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- Adjusting insurers’ RBC risk factors in common stock
- Reducing personal accident insurance premium or raising insured amount to reduce the burden of the public
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Policy and Law

FSC holds a meeting to discuss financing incentives for five main innovative industries under the “Financial Sector Supporting the Real Economy-Four Supports with Three Powers Project”

Integrating financial resources, the FSC has put forward the “Financial Sector Supporting the Real Economy-Four Supports with Three Powers Project” to achieve the objective of promoting the development of the real economy. This project got the Executive Yuan’s approval on 1 September, 2016. The “Four Supports with Three Powers Project” is a project to support commerce and industry, start-ups, innovation, and employment by supplying fund, financial advice and practice field. Due to the fact that the project depends on inter-agency cooperation, and in order to collect a wide range of ideas, the FSC invited related agencies including the Ministry of Defense, Ministry of Economic Affairs, Ministry of Health and Welfare, Ministry of Science and Technology, National Development Council, Board of Science and Technology, Executive Yuan and Ministry of Finance, and The Bankers Association of the ROC and the SME Credit Guarantee Fund of Taiwan and other institutions to a meeting held on August 11, 2016 to discuss the project. At the meeting, the FSC reported the handling situation with regards to the Entrepreneurship Fund and Angel Fund. The main points are outlined below:

1. Entrepreneurship Fund

The Entrepreneurship Fund will be jointly funded by securities and futures related institutions and industry associations and will assist domestic startups in later stage and enhance links to the capital markets. Also, due to the fact that the National Development Fund has abundant experience of direct investment and venture capital and listed companies have complete technical talent and management resources, the FSC will thus promote the Fund in unison with the National Development Council, the Ministry of Economic Affairs and related resources to build an entrepreneurship ecosystem that can develop sustainably and promote the transformation and development of the real economy.

2. Angel Fund

To integrate power to jointly assist funding to domestic startups in seed stage, in the initial fund raising period banks and insurance related institutions will jointly donate the Angel Fund to help entrepreneurs realize their ideals and enhance the relationship based on mutual benefit and co-prosperity of the financial industry and other industries. In addition to providing capital, the Angel Fund will also attach importance to providing suggestions and sharing experience and will tap the expertise of the MOEA and MOST to jointly work for the development of entrepreneurship in Taiwan.

Also, to effectively guide capital into the main innovative industries, including green technology, Asian Silicon Valley, bio-pharmaceuticals, national defense industry, and smart machinery, innovative



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agriculture and recycled economy to promote the development of the real economy, the FSC encourages banks, with risk management in place, to provide loans to the main innovative industries and consulting with Banks Association has therefore drafted the "Program to Encourage Lending by Domestic Banks to Main Innovative Industries". During the meeting, opinions were exchanged on division of work with respect to this program. The maximum guarantee coverage for innovative industries has been increased from 80% to 90% to increase the line of credit for such businesses.

Adjusting insurers' RBC risk factors in common stock

In order to reasonably reflect investment risk of insurance companies, the FSC has announced adjustments for the calculation of risk based capital ratio on August 2, 2016. The calculation of RBC related to investment in domestic and foreign stocks (including exchange traded funds) has been adjusted to apply the weighted stock return index as benchmark of assessment.

Reducing personal accident insurance premium or raising insured amount to reduce the burden of the public

Due to the fact that, in recent years, the actual accidental death rate of personal accident insurance underwritten by non-life and life insurers has been stable, the FSC promulgated on July 19 2016 that effective from January 1, 2017, the incidence rate of personal accident insurance (not including travel insurance) is between 24.543‰ and 65.448‰, to serve as a reasonable range for insurers to set pure premium rates.

After this measure is implemented, it is expected that the premium of personal accident insurance will be reduced by a reasonable amount or that the insured amount will be raised, reducing the burden on the insured.

Meetings with financial and technology industries will be held for Fintech development

The development of financial technology will exert a strong influence on the future of the financial industry. Supported by the FSC, the domestic financial industry has eagerly involved in Fintech, and significant progress has been made so far. Recently, many suggestions regarding to the application of technology in the financial industry have been provided. It is necessary to promote mutual learning and understanding between the financial and technology industry and let the public know the present progress in Fintech, as well as soliciting and collecting opinions. The FSC expects that associations of financial industry and financial related institutions will hold meetings with financial institutions and technology business operators in the near future.

