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Ministry of Justice Anti-Corruption Hotline 0800-286-586
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- FSC issues interpretive order regarding Article 13, Paragraph 1, Subparagraph 2 of the "Regulations Governing Identity Verification Mechanism and Transaction Amount Limits of Electronic Payment Institutions"
- FSC amends Articles 21, 38, and 69 of the "Regulations Governing Securities Firms" and Articles 21 and 40 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms," and issues related interpretive orders
- FSC adopts a rule requiring insurance marketing materials to provide a cautionary statement which advises that "based on the principle of substantive taxation, life insurance death benefits or annuity certain paid to a designated beneficiary after an insured person's death may sometimes be subject to taxation"
- Five financial holding companies form "Coalition of Movers and Shakers on Sustainable Finance" to set a standard of best practice for net zero transformation

Policy and Law

FSC issues interpretive order regarding Article 13, Paragraph 1, Subparagraph 2 of the "Regulations Governing Identity Verification Mechanism and Transaction Amount Limits of Electronic Payment Institutions"

In order to facilitate the identity verification processes of electronic payment institutions and provide consumers with more convenient application procedures, the FSC recently issued an interpretive order regarding Article 13, Paragraph 1, Subparagraph 2 of the "Regulations Governing Identity Verification Mechanism and Transaction Amount Limits of Electronic Payment Institutions." The interpretive order states that a printout which is obtained from the website of the appropriate competent authority can be seen as a proof that the user has obtained the required license, certificate, or approval for establishment when an electronic payment institution accepts a non-individual user to register and open a Type-1 e-payment account. This interpretive order makes it easier for financial institutions to maintain legal compliance, and it also simplifies application procedures for consumers.

FSC amends Articles 21, 38, and 69 of the "Regulations Governing Securities Firms" and Articles 21 and 40 of the "Regulations Governing the Preparation of Financial Reports by Securities Firms," and issues related interpretive orders

In order to promote timely financial disclosures by securities firms, and to allow for more flexible use of the funds in customer ledgers, the FSC on 1 September 2022 amended the "Regulations Governing Securities Firms" and the "Regulations Governing the Preparation of Financial Reports by Securities Firms." The key points of the amended provisions are as follows:

1. Amendments to the "Regulations Governing Securities Firms":

- (1) The annual financial report filing deadline for some securities firms has been adjusted: To promote timely financial disclosures by securities firms, and for the sake of consistent supervision of financial services firms, the amended provisions require that publicly traded securities firms as well as securities firms that are financial holding companies' subsidiaries must file their annual financial reports within 75 days after the end of each fiscal year beginning from FY 2022, whereas the deadline was previously 3 months.
- (2) More flexible use of the funds in customer ledgers: To allow for more flexible use of the funds held in the customer ledgers under a securities firm's settlement account and thereby enhance returns on such funds, besides using funds held in such customer ledgers to make required payments on behalf of its customers, the amended provisions allow that a securities firm with the customer's consent, may use such funds to invest in safe and highly liquid financial products, or may deposit such funds at banks.
- (3) In coordination with the amendment to Article 38, the FSC issued an interpretive order at the same time which provides that a securities firm may use funds held in such customer

ledgers to purchase domestic government bonds and treasury bills, or if the funds left in a customer ledgers account in the form of a time deposit exceed NT\$1 billion, that portion over NT\$1 billion may be transferred to a time deposit account at another bank. It is expected that these changes will enable securities firms to make more flexible use of the funds held in the customer ledgers under those firms' settlement accounts, and that this will benefit securities firms in promoting their customer ledger business and enhance returns on such funds.

2. Amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Firms" ("the subject Regulations"): All public securities firms are required to prepare annual reports to shareholders in compliance with the "Regulations Governing Information to be Published in Annual Reports of Public Companies," the content of which already covers the disclosure requirements set out in Articles 28 through 31 of the subject Regulations (e.g. compensation for directors and supervisors, labor-management relations, information on employee salaries, cyber security management, and financial analyses for the past five years, etc.), which means that some information is duplicated in annual reports and financial reports. To avoid confusion, and to ensure that requirements governing securities firms are consistent with those applying to other public companies, the amended provisions stipulate that where a securities firm includes the disclosures required by Articles 28 through 31 of the subject Regulations in its annual report to shareholders, then that securities firm need not include the disclosures required by Articles 28 through 32 in its annual parent-company-only financial reports.

FSC adopts a rule requiring insurance marketing materials to provide a cautionary statement which advises that "based on the principle of substantive taxation, life insurance death benefits or annuity certain paid to a designated beneficiary after an insured person's death may sometimes be subject to taxation"

To consider consumers' insurance needs during the solicitation process, the FSC requires life insurance solicitors to provide and explain the cautionary statement regarding the principle of substantive taxation in their insurance product marketing materials instead of simply touting insurance products as tax avoidance tools. And to coordinate with the change that Article 12-1 of the "Tax Collection Act" was deleted and the provisions therein were instead set out in Article 7 of "The Taxpayer Rights Protection Act," the FSC on 30 August 2022 adopted a rule requiring insurance marketing materials to provide a cautionary statement which advises that "based on the principle of substantive taxation, life insurance death benefits or annuity certain paid to a designated beneficiary after an insured person's death may sometimes be subject to taxation." This rule requires life insurers to include the cautionary statement in their insurance product marketing materials, printed in a conspicuous typeface. This newly issued order will take effect on 1 October 2022.

Five financial holding companies form "Coalition of Movers and Shakers on Sustainable Finance" to set a standard of best practice for net zero transformation

In order to support the 2050 net zero emission policy, respond to climate change, and promote sustainable development, the "Coalition of Movers and Shakers on Sustainable Finance" was established on 5 September 2022 by Yuanta Holding, CTBC Holding, E. Sun Holding, First Financial Holding, and Cathay Holding at an event witnessed by the FSC and related ministries. The Coalition members have committed to taking more active measures on green procurement, funding and engagement, information disclosure, assistance and promotion, and international outreach to spur national and industrial net-zero transformation.

The financial industry continues to pay attention to the issue of sustainable development, and has promoted many measures on the environmental, social and governance (ESG) dimension in the past with considerable results. However, the effects of climate change are becoming more pronounced and require more proactive measures by the public and private sectors. The five financial holding companies have not only received high evaluations from international sustainability rating agencies, but have also further pledged to act as movers and shakers. Acting upon their initiative, they intend to prudently respond

to the physical and transition risks of climate change, take concrete actions to reduce carbon emissions, and drive customers, thus exerting a peer effect that spurs industry and society to move toward the goal of sustainable development.

In the future, when planning policies and measures related to sustainable finance, the FSC will rely more upon the experience and views of the movers and shakers, and hopes that they will serve as important promoters of net zero emissions. Based on the requirements of the industry and the market, the FSC and the movers and shakers will launch related sustainable finance measures. Such measures will include the development of related tools, guidelines, databases and so on. The FSC also expects all financial institutions to move towards the goal of net zero and sustainability, and achieve the core value of sustainable development.

FSC amends "Regulations Governing the Offering and Issuance of Securities by Foreign Issuers"

In order to strengthen its reviews and controls of the capital raising deals of companies with a primary listing on the TWSE or TPEX, to ensure equitable regulatory treatment of securities offerings by domestic and foreign securities issuers, and to ease regulatory restrictions on the currencies in which foreign emerging stock board companies issue straight corporate bonds, the FSC amended the "Regulations Governing the Offering and Issuance of Securities by Foreign Issuers" on 5 September 2022. The key points of the amendment include the following:

