crowdfunding Framework

**Financial Supervisory Commission**

- FSC authorized TPEX to manage Equity Crowdfunding market



**Taipei Exchange**

- Filing and disclosure requirement

- Management and Examination

- Ensure issuer's qualification and funding cap

**Funding Platform**

PLATFORM

- Ensure investor's investing cap and disclose potential investment risk to retail investor

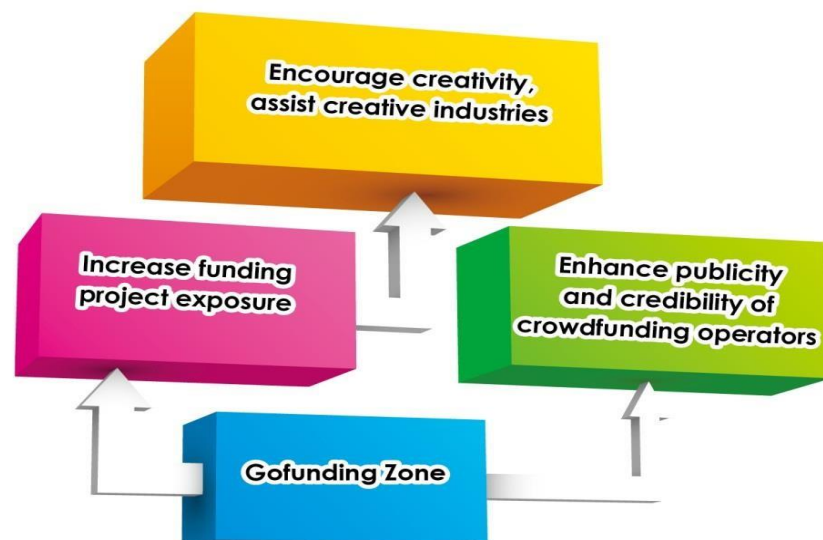






# Policy to Improve Micro SME Capital Market - Go Funding Zone

- For maximizing our strengths on helping micro SMEs and startups to grow, we not only established **GISA** but launched **Go Funding Zone** (Donation based crowdfunding) on Aug. 2013.
- We encourage **Go Funding Zone's project innovators** to launch their own businesses and apply to **GISA**.