There are many suggestions regarding the development of Fintech; however, the unique features of the financial industry should be taken into consideration. It absorbs and collects capital from the public and takes the responsibility to manage and invest the capital. It also bears the ultimate risk in the economic system. The quality of operation of financial institutions affects the depositors, investors, and policy holders and, moreover, also affects the efficiency and development of the whole economy. Therefore, while applying Fintech to enhance the convenience and efficiency of financial services, it is also necessary to consider fairness, security and consumer protection.

The FSC stated that the purpose of the meetings is to collect the opinions of the financial industry, technology industry and the community, as well as to explain the state of progress and involvement of the financial industry with respect to Fintech. Through interaction and exchange to achieve more complete progress, it is hoped that associations of the financial industry and financial related institutions will hold meetings of Fintech under the principles of openness and transparency in the near future.

European Commission approves adequacy of Taiwan's audit information exchange confidentiality regulations

After approving Taiwan's CPA supervisory system as equivalent to EU supervisory regulations in June 2013, in order to bring about closer audit supervisory cooperation the EU formally decided that the FSC's audit supervision information confidentially regulatory framework and execution meet the requirements of related EU directives and are adequate on June 21, 2016, after further examining the confidential information handling capability of various countries.

Since the EU recognized that Taiwan's overall CPA management system meets EU standards, the completeness of information confidentiality

regulations has now been recognized, and all the requirements for audit supervisory cooperation between Taiwan and the EU have been met. On this basis, related supervisory cooperation can be carried out with EU countries, and it will help unify quality of CPA firms worldwide. Besides, Taiwan' CPAs can assist their clients go overseas to raise funds not having to register with and be supervised by EU countries.

Results of 2016 domestic bank stress tests

To obtain an understanding of the risk bearing capability and effect on capital adequacy of domestic banks when changes in the global economic situation and financial environment occur, the FSC required 37 banks to carry out an overall position stress test. The scenarios set this time included macroeconomic scenario (declining domestic and international economic growth rate, increased domestic unemployment, and falling house prices), shrinkage of the gap between deposit and loan interest rates, and increased market risk.

The results of the overall stress test of 37 domestic banks showed that in a mild scenario, average common stock equity ratio, Tier 1 capital ratio, capital adequacy ratio, and leverage ratio were 9.55%, 9.83%, 11.68%, and 5.63% respectively; in a relatively serious scenario, they were 8.50%, 8.78%, 10.58%, and 5.03%, all higher than the minimum capital requirement for 2016 (5.125%, 6.625%, 8.625%, and 3%), showing that the aforementioned scenarios were within the scope that banks can cope with. Furthermore, the FSC has required banks to increase allowance for bad debts and capital adequacy in recent years so that domestic banks now possess a certain level of risk bearing capability.

Amendments of Some Articles of the "Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions" and "Rules Governing the Administration of Electronic Payment Business"

In order to enhance the flexibility of "payment via agreed linked deposit account" mechanism and optimize user experience of mobile payment, the FSC amended the foresaid Regulations and Rules on August 17, 2016. These amendments include the following main points:

1. Enhancing flexibility of the "payment via agreed linked deposit account" mechanism by adding a new linking arrangement: by introducing the "indirect linking arrangement", an electronic payment institution may link up (the system of) a financial information service enterprises or clearinghouse through a dedicated deposit account bank to indirectly give fund transfer instruction to the financial institutions in which the account is opened. Such an arrangement can increase the flexibility of the mechanism.
2. Optimizing user experience of mobile payment:
 - (1)Simplifying security design of fixed passwords: the requirement of combining alphanumeric characters is relaxed (from mandatory basis to recommendatory basis). According to the amendment, the changed password may be the same as the password set last time (originally it was forbidden for the changed password to be the same as the passwords set last two times).
 - (2)Diversifying security design types for transactions: new security designs such as pattern locks or gestures are introduced. The user is allowed to make transactions using the device as agreed between the user and electronic payment institution. When the user uses his/her fixed password, gesture, pattern lock, or biological feature as his/her identity verification to log into the electronic payment platform, he/she does not have to enter fixed passwords or text messaging verification codes for the transaction.
 - (3)Extending the timeout before disconnection and relaxing the requirement for re-confirming payment instruction: when the user makes transactions with the device as agreed between the user and electronic payment institution, the allowed timeout that the user does not take any action before disconnection is extended from 10 minutes to 30 minutes. Moreover, the requirement for re-confirming payment instruction does not apply to "Online to Offline" ("O2O").

