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# Financial Outlook Monthly

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- 3rd Meeting of the Financial Technology Advisory Committee focuses on Financial Technology Development Strategies White Paper, security financial technology, and blockchain technology
- Financial Ombudsman Institution begins accepting application for mediation of disputes between investors and banks arising from the complex, high-risk derivative financial product transactions
- FSC introduces related measures to assist financial institutions to increase the number of financial technology patents they hold


## Policy and Law

### *Financial industry business development in response to population ageing*

In response to the ageing of Taiwan's population, in the report at the Cabinet's weekly meeting on April 7, the FSC expressed the intention to encourage financial institutions to suitably adjust resources allocation and develop financial products that meet the needs of elderly people, as well as to link the resources provided by medical and care service institutions, etc. Supplying the funds and care services that the elderly need can improve their further post-retirement life security so that the elderly in Taiwan have better lives.

National Development Council figures show that Taiwan became an ageing society in 1993, and it is expected that it will become an aged society in 2018 and hyper-aged one in 2025. Facing this population ageing trend, the FSC said that the main economic security issues arising from an aged society include care expenses after retirement, long-term care needs after suffering diseases or accidents. The response measures related to business development that financial institutions have brought out up to the present include:

1. Elderly Care Trust: Seniors or their relatives can put money (including insurance benefits,) securities or real estate into a trust. The purposes of the trust include asset management, care or medical payment for elderly nursing.
2. Commercial reverse mortgage: Seniors pledge their existing real estate to a bank and the bank pays a principal every month as an old age life security supplementary measure to stabilize seniors' lives. So far, five banks are engaging in this business.
3. Policy activation: Traditional life insurance contracts can be transformed into medical insurance, long-term care insurance, or deferred annuity insurance in the same life insurance company, and the policyholder retains the right to restore the original contract for a period of three years.
4. Annuity insurance: This kind of insurance can make up the deficiency of pensions. Through the purchase of an annuity insurance at a young age, a person can choose to collect annuity payment when retired or a certain age (60 or 65 for example,) in combination with their original pensions, a person can enjoy better life quality in retirement, and transfer the longevity risk as well.
5. Long-term care insurance: This kind of insurance can cope with the long-term care needs when, due to disease or an accident, a person loses the ability to live normal daily life. During the period of protection if any events meet "the conditions for requiring long-term care" prescribed by the policy, people can receive the insurance payout at specific intervals, making up the expenses incurred by hiring a long-term carer and rehabilitation expenses, so that the bedridden person lives with dignity and family members have time and energy to work, reducing the family burden.
6. Life cycle funds: This kind of fund is designed to correspond with a person's life stage and target date. For example, the Target Date Fund is planned in accordance with retirement schedule and the proportions of stocks and bonds are gradually adjusted year by year; or the Target Risk Fund that maintains fixed risk level, with stock and bond proportion adjustment carried out according to market fluctuations.

### *3rd Meeting of the Financial Technology Advisory Committee focuses on Financial Technology Development Strategies White Paper, security financial technology, and blockchain technology*

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To actively promote the development of financial technology in Taiwan, following up the 2nd Financial Technology Advisory Committee meeting's conclusions, the FSC has activated the Domestic Electronic Payment Multiplication Plan and promotes banking, insurance, biometrics and other financial technology applications. The 3rd meeting on March 25, 2016 focused on the financial technology development strategy white paper's goals and strategies, security financial technology and blockchain technology.

To build the vision and strategies of the financial technology innovative services, the FSC has completed the initial draft of the Financial Technology Development Strategy White Paper which will guide future policy promotion and propose the vision of "full leverage of ICT, building smart financial institutions, innovative digital convenient services and strengthening virtual risk control". The FSC analyzed the four aspects of application, management, resources and foundation and set 11 priority development targets, including electronic payment, bank, securities and insurance financial technology, virtual financial institutions, regulatory adjustment, risk management, talent nurturing, entrepreneurship, blockchain and ID verification and the white paper will be published in April.

With respect to the planning of financial technology application for securities industry, as of the end of February this year, the average ratio of securities orders placed electronically was 47.39% of the total orders. The FSC has put forward the target of 70% by 2020 and launched a strategy to assist securities firms in applying and developing financial technology. Also, in order to diversify fund investment channels, an online fund sales platform will be established, and securities and futures cloud services and big data application will be enhanced. With respect to future development, the FSC will plan the expansion of on-line service items and a setting up of a centralized order taking center, promote the fostering and transforming of securities firms employees, enhance the securities and futures cloud services and virtual transaction experience, and deepen the effect on the use of big data and information sharing services.

