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## Financial Outlook Monthly

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《Chinese version please refer to page 1》

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- FSC and Fintech businesses once again discuss the draft Financial Technology Innovative Experiment Act
- FSC encourages insurance industry to offer micro-whole-life Insurance
- Taiwan Insurance Guaranty Fund successfully sells Chaoyang Life Insurance Co., Ltd., through public tender
- FSC reminds Exchange-listed and OTC-listed companies to respond to new audit report requirements in a timely way
- Amendment of the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Sector" and the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Insurance Sector"

### Policy and Law

#### *FSC and Fintech businesses once again discuss the draft Financial Technology Innovative Experiment Act*

In order to promote the financial technology (Fintech) innovative experiment mechanism, on January 24, 2017, FSC Chairman Lee Ruey-Tsang chaired the draft Financial Technology Innovative Experiment Act seminar, to which Fintech company representatives were invited. A previous meeting was held on January 13, to consult with Fintech companies, financial industry associations and the financial services industry. Fintech operators provided a number of suggestions at the previous meeting, therefore the seminar was held for explaining how the draft had been adjusted according to the suggestions.

During the meeting, FSC explained that if an experiment does not involve a business that requires a license, there is no need to apply to carry out the experiment. The draft act is a channel for experimentation but not a trial prior to conducting business; when the experiment finished, FSC will review and adjust related regulations or measures according to the experiment's innovativeness and feasibility, on the maintenance of market stability and protection of consumers' interests. FSC has always made every effort to promote financial development policies, and will continue to review regulations in a timely way, as well as plan a suitable supervisory system with the precondition of protection of the rights and interests of consumers. With regards the gap between the end of an experiment and before regulations are amended that business operators are concerned about, FSC stated that it will strive to shorten the gap.

The following adjustment are made to the draft experiment act by FSC after collecting the suggestions of the attendants for promoting innovation as well as consumer protection:

1. Add contents about applicant attendance at the review meeting on a non-voting basis, and confidentiality and conflict of interest avoidance requirements for review meeting members.
2. Extend experiment time period: The initial time period is limited to six months, however, a single six-month extension can be applied for when necessary.
3. Increase post-experiment assistance and incentives for experiment: Referral to a related unit that will provide business startup assistance; in accordance with the handling situation, financial regulations should be reviewed and the undertakers will be given an adjustment period after they are licensed.

FSC stated that Taiwan is the first country making a special law for the promotion of Fintech innovative experiments, which will provide a larger, safer and more predictable experimentation environment for Fintech innovation. Current financial regulations will be reviewed and deregulated in line with the results of innovative experiments.

#### *FSC encourages insurance industry to offer micro-whole-life Insurance*

To address issues of aged society, FSC has laid down the Directions for Micro-whole-life Insurance and developed supervisory incentives to encourage the insurance industry to offer such products to satisfy the need of senior citizens for basic insurance coverage. Micro-whole-life Insurance provides a whole life insurance policy with NT\$300,000 benefit amount and with an accident insurance rider with NT\$20,000 benefit amount. Such products are not allowed to have the features of increasing insured amounts or multiplying the benefit payment and the policy can only cover single insured incident. Moreover, the expenses loading of such products shall not exceed 10%. Insurance companies should make adjustments to the underwriting rules for such products in order to attract seniors to buy them. In order to prevent moral hazard, the in-force contract of each insured is limited to covering one product portfolio of micro-whole-life Insurance. If the insured dies or has total disability within three policy years after the purchase of the insurance, the payment for death benefit or disability benefit shall be 1.025 of total premium paid.

In addition, FSC is developing supervisory incentives for insurance companies meeting certain criteria for Micro-whole-life Insurance for the insured over 55 years old, in order to encourage them to develop and design such products. FSC will also publicly recognize insurance companies with good performance in this regard in the

future in big promotional event to encourage them make a contribution to public welfare and supplementing the social security net.