1. Strengthened regulation of the capital raising activities of companies with a primary listing on the TWSE or TPEX:
 - (1) Added a new 20-day waiting period for effective registration, and added reasons for rejection of a registration: When a company with a primary listing on the TWSE or TPEX conducts a domestic issue of corporate bonds with equity characteristics, or carries out a cash capital increase through a new share issue, or otherwise carries out a capital raising deal that has a relatively wide-ranging impact on investors, if the company experiences a financial or business irregularity, the securities listing review period will be lengthened to 20 working days with reference to the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers," and a newly added provision empowers the FSC to reject a registration statement. In addition, referring to the provisions of the "Company Act," the Regulations require a company that has posted after-tax losses for two years in a row to submit a sound business plan.
 - (2) Strengthened controls during the post-offering period: The period during which an advising underwriter is required to act as a sponsor for a capital raising deal has been lengthened (originally it was the current fiscal year when the offering was completed plus the next two fiscal years, but now it is the next three fiscal years), and if actual implementation of the offering differs materially from the plan, the Regulations require that the matter be reported to the board of directors and shareholders meeting to amend the plan. In addition, for a company with an important subsidiary located in mainland China, the capital that it raises in Taiwan must be deposited with a Taiwanese bank or an overseas subsidiary or branch thereof, and utilized in accordance with the plan.
2. Eased restrictions on the allowable types of straight corporate bonds, and amended requirements regarding prospectuses: The amended Regulations allow foreign emerging stock board companies to issue straight corporate bonds in foreign currencies, and the Regulations set out separate prospectus disclosure requirements for straight corporate bonds depending on whether they are sold to professional investors or retail investors.
3. Other amendments:
 - (1) To support the foreign exchange management needs of the Central Bank, with respect to both publicly offered and privately placed straight corporate bonds, the Regulations place restrictions on the uses of proceeds, remittances of funds, and reporting matters.
 - (2) In order to improve administrative efficiency and achieve supervisory consistency, the Regulations, upon the authority of Article 16 of the "Administrative Procedure Act," expressly empower the FSC to commission the TWSE and the TPEX to suspend the public issuance of the stock of a foreign issuer.

International Activities

FSC officials met virtually UK Trade Commissioner for Asia Pacific on 14 September 2022

Ms. Natalie Black CBE, the UK's first HM Trade Commissioner for the Asia Pacific and the UK's Senior Economic Official to ASEAN (center of the right photo), was warmly received online by the FSC Chairperson Huang on 14 September 2022. The two sides broadly exchanged views on major financial issues such as green finance and banking supervision, and looked forward to furthering exchanges and cooperation.

Industry Updates

FSC holds business liaison meetings with presidents of life and non-life insurance companies

The FSC invited the presidents of non-life and life insurers, respectively, to business liaison meetings on 9 and 10 August 2022 to discuss matters of shared concern. The meetings were presided over by Director General Chiung-Hwa Shih of the FSC Insurance Bureau, who invited officials from the ROC Non-life Insurance Association and the ROC Life Insurance Association to attend the meetings along with 19 presidents of non-life insurance companies and 22 presidents of life insurance companies. Participants exchanged views on important current policy initiatives as well as matters of ongoing interest to the general public.

Principal topics of discussion at these meetings included the following: ongoing efforts to promote digitalization and to encourage innovation and the development of new products; proper management of insurance product risks; how to improve insurers' enterprise risk management; preparatory work for the adoption of IFRS17 and the Insurance Capital Standard (ICS); and how to improve anti-money laundering operations, treat customers more fairly, and achieve sustainable finance. In addition, meeting attendees also discussed efforts by non-life insurers to promote compulsory auto insurance for mini two-wheel electric bicycles, and work by life insurers to improve returns on capital. Business liaison meetings with presidents of life and non-life insurance companies constitute an important platform by which the competent authority communicates with insurance enterprises, and the FSC will continue holding these meetings in the future. The FSC hopes that insurers will attach importance to risk management so as to run their business soundly and contribute to the nation's economic development.