Given that more than 50 international banks join a blockchain technology initiative, the FSC has also made blockchain technology a development priority. The FSC not only promotes it by related financial think tanks and nurture blockchain talent, the FSC also encourages financial companies to combine with the research resources of government, domestic industries and academic circles to develop blockchain technology jointly to confront future challenges.

### *Financial Ombudsman Institution begins accepting application for mediation of disputes between investors and banks arising from the complex, high-risk derivative financial product transactions*

The FSC has requested the Financial Ombudsman Institution (the Institution hereafter) to begin accepting applications for mediation of disputes between investors and banks arising from the complex, high-risk derivative financial product transactions from April 15, 2016. The aim is to provide investors to whom the Financial Consumer Protection Act (the Act hereafter) does not apply with a non-litigious dispute handling procedure in the hope that investors' disputes can be settled quickly.

This special mediation mechanism (different from ombudsman mechanism) is free of charge and the handling of such cases will be assisted by ombudsman committee members who are banking and securities/futures experts. A ruling will be made, in principle, within three months of the application being made and will stand if both parties accept it; if the mediation suggestion is not accepted by either side then it will not stand and other legal paths can be taken to solve the dispute.

Professional natural investors, juristic persons with total assets over NT$50 million and Taiwan-funded clients of OBU can all apply for this mediation mechanism. However, Institution can decide not to entertain the application, for example, when the application was not filed properly, the matter is not a dispute of complex, high-risk derivative financial product transaction, the applicant did not first file a complaint with the financial services enterprise, a party to the dispute lacks standing (such as professional institutional investors, bank overseas clients, financial consumers to whom the Act applies,) the applicant has previously filed a mediation case at the Institution and the case failed to achieve a resolution, a final and irrevocable court judgment has been rendered on the case, or an ombudsman(mediation, compromise, conciliation, or arbitration) procedure has resulted in a successful resolution of the matter, and other situations as may be specified by the Institution.

### *FSC introduces related measures to assist financial institutions to increase the number of financial technology patents they hold*

To allow banks to attach importance to the effect of financial technology patents and adopt response measures earlier, on March 11, 2016 the FSC instructed the Bankers Association to form a task force to put forward concrete suggestions with regard to issues relating to the promotion of financial technology patent application by domestic banks, such as increasing incentives for R&D by financial institutions, IT talent recruitment and training, and matters that need coordination or assistance of the competent authority. In addition, the FSC's think tank, the Financial Research and Development Fund Committee (FRDFC,) has already held a conference to discuss financial technology patent related issues and proposals put forward; the domestic bank president business liaison meeting is also used to stress the importance of financial technology patent research for financial institutions.

### *FSC's statement about the current development of domestic peer to peer network lending platform*

Recently, some businesses have started to offer services related to matchmaking between money lenders and borrowers on a platform via loan agreements. The FSC has provided the following statement regarding several issues to address society's concerns about this practice, including its legality, risk control and customer interests protection.