### **Taiwan Insurance Guaranty Fund successfully sells Chaoyang Life Insurance Co., Ltd., through public tender**

Entrusted by FSC, Taiwan Insurance Guaranty Fund held the second public auction for general assignment of assets, liabilities and operation of Chaoyang Life Insurance Co., Ltd. On January 16, 2017 ("Chaoyang Life") and Nan Shan Life Insurance Co., Ltd made the winning bid with an offer of NT\$ 200 million, which was advanced by Taiwan Insurance Guaranty Fund. The advance expenditure was provided according to Article 143-1 of the Insurance Act, which allows the guaranty fund created by contributions from insurance companies to cover such expenditure according to the principle of "using (funds) contributed by financial industry to address (issues of) the financial industry." Since the amendments of the Insurance Act entered into force as of January 1, 2016, which allows the FSC to order an insurance company (with financial problems) to take prompt corrective action, Chaoyang Life is the first insurance company with financial problems of specific scale that FSC has taken timely action to address and then found a buyer through public tender. Now, no local insurance company has negative net worth and the domestic financial market has reached another milestone in terms of market stability. FSC will help insurance industry continue to develop soundly.

### **FSC reminds Exchange-listed and OTC-listed companies to respond to new audit report requirements in a timely way**

In order to require CPAs to provide more relevant information in their audit reports on business financial reports to readers and increase transparency of audit reports, IAASB introduced amendments of International Standards on Auditing regarding audit reports of CPAs (ISA 700) and related statements of Auditing Standards, which took effect on December 15, 2016. The Accounting Research and Development Foundation has released related statements based on ISA 700 and issued the statement for Auditing Standard No 57: audit reports on business financial statements and related statements since September, 2015.

The adoption timeline for public companies is as follows:

- (1) First Stage: Exchange-listed and OTC-listed companies shall start adopting the standard for preparation of their 2016 financial reports.
- (2) Second Stage: enterprises listed on the Emerging Stock Board and public companies not listed on the Taiwan Stock Exchange or OTC shall start adopting the standard for preparation of their 2017 financial reports. In addition, public companies not listed on the Taiwan Stock Exchange or the OTC may not disclose "Key Audit Matters" in the audit reports.

There are several main differences between the original audit report and the new version. First, audit opinions of the CPA shall be clearly expressed in the first paragraph of the report. Second, the audit report shall describe important audit matters discovered by the CPA during the audit process and auditing procedures adopted for these matters (i.e. key audit matters,) and explain the responsibilities of the CPA, the company's management and corporate governance unit. Third, the corporate governance unit of the company is also required to improve communication with the CPA.

Taiwan Stock Exchange, Taipei Exchange and National Federation of Certified Public Accountant Associations have held educational events for CPAs and company related staff. The FSC has asked Exchange-listed and OTC-listed companies to communicate with their CPAs over audit matters according to related statements (of Auditing Standards) for filing and public announcement of 2016 financial reports by the deadline. Information related to the new audit report is available for downloading at "CPA Activities" under the section of "Special Subject" on the website of Securities and Futures Bureau, the Financial Supervisory Commission.

### **Amendment of the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Sector" and the "Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Insurance Sector"**

In order to strengthen national mechanism of anti-money laundering and countering terrorism financing (AML/CFT), the FSC amended the two Directions on January 26 and February 2, 2017 respectively. The amendments are based on the FSC's review of 40 suggestions made by the Financial Action Task Force (FATF) dedicated to anti-money laundering, the amendments of the Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector issued by the FSC on December 2, 2016, the characteristics of these sectors and related foreign legislation.

The amendments of the Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Securities and Futures Sector have the following main points: (1) enhancing internal control system of securities and futures industry to foster a business culture emphasizing AML/CFT; (2) enhancing securities firms' management of their foreign branches (or subsidiaries); (3) improving customer ID verification measure; (4) implementing customer ID verification measure by using a risk-based method; (5) enhancing regulations about continuous monitoring of account and transaction activities to increase the ability of the securities and futures sector to detect suspicious transactions; (6) imposing additional measures to address specific risks, such as sanction list, PEPs, new products, new services, and new business activities, in order to reduce risk.