An Order about the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations given by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) endorsed by the FSC in paragraph 2 of Article 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers

To adopt the latest version of each IFRS standard endorsed by the FSC in 2017, the FSC issued an order on July 18, 2016 to explain paragraph 2 of Article 3 of Regulations Governing the Preparation of Financial Reports by Securities Issuers. According to the order, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC) endorsed by the FSC refer to the version of IFRSs for ROC that take effect in 2017 and published in the "IFRSs Download" section on the website of the Securities and Futures Bureau. Public companies that have issued overseas depository receipts or have submitted such applications to the FSC may adopt all standards issued by International Accounting Standards Board.

Amendments of Article 14 of Regulations Governing Securities Firms and Article 18 of Regulations Governing Futures Commission Merchants

In order to meet business needs of securities firms and futures commission merchants (FCMs), the FSC introduced amendments of Article 14 of Regulations Governing Securities Firms and Article 18 of Regulations Governing Futures Commission Merchants on August 2, 2016, allowing the FSC to add additional requirements on the proportion and purpose of special reserve set aside by securities firms and FCMs. According to the aforementioned amendments and Article 11 of Regulations Governing Securities Investment Trust Enterprises, the FSC issued an order on August 5, 2016, which requires securities firms, securities investment trust enterprises, and FCMs to set aside special reserve from their retain earnings in advance to adapt to financial technology development and protect impacted employees.

Amendment of Regulations Governing Offshore Securities Branches by Adding Article 9-1

The FSC amended the Regulations by adding Article 9-1 and introduced the amendment along with the Central Bank on August 3, 2016 for the sound operation of the OSU business and better protection on customers' interests and assets under account custody service. According to the interpretative ruling issued by the FSC for the amendment, when an OSU conducts foreign currency derivatives business, trading across foreign currencies on behalf of its customers, and spot foreign exchange transaction between foreign currencies, the OSU may receive and pay such funds through the dedicated foreign exchange deposit account it opens for their clients under account custody service.

Amendment of the regulations governing the dispatch of personnel by securities firms and FCMs to the shareholders' meeting of companies they have a stake in

To encourage securities firms and futures commission merchants (FCMs) to take active roles in corporate governance, implement stockholder activism, and enhance stewardship toward invested companies, on July 22, 2016 the FSC introduced an amendment requiring that securities firms and FCMs either have representatives in the shareholders' meeting or cast their votes in writing or electronically when exercising voting rights with regards their invested companies when they choose to use the electronic voting system. As for companies whose shareholders meetings do not use the electronic voting system and in which the securities firms or FCMs hold less than 300,000 shares, having representatives in the shareholders' meetings will be optional.

2016 University Student Financial Industry Employment Public Benefit Program

The FSC encourages peripheral securities and futures institutions to conduct joint public benefit activities. One such activity, the University Student Financial Industry Employment Public Benefit Program planned by the Taiwan Depository and Clearing Corporation, is set to start again in September 2016, with the aim of giving students who need assistance a chance to complete professional financial training so that they can improve the family economic situation after graduation and thus giving them a chance to "flip" their life.

The formulation of this plan was led by Taiwan Depository and Clearing Corporation. It is sponsored by TWSE, TAIEX, Joint Credit Information Center, Financial Information Service Co, TPEX, TWCA, and Taiwan Ratings and will be implemented by the Securities and Futures Institute. Under this program, 10 core universities will offer 216 hours of financial training covering basic financial education,

professional licenses, and financial practice to the juniors who need assistance, and the program is open to them from any department. The participating students will be assisted to obtain professional financial license and, after graduation, will be recommended to financial institutions for employment. Taking into account that these students may be important sources of family income, to avoid students participating in the program from missing classes when they work to make a living, an allowance of NT\$120 per hour will be provided. The students are expected to use the time that they would otherwise have to spend working to enrich their financial knowledge instead, so that they can find employment with a financial institution after graduation and gradually improve family finances.

The FSC is grateful to Taiwan Depository, Clearing Corporation and all sponsors for their compassion and fulfilling of corporate social responsibility. Those students who have undergone strict financial training of one year will be able to contribute to their employers when joining a financial institution, saving a substantial amount of time and money on training new employees for financial institutions.