1. According to current regulations, peer to peer network lending is not "specially approved business" defined by financial supervision regulations. Businesses running the service platforms are not financial institutions supervised by the FSC. According to the development of such business activities in foreign countries, although peer to peer network lending has its business potential, various problems and risks may arise if appropriate management and regulatory framework is not in place. That's why many foreign governments have regulated activities of peer to peer network lending businesses. The FSC has established a task force to intently study the business model of peer to peer network lending and potential customer protection solutions.
2. Currently, domestic peer to peer network lending platforms provide not only matchmaking service for money lenders and borrowers via loan agreements, but also information brokerage services, such as information collection, information disclosure, credit ratings and information swap. Some platforms may also offer other services like financial intermediary and debt collection for collecting and paying loan principal and interest. According to the FSC, operation of the peer to peer network lending platform should avoid the following activities in order to prevent violation of financial regulations or rules of other regulatory authorities.
   (1) Provision of services related to matchmaking services for lenders and borrowers via loan agreements: such services should not involve "issuing of securities" as defined in the Securities and Exchange Act or "issuing of beneficial securities or asset-backed securities" as defined in the Financial Asset Securitization Act.
   (2) Provision of information collection, information disclosure, credit ratings and information swap services: such services should comply with relevant regulations about the Personal Information Protection Act and personal information should not be illegally collected, processed and used. Interest infringement such as personal information leakage shall be avoided as well.
   (3) Provision of financial intermediary services for collecting and paying loan principal and interest: such services should serve the purpose of loan for the consumption agreement and be consistent with the nature of service provided by the peer to peer network lending platform. In addition, funds of the public should not be directly or indirectly accepted in such activities, which lead to involvement in "accepting deposit" as defined in the Banking Act and "accepting deposits of funds as stored value funds" as defined in the Act Governing Electronic Payment Institutions.
   (4) Provision of other services: debt collection services should not be provided through inappropriate debt collection practices or harassment. Other related activities should not violate related regulations, such as the Fair Trade Act and the Multi-Level Marketing Supervision Act.
3. In light of that the business activities of peer to peer network lending may involve multiple acts and rules, such businesses are expected to observe such regulations. Moreover, the public should also be aware of the risks incurred by such lending and borrowing activities. In order to protect consumer interests, the FSC reminds people of the following risks when they engage in lending and/or borrowing activities via the peer to peer network lending platform:
   (1) As the lender and borrower do not know each other, the default risk is unpredictable and difficult to assess in a reasonable way.
   (2) If the peer to peer network lending platform is managed by owners without effective management capabilities and sound internal control practices, customer interest infringements may occur, such as absconding with money, fraud, as well as falsification of transaction information, stealing of transaction payments or personal information leakage resulting from hacker intruding into the information system.
   (3) After the lender provides the loan, he/she cannot retrieve the money any time he/she wants. Although there is debt transfer mechanism in place, the success of such transfer is not guaranteed. Therefore, the lender may face liquidity risk.
   (4) Such lending is not the same as deposit and recovery of the funds is not guaranteed. People should carefully assess potential losses or disputes that may occur in the future and be aware of the risks.
4. The FSC will continue to closely monitor the development of domestic peer to peer networking lending platforms and keep an eye on potential violation of any financial regulations by such businesses in their operation. If such a business violates the law in its operation, people may submit concrete evidence to report or make accusations of such activity to the FSC, the Fair Trade Commission, other regulatory authorities or judicial investigation authorities.

### *Amendments to the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms*

On April 28, 2016, the FSC introduced amendments to several articles of the said Regulations, in order to strengthen reinsurance arrangement and management mechanism. The amendments highlight the following points:

1. Considering current practices of reinsurance arrangement by the insurance company, the amendments specifically stipulates that when the insurance company cedes original insurance pool with facultative reinsurance arrangement, it shall not assume the ceded business with facultative reinsurance arrangement or any other reinsurance arrangements, in order to ensure appropriateness and reasonableness of premium rates for different layers of reinsurance ceded in proportional and non-proportional reinsurance arrangement (however, such restriction is not applicable for aviation insurance, nuclear insurance and captive reinsurance business). According to existing regulations, appointed actuaries shall provide explanation when the property insurance company does not meet the requirement. The amendments also provide the legal basis for punishment of violating the regulation.
2. According to existing regulations, major commercial fire insurance businesses or cargo insurance businesses with non-proportional facultative reinsurance arrangements shall follow two requirements. First, when a portion is ceded to a domestic insurer, the reinsurer shall assume at least 30 percent of the ceded business at the original coverage with a foreign reinsurance or insurance organization with a credit rating above a certain level from an international credit rating agency or with professional reinsurance enterprise engaging exclusively in reinsurance business in Taiwan with the quote price based on original scope of coverage. Second, ceded business that does not meet the aforementioned requirement is deemed unqualified reinsurance and related regulations shall apply. In order to address the issue of inadequate premium rates caused by fierce competition in the commercial fire insurance market, the FSC has not only maintained these requirements, but also provided the legal basis for punishment of violating such reinsurance regulations.

### *Definition of the "other requirements designated by the competent authority as part of the internal control system (of the insurance company)" in 12th subparagraph of first paragraph of Article 5 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises*

On March 31, 2016 the FSC made the interpretation for "other requirements designated by the competent authority as part of the internal control system (of the insurance company)" in 12th subparagraph of first paragraph of Article 5 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises. According to such interpretation, these requirements apply to the mechanism for preventing interest conflict among people involved in equity investment and mechanism for control and management of 4-step process for investment in securities issued both domestically and overseas. According to the interpretation, the insurance company shall prohibit the transaction of domestic equity products for oneself or others based on the information obtained though one's role with an intention to make gains. Moreover, when the insurance company invests in securities issued domestically or overseas, it shall make its decisions based on its analysis reports, keep records of its execution thereof and submit a review report on a monthly basis. Besides, its analysis reports and decision-making shall be on a reasonable basis and reference.