The main amendments of the Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Insurance Sector include the following aspects: (1) professional reinsurance companies and banks concurrently operating

insurance agent business or insurance brokerage business are included in the regulate entities defined in the Directions; (2) improving customer identity verification measures; (3) setting specific requirement that implements risk-based approach to customer identity verification measures; (4) requiring taking additional measures to address specific risks, such as persons and entities on sanction list, PEPs, new products, new services, and new business activities; (5) enhancing continuous monitor of transactions; (6) implementing AML/CFT with three lines of defense of internal control; (7) enhancing insurance companies' management of their foreign branches.

### **FSC issued an order regarding the checking list of financial reports and the index of the financial reports**

In response to the IFRS as endorsed in 2017 and the post-implementation review of IFRSs, FSC published the amendment of the Regulations Governing the Preparation of Financial Reports by Securities Issuers on 19 December 2016. To coordinate with amendment of the Regulations and with the application of Auditing Standard No. 57 "Forming an Opinion and Reporting in Financial Statements" for public companies in a two-phased process, on 26 January 2017 FSC published an order regarding the checking list of the annual and quarterly financial reports, which is applicable to the filing of annual financial reports from 2016.

### **FSC loosened issuer criteria for issuing Level 1 ADR**

In order to increase the visibility of domestic enterprises in the overseas market and increase investment vehicles for foreign investors, FSC accepted the amendments to the Taipei Exchange Procedures for the Review of Issuance of Overseas Depository Receipts in a Foreign Over-the-Counter Market made by Taipei Exchange on January 23, 2017, allowing top 100 companies listed in Taipei Exchange in terms of market value in the last three months with high trade volume and without irregularities to issue Level 1 ADR. Taipei Exchange amended the procedures on February 6, 2017.

### **FSC allows funds of funds to trade securities related products to increase investment efficiency**

In order to facilitate innovation in the financial industry and increase investment flexibility and competitiveness of the domestic fund of funds, FSC announced the requirements for transactions of securities related products by securities investment trust enterprises through a fund of funds for increasing investment efficiency or hedging purpose on February 3, 2017. The key points of deregulation include (1) the aforementioned securities related products are limited to those derived from indices and this deregulation does not apply to securities related products derived from one single underlying instrument (securities issued by any companies, organizations or issuers); (2) the investment targets shall trade securities related products in an index category related to the assets of the fund of funds according to investment strategies and asset allocation of the fund; (3) the investment strategy of the securities related products should be explained in the prospectus; (4) when an existing fund of funds plans to engage in transactions of securities related products to increase investment efficiency or for hedging purposes, it shall amend the securities investment trust agreement accordingly and disclose information about related risks in the prospectus.

### **Amendments to some articles of the Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses and the Regulations Governing Information to be Published in Annual Reports of Public Companies**

FSC amended the two Regulations for alignment with corporate practices and Corporate Governance Best Practice Principles for Public Companies on February 9, 2017. The amendments have the following main points:

1. Simplifying content of prospectus: considering the market players of ordinary corporate bonds are mostly legal persons and the issuing conditions are relatively simple, FSC has reduced required content of the prospectus; now only purposes of funds, basic financial information, credit-related risks and concluding opinion of the underwriter have to be included in the prospectus.
2. In order to help companies listed on the Taiwan Stock Exchange, the Taipei Exchange and Emerging Stock Board arrange annual shareholders' meetings and release annual reports in an earlier manner, the regulation requires that financial information of the most recent period of these companies to be disclosed in the annual reports and the prospectus is limited to financial information audited and attested or reviewed by a CPA, while unaudited financial information does not need to be disclosed.
3. Enhancing disclosure requirements for corporate governance information
  - (1) In order to help investors know how diversified the company's management is, the company is required to disclose the genders of its senior executives, including directors, supervisors and the general managers.
  - (2) The company is required to disclose information related to decisions of board of directors and the audit committee regarding important resolutions and the opinions of the independent directors and the communication between independent directors and internal audit officers and the CPA over important financial and operational matters of the company, in order to enhance disclosure about the performance of the boards of directors of domestic companies.
  - (3) For alignment with the amendments of the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, the company is required to disclose information about how the department in charge of corporate governance and its staff conduct corporate governance and how the company's corporate governance rating has improved.