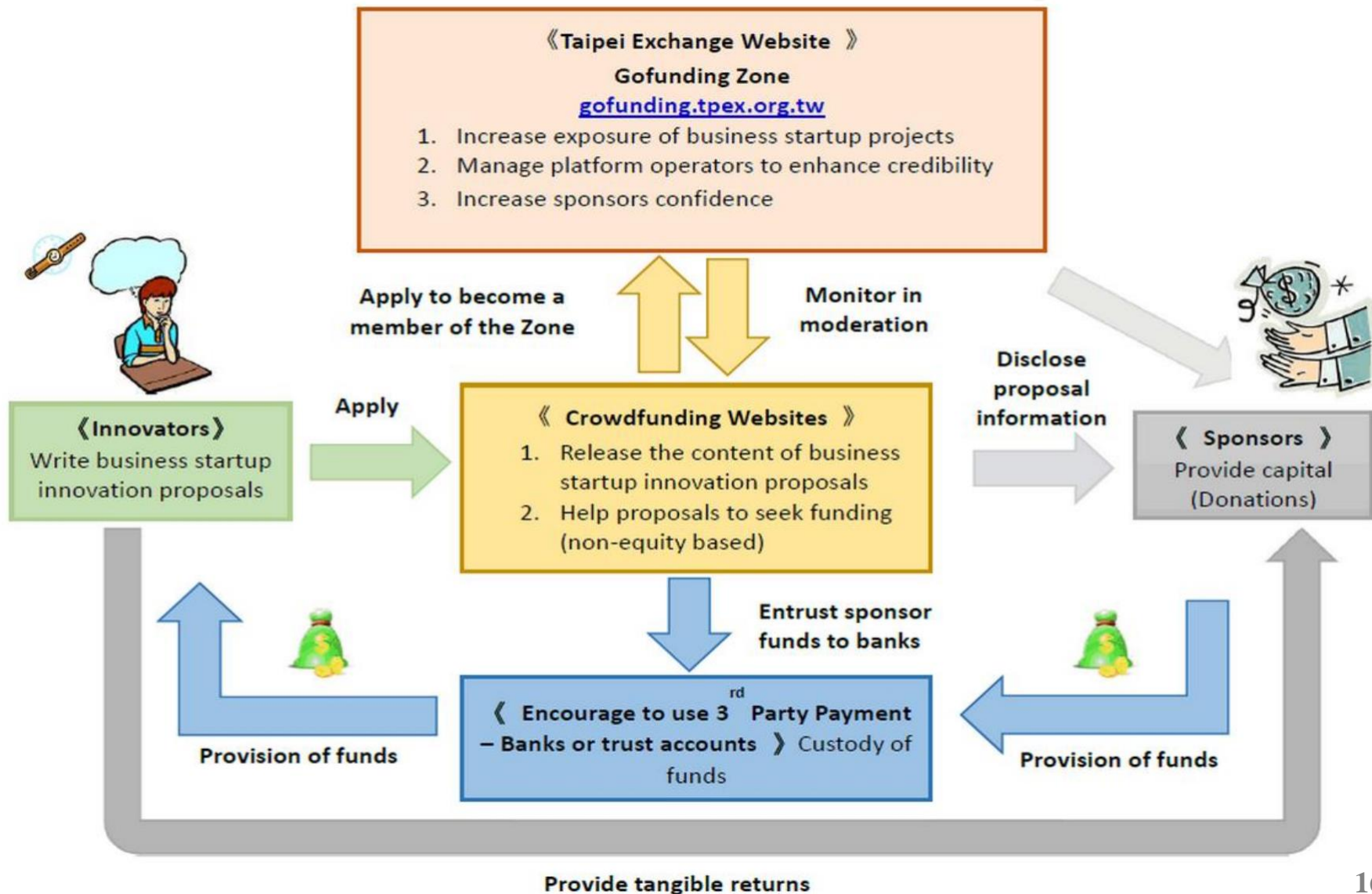






# Go Funding Zone

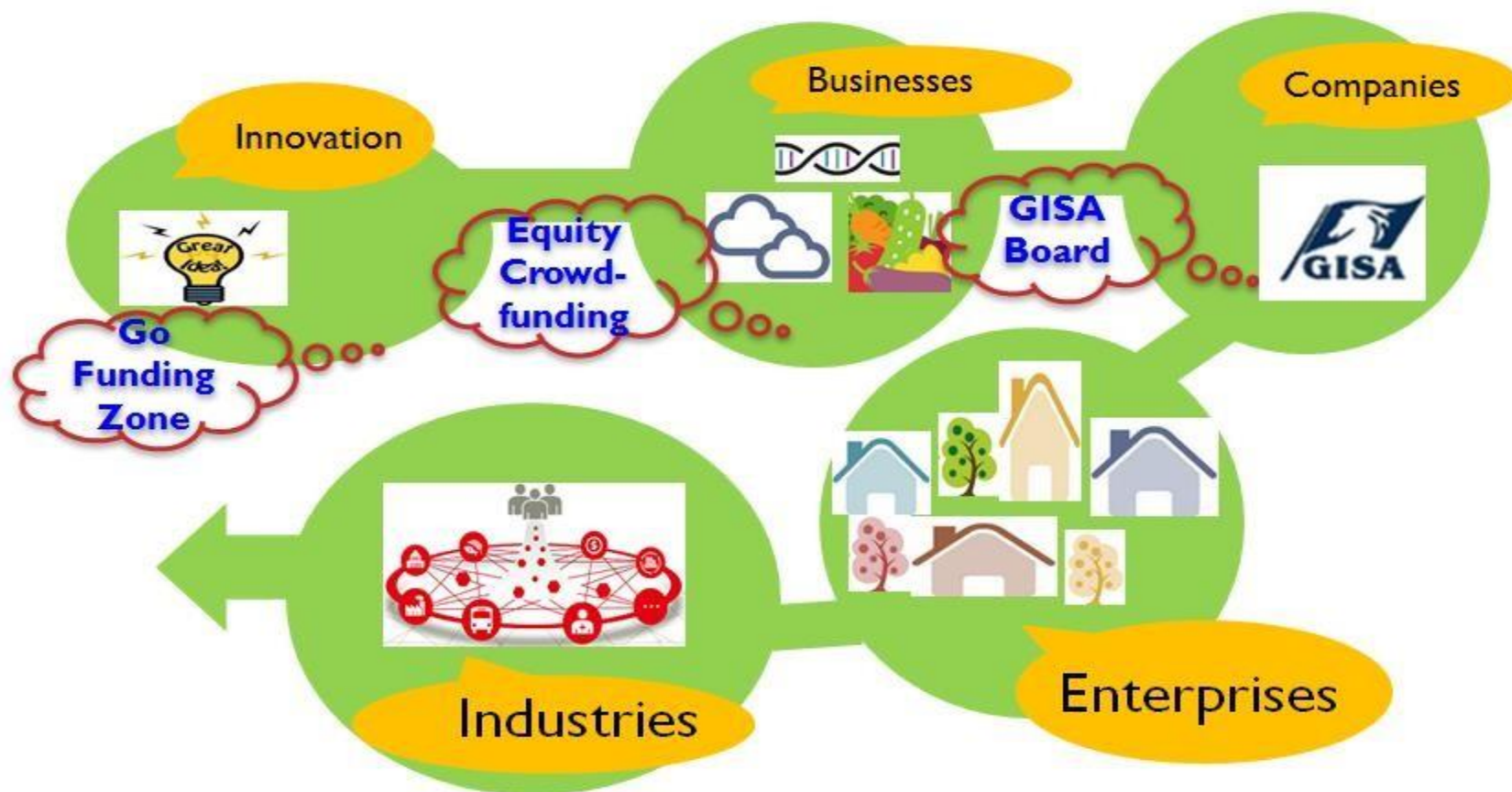
## – From Innovator to Entrepreneur






# Conclusion

- With our continuously committed efforts to SME capital market in Chinese Taipei, we believe that SMEs can be further supported and turned into the main driver for our capital market progress and economic growth for the next decade.





# Thank You !



For more information about GISA,  
Equity Crowdfunding and Go  
Funding Zone , please visit  
<http://www.tpex.org.tw/>