### *Order Regarding Sub-paragraph 2, Article 3 of Regulations Governing Foreign Exchange Business of Insurance Enterprises*

In line with the amendment of the Regulations Governing Foreign Exchange Business of Insurance Enterprises by the Central Bank of the Republic of China (Taiwan), on March 23, 2016, to meet practical requirements, the FSC issued an order regarding the scope of foreign currency denominated non-life insurance businesses which insurers can engage in.

### *Amendment that allow board of managing directors to act on behalf of the board of directors if domestic financial institutions and related organizations sign cooperation agreements with parties in Mainland China*

In order to help domestic companies take advantage of cooperation and business opportunities, on April 1, 2016, the FSC introduced an amendment of the regulation that required prior approval of the board of directors of a domestic financial institution or a related organization before signing a cooperation agreement with a person or organization in Mainland China. Now the board of managing directors may grant such approval during the recess of the board of directors. However, such financial institutions are still required to make an announcement for said action and report it to the board of directors for notification purpose.

### *Strengthening requirements for matters included in corporate bylaws of credit rating agency*

On April 12, 2016, referencing international norms and according to the third paragraph of Article 11 of Regulations Governing the Administration of Credit Rating Agencies the FSC introduced amendments to the Matters Required to be Included in the Corporate Bylaws of Credit Rating Agencies, in order to ensure integrity of the operation of the credit rating agency and enhance its internal management practices. The main points of the amendments (1) adding the requirement of rating process management and regular review of rating methods; (2) enhancing the internal management, control system, and employee remuneration policy of the credit rating agency; (3) increasing the independence of and preventing the conflict of interest in the credit rating agency.

## *International Activities*

### *Robert Kaproth of US Department of the Treasury visits the FSC*

Mr. Robert Kaproth, Deputy Assistant Secretary for Asia, United States Department of the Treasury, visited the FSC on March 24, 2016 and was received by Chairperson Wang. The two sides exchanged opinions on financial matters and the FSC called on the US to support Taiwan's entry into the TPP.

## *Industry Updates*

### *FSC approves application from E.Sun Commercial Bank to set up a branch in Tokyo*

On March 22, 2016, the FSC agreed to allow E.Sun Commercial Bank to set up a branch in Tokyo, Japan. The decision to establish the Tokyo branch is intended to extend the bank's financial services and business development gradually into northeast Asia after taking into account the financial environment and political and economic development trends in Japan, and Taiwan-Japan bilateral trade. Tokyo branch will expand the bank's financial services network.

### *FSC approved application by First Commercial Bank to apply to set up a branch in Manila, the Philippines*

On April 7, 2016, the FSC approved the application by First Commercial Bank to apply to establish a branch in Manila. This move will allow the bank to provide services to Taiwanese enterprises in the Philippines. The economic, political and financial situations in Philippines, the Taiwan-Philippines bilateral trade situation and the fact that the Philippines is a member of ASEAN and also a member of the Regional Comprehensive Economic Partnership (RCEP) were all taken into account when making the decision to establish this branch. The Manila branch will help the bank increase its presence in the Southeast Asian market.

### *FSC approved assigning of the offshore fund related business of FIL Securities (Taiwan) Ltd to FIL Securities Investment Trust Co.*

On April 22, 2016 the FSC approved an application from FIL Securities Investment Trust Co. to assign the offshore fund general agency and related business of FIL Securities (Taiwan) Ltd. Both companies are 100% owned subsidiaries of FIL Asia Holdings Pte. Limited, which is part of the Fidelity Group. To integrate resources, increase operating scale and improve operating performances and competiveness, adopting the business transfer method, FIL Securities Investment Trust Co will be assigned the offshore fund general agency and other related business, assets and employees of FIL Securities (Taiwan) Ltd. FIL Securities Investment Trust Co., will provide services with respect to the Fidelity Group's Taiwan offshore fund business.