## **Amendments of some articles of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies**

In order to meet practical needs of public companies, FSC amended the Regulations on February 9, 2017. The amendments have the following key points:

1. A public parent company is no longer required to seek opinions of experts for its merger with a subsidiary of which it owns 100% issued shares or total capital or for mergers between subsidiaries of which it owns 100% issued shares or total capital.
2. FSC has waived public announcement requirements for operating equipment transactions of less than NT\$ 1 billion (the original threshold was NT\$ 500 million) between a public company with paid-in capital of over NT\$10 billion and a non-related party. This deregulatory measure is introduced to increase quality of information disclosure, while avoiding reduction of value of disclosed information due to overly high disclosure frequency.
3. FSC has waived the public announcement requirements for professional investors buying straight corporate bonds and general bank debentures that do not involve shareholding rights in domestic primary market and for securities firms buying securities because of underwriting business or guiding and recommending a company for Emerging Stock Board listing.

## **FSC has relaxed regulations governing offering and sale of futures trust funds and amended some articles of the Regulations Governing Futures Trust Enterprises and the Regulations Governing Futures Trust Funds**

In order to create a digital financial environment, facilitate development of the futures trust business, and meet the needs of the industry, FSC introduced amendments to some article of the two Regulations on February 18, 2017. The key points of the amendments include: (1) the risk disclosure statement can be issued in electronic form; (2) qualification requirements for a futures trust fund distributor are relaxed; (3) procedural requirements for the fund offering are simplified; (4) documentation requirements for a follow-on offering are reduced; (5) the limit is cancelled on the total monetary amount of any futures trust fund's stock transactions by any single securities broker.

## **FSC has amended some articles of Standards Governing the Establishment of Futures Advisory Enterprises and the Regulations Governing Futures Advisory Enterprises to broaden the business scope of securities brokers and securities investment consulting enterprises concurrently operating futures advisory business**

In order to meet the business needs of securities brokers and securities investment consulting enterprises concurrently operating futures advisory business, FSC introduced amendments to article 3 of the Standards Governing the Establishment of Futures Advisory Enterprises and article 2 and article 11 of the Regulations Governing Futures Advisory Enterprises on February 18, 2017. The key points of the amendments are: (1) the business scope of securities brokers and securities investment consulting enterprises concurrently operating futures advisory business is broadened; the futures advisory activities of such enterprises are not limited to those related to securities; (2) the notification about the nature of various futures, the terms of trading, and the potential risks involved may be given in an electronic form.

## **FSC has amended some articles of the Regulations Governing Preparation of Financial Reports by Insurance Enterprises" and the format 1 and format 5-4 specified in article 19**

As domestic public companies are required to adopt the latest version of each IFRS standard endorsed by FSC in 2017, the FSC reviewed previous regulations and introduced the amendments of the Regulations on January 24, 2017 based on domestic practices of IFRS adoption in the insurance industry to increase financial report transparency and set appropriate regulatory requirements. The key points of the amendments are: (1) setting requirements for assets or disposal group classified as assets or disposal groups held for distribution to owners, the requirement for the amortization or depreciation to reflect expected consumption pattern of the future economic benefits and the requirements for related information to be disclosed in the enterprise's assessment of recoverable amounts and impairments of non-financial assets; (2) specifying the information to be disclosed for defined benefit plans; (3) clarifying the scope of information disclosure regarding in reinvestment businesses and investments in Mainland China; (4) Amending regulations on the definition of a related party and disclosure requirements; (5) imposing more strict requirements for the disclosure of information about remuneration of directors and supervisors in companies making a loss and companies providing more than a specific level of remuneration to their directors and supervisors and amending related regulations governing employee remuneration; (6) setting specific requirements for accounting treatment of business mergers; (7) setting specific requirements for testing and disclosure of good will impairment; (8) amending the regulation on sending a copy of documents related to financial report (to the competent authority) .