FSC takes steps to ensure proper pricing of interest-sensitive insurance products by life insurers

The FSC has recently discovered that some life insurers, in conducting interest-sensitive insurance products business, have committed legal infractions by factoring peer competition and market expectations regarding interest rate trends into their declared interest rates, and by failing to clearly specify the parameters in the formulas used for calculating their declared interest rates. To prevent an insurer from improperly raising its declared interest rate based on market competition, which may not only cause negative earnings on its products and a deficit for the company, but affect the company's financial soundness and policyholder interests when investment returns are insufficient to support its declared interest rate, the FSC has therefore promptly addressed problems, ordered 13 companies to suspend the sale of certain products, and assessed violation points against insurance product signatories. Besides, the companies are required to take proper corrective actions and establish sound policies on declared interest rates, so as to ensure sound business operations and uphold policyholder interests.

NPL Ratio for Domestic Banks as of the End of August 2022

The total outstanding loans extended by the current 39 domestic banks increased by NT\$388.6 billion (US\$12.77 billion) as compared to the figure of previous month and amounted to NT\$36.03 trillion (US\$1,183.8 billion) at the end of August 2022. Meanwhile, the NPLs of these banks totaled at NT\$56.56 billion (US\$1.86 billion) which decreased by NT\$0.16 billion (US\$5.2 million) from NT\$56.72 billion (US\$1.86 billion) as of the end of the previous month.

The average NPL ratio of the 39 banks remained at 0.16% compared to previous month, but was down by 0.04 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 7.36 percentage points and therefore rose to a figure of 847.07% from 839.71% of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of August 2022. The FSC will request banks to undertake measures to improve asset quality and financial structure on an ongoing basis.

NPL situation of credit cooperatives at the end of August 2022

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.759 billion as of the end of August 2022, generating an NPL ratio of 0.13%, same as the end of July 2022. The NPL coverage ratio was 1,560.68%, down by 45.42 percentage points from 1,606.1% at the end of July 2022.

Net foreign and mainland China investment in listed shares

As of the end of August 2022, foreign investors in the year to date had bought around NT\$11.9905 trillion and sold around NT\$12.9522 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$961.7 billion. In addition, foreign investors in the year to date had bought around NT\$2.0169 trillion and sold around NT\$2.0613 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$44.4 billion. Meanwhile, mainland China investors had bought around NT\$1.6 billion and sold around NT\$2.3 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.7 billion; and mainland China investors had bought NT\$0.1 billion and sold around NT\$0.4 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.3 billion. As for inward remittances by foreign and mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese, and foreign nationals at the end of August 2022 stood at approximately US\$212.9 billion, down by around US\$5.4 billion from US\$218.3 billion at the end of July 2022. The figure for cumulative net inward remittances by mainland China investors was US\$37.5 million, down by about US\$0.1 million from US\$37.6 million at the end of July 2022.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of June 2022

The sales statistics of foreign-currency denominated products by the life insurance industry as of the end of June 2022 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$269.355 billion, down by 8% from NT\$291.431 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$91.202 billion (around 34% of the total), down by 37% from NT\$143.872 billion year-on-year, and the sales of traditional insurance products totaled NT\$178.153 billion (around 66% of the total), up by 21% from NT\$147.559 billion year-on-year.

Profit/loss, net value, exchange gains/losses, hedging gains and losses, and foreign exchange volatility reserves of insurance enterprises as of end-July 2022

The pre-tax profit of insurance enterprises at the end of July 2022 was NT\$186.3 billion, down by NT\$132.9 billion, or 41.6%, year-on-year. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$241.3 billion, down by NT\$62.9 billion, or 20.7%, year-on-year, while the pre-tax loss of non-life insurance enterprises was NT\$55 billion, down by NT\$70 billion, or 466.7%, year-on-year.