### *FSC approved the application of Barclays Capital Securities Taiwan Limited to dissolve*

On April 18, 2016, the FSC approved the application of Barclays Capital Securities Taiwan Limited to dissolve and terminate operations. The FSC said that the reason for the decision to dissolve the company was the restructuring of the Barclays Group's global strategy and plan to reduce its Asian business while focusing mainly on business in Europe and the US. The date for termination of operations in Taiwan has been set as April 22, 2016.

Barclays Capital Securities Taiwan Limited is a securities firm that engages in securities brokerage, its brokerage business accounting for 0.43% of the market in 2015, 13th out of the 17 foreign-owned securities firms. In accordance with the regulations of termination clause in client contracts, the clients have been notified in writing and are being assisted with follow-up matters; employees will be dealt with in accordance with the Labor Law's regulations to protect the rights and interests of investors and employees.

### *FSC approved PChome InterPay Inc.'s application for a business license*

On March 24, 2016, the FSC approved PChome InterPay Inc.'s application for an electronic payment institution business license. Playing the role as neutral third party in commercial transactions, electronic payment institutions can perform a cash flow payment intermediary function, providing a mechanism that both parties to the transaction can

trust, maintaining transaction security and protecting the interests of consumers, meeting the public's need for safe and convenient payment services, and also assisting domestic payment service innovation and joint creation of Internet business opportunities.

### FSC approved ezPay's application for a specialized electronic payment institution operating permit

On March 30, 2016, the FSC approved ezPay's application for a specialized electronic payment institution operating permit. ezPay is the fifth specialized electronic payment institution approved by the FSC.
The FSC said that in accordance with the provisions of Paragraph 1, Article 10 of the Act Governing Electronic Payment Institutions, the operator of a specialized electronic payment institution must submit relevant documents to the competent authority to apply for a permit. In accordance with the provisions of the said Act, ezPay submitted relevant documents to apply to engage in specialized electronic payment business. After hearing the opinions of the Central Bank, the application was passed by the FSC. The business that ezPay will be able to engage in in the future will include receiving and paying actual transaction payments as an agent, receiving stored value payments and transfer of funds between electronic payment accounts.

### NPL ratio for domestic banks at 0.26% as of the end of March 2016

The total outstanding loans of domestic banks stood at NT$25,423.3 billion as of the end of March 2016, down by NT$4.7 billion from the previous month, while their total NPLs were NT$65.7 billion, up by NT$0.4 billion from the previous month's figure of NT$65.3 billion, generating an average NPL ratio of 0.26%, the same as the figure of the end of February 2016. Each and all 39 Taiwan's domestic banks had an NPL ratio under 1.0%. Also, their NPL coverage ratio stood at 510.55% at the end of March 2016, down by 0.24 percentage points from the figure of 510.79% at the end of the previous month.

### NPL ratio for credit cooperatives at 0.08% as of the end of March 2016

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT$349 million as of the end of March 2016, generating an NPL ratio of 0.08%, down by 0.01 percentage points from the figure for the end of February 2016. The NPL coverage ratio, in the meantime, was 2,202.06%, up by 240.01 percentage points from 1,962.05% at the end of February.

### Net foreign investments in listed shares

As of the end of March 2016, foreign and mainland Chinese investors had bought around NT$ 1,482.5 billion and sold around NT$ 1,331.4 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative net inward investment of around NT$151.1 billion. Meanwhile, for the Taipei Exchange (Gre Tai Securities Market), foreign and mainland Chinese investors bought around NT$146.2 billion and sold around NT$135.3 billion, making for a net inward investment of around NT$10.9 billion. The figure for cumulative net inward remittances by offshore foreign institutional investors, mainland China investors, offshore overseas Chinese, and offshore foreign nationals as of the end of March 2016 stood at approximately US$ 200.3 billion, up by US$6.1 billion from the US$194.2 billion as of the end of February 2016.

## Investor and Consumer Protection

### FSC reminds people that purchasing Residential Earthquake Insurance can protect their home and property

When a strong earthquake struck Meinong District in Kaohsiung City on February 6, 2016 a number of buildings collapsed in south Taiwan, leaving many people without a home. Figures show that at present, just 32.27% households are covered by Residential Earthquake Fundamental Insurance, leaving more than 70% without one and so exposed to the risk. The FSC reminds people that risk can be transferred by taking out Residential Earthquake Insurance.

### FSC actively promotes agricultural insurance

To ensure the economic security of farmers, as well as requesting insurance companies to quickly assist farmers file claims for crops damaged recently by cold, the FSC is, moreover, together with the Council of Agriculture, Executive Yuan, actively promoting agricultural insurance, the aim being, through a commercial insurance mechanism, to help farmers establish the concept of agricultural risk management.