Amendments of Some Articles of Regulations Governing Public Disclosure of Information by Life Insurance Enterprises and Non-life Insurance Enterprises

In order to help the public better access to financial information of insurance companies and other important information, the FSC introduced amendments of some articles of the Regulations to align with paragraph 5 of Article 163 of the Insurance Act that allows banks to operate insurance agent business concurrently, the regulatory documentation requirements for insurance products, paragraph 4 of Article 12 of the Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises that requires disclosure of writing off non-performing loans and non-accrual loans, and paragraph 5 of Article 4 of Regulations Governing Appointed Actuaries and External Reviewing Actuaries of Insurance Companies that requires submission of an explanation regarding the conditions of dismissing or terminating the contract with appointed actuaries.

International Activities

American Chamber of Commerce in Taipei pays a visit to the FSC

AmCham president Andrea Wu led the chairpersons of its asset management, banking, capital markets, and insurance committees to pay a visit to the FSC on August 16, 2016. They were received by the FSC chairman Ding, and both sides exchanged opinions and views on financial industry related issues.

Industry Updates

Receivership of Global Life and Singfor Life ends at 00:00 on August 12, 2016, with termination of business and liquidation ordered from the same time

After the FSC's takeover of Global Life Insurance Co. Ltd. (Global Life) and Singfor Life Insurance Co. Ltd. (Singfor Life) by law, the main businesses, assets, and liabilities of the two companies were transferred to Cathay Life Insurance on July 1, 2015. Apart from some unsettled matters, there are now no insurance business, contracts, or matters related to employees that need to deal with. Therefore, in accordance with Paragraph 1, Article 149-3 of the Insurance Act and Paragraph 2 of Article 6 of Regulations Governing the Conservatorship and Receivership of Insurance Enterprises, the FSC has approved the receivership termination assessment report presented by the receiver the Taiwan Insurance Guaranty Fund. The receivership will be terminated at 00:00 on August 12, 2016 and, in accordance with Sub-paragraph 2, Paragraph 3 of Article 149 of the Insurance Act, from the same time as termination of receivership, the liquidation of the two companies is ordered. In accordance with Paragraph 5 of Article 149 and Paragraph 1 of Article 149-8 of the Insurance Act, the Fund shall be the liquidator and will implement follow-up liquidation matters according to the law. During the period of liquidation, the authority of original shareholders, directors, supervisors, and audit committee or other similar bodies will be ceased and will be exercised by the liquidator.

FSC approves application from The Akita Bank, Ltd to set up a representative office in Taiwan

On August 2, 2016, the FSC approved an application from The Akita Bank, Ltd, a Japanese bank, to establish a representative office in Taiwan. The FSC stated that trade, investment, and financial interaction between Taiwan and Japan are close and that five Taiwanese banks have established one subsidiary bank and six branches in Japan. The representative office of The Akita Bank, Ltd will collect information on business conditions and current status of financial markets in Taiwan to support the strategy of its headquarter to develop its business in Taiwan, and will also promote communications between local governments in Japan and in Taiwan.

Application from Neuberger Berman Asia Holdings II LLC to establish Neuberger Berman Securities Investment Trust Co. Ltd approved

On August 9, 2016, the FSC approved an application from Neuberger Berman Asia Holdings II LLC (NBAH) to set up Neuberger Berman Securities Investment Trust Co. Ltd to engage in securities investment trust business. NBAH is a holding company registered in the U.S. It has substantial international management and fund management experience through its wholly-owned subsidiaries Neuberger Berman Asia Limited and Neuberger Berman Singapore Pte. Limited. The paid in capital of Neuberger Berman Securities Investment Trust Co. Ltd will be NT\$300 million.

Mobile securities deposit statement to be introduced in 1stQ of 2017

With online placing of securities transaction orders now widespread and smart phones increasingly common, the FSC continues to spur the development of a digital operating environment by the financial industry. Further to this, the FSC recently agreed to the mobile securities deposit statement plan formulated by Taiwan Depository and Clearing Corporation. The mobile securities deposit statement will be introduced in the first quarter of 2017.

A single mobile securities deposit statement will be able to manage multiple deposit statement, allowing account changes to be instantly grasped; the mobile securities deposit statement will also provide convenient expanded digital services such as filtering and sorting of data, and listed company shareholders' meeting or stock dividend information. Over the long-term, mobile securities deposit statement will reduce securities company operating costs by reducing the need for counter staff to update passbooks manually and purchase and maintenance of passbook entry machines.