## **International Activities**

### **Delegation from EBRD visits FSC**

The European Bank for Reconstruction and Development (EBRD) helps the Zagreb and Ljubljana stock exchanges to set up platforms through its SME financing

program. With assistance of Taiwan Academy of Banking and Finance, the EBRD delegation visited the FSC and was warmly received by Vice Chairman Cheng on February 13. The two sides exchanged opinions on relevant issues regarding SME financing.

## **Industry Updates**

### **FSC approves merger of Yuanta Commercial Bank and Ta Chong Bank**

On January 17, 2017, FSC approved the merger of Yuanta Commercial Bank and Ta Chong Bank, with Yuanta Commercial Bank to be the surviving entity after the merger. Both banks are 100% owned by Yuanta Financial Holdings and complement each other in terms of business outlets and loan development. Merger will help to promote resource integration, increase operating scale and competitiveness, and also provide customers with more diverse and convenient services.

### **FSC agrees to allow Taiwan Cooperative Bank to apply to set up a Melbourne branch and a City Center sub-branch under its Phnom Penh branch**

On January 26, 2017, FSC agreed to allow Taiwan Cooperative Bank to apply to set up a branch in Melbourne, Australia, and a City Center sub-branch under its existing branch in Phnom Penh, Cambodia. By setting up these new business outlets, the bank aims to increase service quality with respect to Taiwanese businesses' cross-border investments and operations in the region and take advantage of business opportunities in Southeast Asia's financial markets, aiming to gradually increase its financial services outlets in the region to enhance its regional financial services network.

### **FSC allows Chang Hwa Commercial Bank to apply to set up a branch in Manila**

On January 19, 2017, FSC agreed to allow Chang Hwa Commercial Bank to apply to the competent authority in the Philippines to set up a Manila branch. The bank made the decision to establish a Manila branch after considering the fact that ASEAN is a key region for the expansion of overseas business for Taiwan's banking sector, the Philippines is one of the founding members of ASEAN, and the country's economic activities and trade have flourished in recent years. By establishing the branch, Chang Hwa Commercial Bank aims to provide its customers with diverse and global financial services for further improving operating performance and expanding its operating territory.

### **FSC agrees to allow President Securities Corp. to invest in a Mainland China securities firm by equity participation**

FSC has approved President Securities Corp.'s application to invest in Mainland China's securities company by equity participation. President Securities Corp. meets the requirements of Article 5 and Paragraph 1 of Article 16 of Regulations Governing Permission and Administration of Securities and Futures Business Dealings and Investment between the Taiwan Area and the Mainland Area and Sub-paragraph 7 of Article 50 of Regulations Governing Securities Firms. President Securities Corp. becomes the first Taiwan securities company FSC has allowed to invest through equity participation in a securities firm in Mainland China.

### **NPL ratio for domestic banks at 0.27% as of the end of January 2017**

The total outstanding loans of domestic banks stood at NT\$26,161.3 billion as of the end of January 2017, down by NT\$1.7 billion from the previous month, while their total NPLs were NT\$70.6 billion, down by NT\$0.1 billion from the previous month's figure of NT\$70.7 billion, generating an average NPL ratio of 0.27%, the same as the end of previous month. The NPL coverage ratio of Taiwan's domestic banks stood at 505.19% at the end of January 2017, up by 2.26 percentage points from the figure of 502.93% at the end of the previous month.

### **NPL ratio for credit cooperatives at 0.11% as of the end of January 2017**

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$479 million as of the end of January 2017, generating an NPL ratio of 0.11%, up by 0.04 percentage points from the figure for the end of December 2016. The NPL coverage ratio, in the meantime, was 1,732.37%, down by 1,008.23 percentage points from 2,740.60%, at the end of December 2016.