### Public liability insurance and long-term care insurance micro-film competition awards ceremony successfully held

The awards ceremony of the micro-film competition with the theme of public liability insurance and long-term care insurance organized by the Insurance Development Fund Management Committee under the supervision of the FSC was held on March 28, 2016. FSC Chairperson Wang Li-ling gave a speech at the ceremony and presented the awards. In her speech, she said that, in response to Taiwan's ageing society and low fertility rates, the people of Taiwan should plan early for their post-retirement economic security and ageing medical and care services early. Also, in light of increasing accidents in business premises or incidents at large scale events in recent years, all kinds of business premises, public and private enterprises as well as organizers of all kinds of activities should purchase public liability insurance required by law. Therefore, the FSC tasked the Fund Managing Committee to hold this insurance themed micro-film competition.

### 2016 School and Community Financial Literacy Campaign

In April, 2016, the FSC held 73 financial literacy promotion sessions at schools and groups around Taiwan (including at Checheng Elementary School in Pingtung County) as part of its 2016 School and Community Financial Literacy Campaign. A total of 7,983 participants attended the events. These activities are free of charge and have been very well received since their inception. As of the end of 2015, 4,312 sessions have been held, attended by over 780,000 people. Target participants include elementary school, junior high school, high school (including vocational high school) and university students, community and women's groups, indigenous people, immigrants, and military service personnel.
The FSC's Banking Bureau will continue its financial literacy campaign in 2016. Schools or community groups interested in the campaign are invited to register on the website of the Bureau; for more information please call Mr. Jian on (02)89689709.

## Major Enforcement Actions

### Taiwan Fire & Marine Insurance Co. Ltd. was fined NT$4.8 million and given three reprimands

During inspection of Taiwan Fire & Marine Insurance's business the FSC found various breaches of regulations. For example the company was failed to approve premium when underwriting commercial fire insurance, miscalculation of premium when handling residential fire and earthquake fundamental insurance underwriting, paying commission that exceeded the loading, and when handling vehicle insurance claim, for business considerations, agreeing to unreasonable payout, etc. For these breaches of the Insurance Act the company was fined NT$4.8 million, given three reprimands and ordered to halt commercial insurance tendering for one month from April 15, 2016.

### Taiwan Fire & Marine Insurance Co. Ltd. was fined NT$1.2 million and ordered to stop selling the insurance products involved in the case

It was found that, when underwriting commercial fire insurance, the company was in breach of the Insurance Act by failing to draft a calculation explanation and failing to report the product content in details to the evaluation group meeting and insurance product management group meeting Taiwan Fire & Marine Insurance was thus fined NT$1.2 million and ordered to stop selling the insurance product involved in the case.

### Taiwan Business Bank was fined NT$4 million and ordered to discharge the offending staff member

A bank employee illegally and fraudulently obtained a loan and misappropriated customer funds; the bank failed to confirm the customer's identity when approving a large currency transaction, had an incomplete internal control system and failed to effectively implement the system and internal self-inspection. These violations were in breach of Paragraph 1, Article 7 of the Money Laundering Control Act and Paragraph 1, Article 45-1 of the Banking Act. Therefore, the bank was fined NT$4 million and ordered to discharge the offending staff member.

### Chaoyang Life Insurance Co. was fined NT$3.6 million and given three reprimands

During a special inspection of Chaoyang Life's business capital utilization by the FSC, shortcomings including failing to follow the set investment rules and risk management assessment and control when engaging in domestic stock and government bond transactions, failing to report again to the board of directors when construction costs increased substantially for a real estate development case, failing to uphold the principle of internal check with regards receipt and custody of fund reconciliation statements and custody contracts, failing to have a complete stock investment transaction risk control mechanism and, when handling real estate secured loan business, failing to take into account the borrower's actual operating results and repayment ability. A fine of NT$3.6 million was thus imposed and the company given three reprimands.

### Cathay Century Insurance Co. was fined NT$1.2 million and ordered to stop selling the insurance product involved in the case

It was found that, when underwriting commercial fire insurance, the company was in breach of the Insurance Act by failing to draft a calculation explanation and failing to report the product content in detail to the evaluation group meeting and insurance product management group meeting. Cathay Century was thus fined NT$1.2 million and ordered to stop selling the insurance product involved in the case.