NPL ratio for domestic banks at 0.29% as of the end of July 2016

The total outstanding loans of domestic banks stood at NT\$25,443.9 billion as of the end of July 2016, up by NT\$14 billion from the previous month, while their total NPLs were NT\$72.6 billion, up by NT\$3.6 billion from the previous month's figure of NT\$69 billion, generating an average NPL ratio of 0.29%, up by 0.02percentage points from 0.27% at the end of the previous month. Each and all 39 Taiwan's domestic banks had an NPL ratio under 2.0%. Also, their NPL coverage ratio stood at 468.12% at the end of July 2016, down by 18.34 percentage points from the figure of 486.46% at the end of the previous month.

NPL ratio for credit cooperatives at 0.10% as of the end of July 2016

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$453 million as of the end of July 2016, generating an NPL ratio of 0.10%, the same as the figure for the end of June 2016. The NPL coverage ratio, in the meantime, was 1,744.40%, down by 129.97 percentage points from 1,874.37%, at the end of June.

Net foreign investments in listed shares

As of the end of July 2016, foreign and mainland Chinese investors had bought around NT\$ 3,616.9 billion and sold around NT\$3,274.1 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative net inward investment of around NT\$342.8 billion. Meanwhile, for the Taipei Exchange (GreTai Securities Market), foreign and mainland Chinese investors bought around NT\$356 billion and sold around NT\$ 323.8 billion, making for a net inward investment of around NT\$32.2 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 July 2016 stood at approximately US\$ 206 billion, up by around US\$2.7 billion from the US\$ 203.3 billion as of the end of June 2016.

Investor and Consumer Protection

FSC reminds consumers to add a parts theft additional clause when buying automobile theft insurance to suitably transfer risks

The FSC reminds consumers that the scope of coverage of automobile theft insurance is damage to or loss of the insured automobile due to theft or robbery during the term of the insurance contract; however, if the whole car isn't stolen and just part/parts are, they are not covered by vehicle theft insurance. A parts theft additional clause needs to be added to the automobile theft insurance policy to entitle protection against parts theft.

2016 The Solicitation and Policy Underwriting Seminar of Insurance Companies held

The Solicitation and Policy Underwriting Seminar of Insurance Companies held by the FSC's Insurance Bureau came to a successful close on July 27, 2016. The 114 attendees included managers and personnel from life and non-life insurance companies, the Financial Ombudsman Institution and personnel from the FSC. During the Seminar Insurance Bureau staff carried out advocacy with respect to the new solicitation and underwriting regulations introduced by the FSC and reminded business operators of points for attention in terms of practice and regulations. Four life insurance companies were invited to share their experience of banking channel, salesperson channel, telemarketing channel and security operations, with the aim to provide attending insurance business operators with important reference information that will help insurance companies operate soundly so as to reduce consumer disputes and protect the rights and interests of consumers.

Analysis of gender statistics for customized asset trusts in 2015

At the end of 2015, the number of asset trusts undertaken by trust enterprises for trustors or beneficiaries 65 years old or more was 588 and 649 respectively, up by 61 and 81 from the end of 2014. Among these trustors or beneficiaries, 293 (50%) and 292 (45%) were male; 295 (50%) and 357 (55%) were female.

At the end 2015, the number of asset trusts undertaken by trust enterprises for trustors or beneficiaries under 65 years old was 5,135 and 9,126, up by 314 and 431 from the end of 2014. Among these trustors or beneficiaries, 2,465 (48%) and 4,522 (50%) were male; 2,670 (52%) and 4,604 (50%) were female.

2016 School and Community Financial Literacy Campaign

In August 2016, the FSC held a financial literacy promotion session at Huaxing High School in Chiayi City as part of its 2016 School and Community Financial Literacy Campaign. A total of 200 participants attended the event. These sessions 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 and attended by over 780,000 people. Target participants include elementary, middle, and high school (including vocational high school) students, 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 Banking Bureau; for more information, please call Mr. Jian on(02)89689709.

Major Enforcement Actions

Taiwan Life fined NT\$4.8 million, given five reprimands and ordered to suspend telephone marketing for two months

During regular examination of Chinatrust Life Insurance Company Limited's business, violations of related regulations were found by the FSC. As Chinatrust Life merged with Taiwan Life Insurance Co. Ltd on January 1, 2016, the latter was fined NT\$4.8 million, issued with five reprimands, and ordered to suspend telephone marketing for two months in accordance with the Insurance Act.