### **Net foreign investments in listed shares**

As of the end of January 2017, foreign and mainland China investors had bought around NT\$363.96 billion and sold around NT\$317.96 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative net inward investment of around NT\$46 billion. Meanwhile, for the Taipei Exchange, foreign and mainland China investors bought around NT\$ 28.393 billion and sold around NT\$28.528 billion, making for a net inward investment of around NT\$135 million. 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 January 2017 stood at approximately US\$202.017 billion, up by around US\$2.645 billion from the US\$199.372 billion as of the end of December 2016.

## Investor and Consumer Protection

### **FSC establishes the Financial Literacy Promotion Pages providing the results of financial literacy promotion and related learning resources**

In order to universalize financial literacy and enhance the public's ability to use financial tools and services, FSC and peripheral financial institutions have continued to implement diverse financial education activities, and establish dedicated websites allowing the public to take part in these activities. Also, to facilitate the public obtaining financial knowledge via the Internet, various financial e-learning websites have been set up. To allow financial knowledge and learning resources to be more effectively utilized, FSC has set up the Financial Literacy Promotion Pages on its official website, integrating information about various events, e-learning websites and promoting results.

Universalizing financial literacy is one of FSC's most important policies. The Financial Literacy Promotion Program is now in its 4<sup>th</sup> stage 3-year plan (2015-2017) and continues to build a complete financial literacy system framework, integrates related work and resources, cultivates basic financial education, and strengthens advocacy work with regards to different groups such as women, seniors, indigenous people and new immigrants; Also different issues such as prevention of money laundering and financial products for seniors are focused on. A website has been established through which people can register to take part in related events. Various financial education e-learning websites have also been set up, contents including audio-visual courses, e-books, financial product calculation tools, finance text books and periodicals, and other financial knowledge learning resources.

### **FSC encourages insurers to develop health management insurance products that have spillover effects**

To raise the attention on health management in Taiwan, FSC encourages insurers to develop health management insurance products that have spillover effects. Combining health self-management by consumers and insurance products, the insurer provides a discount or services as incentives to the insured to continue exercising or maintain a healthy diet to lower the risk of illness and achieve the benefit of prevention in advance. This not only promotes the health of citizens, indirectly reduces the medical expenditure of society as whole and insurance company claim payments, and drives the development of related industries, it will also benefit society overall and achieve a win-win-win situation for insurers, consumers and related industries.

To encourage insurers to develop and promote this type of product, the FSC announced the amended the "Directions for Review of Life Insurance Products" on August 21, 2015, allowing insurers to conduct insurance products providing in-kind payment. The types of in-kind payment include health management services and the items needed to carry out these services. For the consumer, in-kind health management insurance products can allow them to obtain the items and services they need at a lower price due to the insurer being able to buy in bulk or negotiate a discount, and also ensures that the insured obtain the items and services they need. As of the end of January 2017, FSC had approved two in-kind health management insurance products that provide a certain value of health examinations regularly to policyholders.

As well as the aforementioned in-kind health management insurance products, non-in-kind health management insurance products have successively been developed in Taiwan and overseas; for example, policyholders who are in good physical condition are awarded a premium discount or health promotion bonus. FSC has also recently approved a non-in-kind health management insurance product that is combined with a wearable device, which provides a health bonus or premium discount by the number of steps a wearable device records, encouraging policyholders to conduct self-management of health.

### **FSC reminds the public that health insurance does not cover pre-existing conditions**

FSC reminds consumers that the objective of insurance is to cover future possible losses by the policy holder paying an agreed premium. Preexisting conditions have already occurred before insurance is purchased so, naturally, the insurance mechanism cannot be used to make up losses. If a policy holder fails to inform the insurer of an illness when he/she buys a policy, the insurance firm is not liable to pay insurance benefit under Article 127 of the Insurance Act; also, if the insurer finds out the policy holder was not honest about preexisting conditions within two years of he/she taking out an insurance policy, the insurer can terminate the insurance contract under Article 64 of the Insurance Act. To avoid disputes, when applying for an insurance policy, people should reply to the insurer's written questions about preexisting conditions or current illness in detail.

### **2017 School and Community Financial Literacy Campaign**

In February 2017, FSC held ten financial literacy promotion sessions at schools and groups, including at Ding-jin Elementary School in Kaohsiung City, as part of its 2017 School and Community Financial Literacy Campaign. A total of 949 participants attended. These sessions are free of charge and have been very well received since their inception. As of the end of 2016, 4,771 sessions have been

held and attended by over 840,000 persons. Target participants include students from elementary, junior high, high schools and universities, community and women's groups, indigenous people, immigrants, and military service personnel. The FSC's Banking Bureau will continue its financial literacy campaign in 2017. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau; for more information, please call (02) 89689709.

## Major Enforcement Actions

### **Union Insurance Company fined NT\$2.4 million and ordered to take corrective action**

While carrying out an inspection of Union Insurance Company's business, FSC found that the company had violated related regulations in the Insurance Act when conducting commercial fire insurance business, such as not calculating premium according to the premium reported when the product was submitted for review, failing to properly assess premium adequacy and failing to retain premium reduction assessment materials etc. and Union Insurance was thus fined NT\$2.4 million and ordered to take corrective action under the related regulations of the Insurance Act.

### **O-Bank fined NT\$2million**

When O-Bank's subsidiary, IBT Leasing Co. Ltd, carried out credit review for financing of Ting Sing Group, the subsidiary failed to effectively implement internal controls or failed to have an internal control system put in place properly. The FSC deemed that the aforementioned shortcomings arose out of the failure of O-Bank to supervise and manage its subsidiary properly. For violation of Paragraph 1 of Article 45-1 of the Banking Act and giving rise to concern about possible impediment to sound operation, O-Bank was fined NT\$2 million and ordered to take corrective action under Paragraph 1 of Article 61-1 and Sub-Paragraph 7 of Article 129 of the same act.

### **First Commercial Bank fined NT\$2 million**

First Commercial Bank was found to have failed to effectively implement internal controls when carrying out credit review for the financing of Ting Sing Group and failed to properly supervise and manage its subsidiary, FCB Leasing Co., Ltd. For violation of Paragraph 1 of Article 45-1 of the Banking Act and giving rise to concern about possible impediment to sound operation, First Commercial Bank was thus fined NT\$2 million and ordered to take corrective action under Paragraph 1 of Article 61-1 and Sub-Paragraph 7 of Article 129 of the same act.

### **Chang Hwa Commercial Bank fined NT\$1.8 million**

With respect to transactions that met the reporting requirements of the Money Laundering Control Act, some branches (including Tanzi branch) of Chang Hwa Commercial Bank (CHB) failed to log in to the computer database of large cash transactions or mistakenly deleted data, resulting in a failure to report transactions as required by regulations. Also, CHB's Dongmen branch failed to report to the Ministry of Justice's Investigation Bureau the credit card payments of more than NT\$500,000 of 12 credit card customers that did not meet the conditions for reporting exemption under Sub-paragraph 4 of Article 5 of the Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions, although customer identity was confirmed and a record of the transactions was retained. The aforementioned transactions were in violation of Paragraph 1 of Article 7 of the Money Laundering Control Act and Article 4 of FSC's and STR by Financial Institutions, respectively, and thus a fine of NT\$1.8 million was imposed under Paragraph 3 of Article 7 of the Act.

### **Hwatai Bank Insurance Brokers Co. Ltd ordered to take corrective action within one month and fined NT\$200,000. Practice permits and practice licenses of employed insurance brokers Lu and Chen have been revoked and cancelled**

When FSC carried out a targeted examination of Hwatai Bank Insurance Brokers Co. Ltd in 2016, it found out that insurance brokers Lu and Chen employed by the company had violated the Insurance Act and related regulations in conducting insurance brokerage business. Hwatai Bank Insurance Brokers Co. was thus ordered to take corrective action within one month and fined NT\$200,000. For insurance brokers Lu and Chen, practice permits were revoked and practice licenses cancelled.

## Personnel Changes

### **Personnel change at FSC**

The vacant position of Director General of the Department of Planning was filled by Chih Chi Lin, the Deputy Director General of the Department of Planning. The personnel change became effective on February 16, 2017.