The owners' equity of all insurance enterprises at the end of July 2022 was NT\$1.6254 trillion, down by NT\$1.1995 trillion, or 42.5%, from the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$1.5278 trillion, a decrease of NT\$1.1447 trillion, or 42.8%, and the owners' equity of non-life insurance enterprises was NT\$97.6 billion, down by NT\$54.8 billion or 36%.

As of the end of July 2022, the NT Dollar had depreciated by 8.1% against the US Dollar since the end of 2021, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$174.9 billion, up by NT\$131.3 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises as of end-July 2022 was NT\$32.6 billion. Over the same period, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$694.6 billion.

Micro-whole-life insurance policyholders in 1st half 2022 — analysis of gender, age, and area of residence

As of end-June 2022, there were roughly 800,115 micro-whole-life insurance policies in force, of which 465,290 (58.15%) were held by women and 334,825 (41.85%) were held by men. The most common insuring age bracket was 60-69, with persons in this cohort holding 190,243 policies (23.78% of all policies), and 63.68% of these policies were held by women, which is higher than the percentage of total micro-whole-life insurance policies held by women (58.15%). New Taipei City is the number one area of residence for holders of micro-whole-life insurance policies, with 130,316 policyholders (16.29%) living there, of whom 63.75% are women, which is again higher than the percentage of total micro-whole-life insurance policies held by women (58.15%).

Employees engaged in Fintech-related work in 2022 — statistical analysis of their number and gender

On 18 August 2022, the FSC announced the results of a survey on Fintech investments and spending by financial services firms in 2021. The results showed that financial services firm employees engaged in Fintech-related work numbered 13,584 persons in all, or 4.25% of the total number of financial services firm employees, up from 3.23% in 2020. Also, this latest survey includes a newly added focus on the percentage of women employees who hold Fintech-related positions, and found that 2.08% of women in 2021 held Fintech-related positions, and this percentage was highest at financial industry self-regulatory organizations, where 5.72% of women hold Fintech-related positions.

Investor and Consumer Protection

FSC and the National Police Agency launch "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud" and hold high-level forum on fraud prevention

In order to collaborate with law enforcement agencies in the fight against fraud, the FSC and the National Police Agency, Ministry of the Interior on 13 September 2022 appointed the ROC Bankers Association to organize a launch ceremony for the "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud" and hold a high-level forum on fraud prevention.

To do a better job of preventing fraud, and to further improve the effectiveness of banks to stop fraud, the FSC and the National Police Agency are jointly promoting the "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud." Under this Early Warning System, when a walk-in customer at a bank seeks to conduct a cross-border remittance, if the bank discovers upon documentary review of the remittance that the beneficiary's account number is the same as any offshore account suspected of being used for fraud announced by the National Police Agency, the bank is required to pay more attention to the customer's situation and remind them to be on guard against fraud. By working in concert with financial institutions and law enforcement agencies, the FSC intends to establish an industry-wide anti-fraud defense network designed to protect the property of consumers and effectively prevent fraudulent transactions.

FSC continues working to safeguard the interests of senior citizens

To respond to the trend toward demographic ageing in Taiwan, the FSC continues introducing measures designed to safeguard the interests of elderly persons. Besides encouraging financial services firms to provide a wide range of financial products that meet the needs of the elderly, the FSC also carries out financial education initiatives so that seniors can better understand financial matters, and can access financial services with a sense of comfort and peace of mind. The FSC is also seeking to better protect the interests of elderly financial consumers by: (a) requiring protective measures during the marketing of financial products; (b) requiring friendly treatment of elderly customers; (c) requiring friendly handling of disputes; and (d) preventing financial fraud.

In addition, improving people's general understanding of financial matters can effectively reduce the incidence of financial fraud, therefore the FSC holds financial literacy activities. Groups for active aging that have an interest or need to participate in such activities can visit website of the Banking Bureau of the FSC and register to take part in events to be held as part of the "Financial Literacy Campaign for the Campus and Community," or they can go to the Financial Ombudsman Institution and apply for the Institution to send an expert to give lectures. Such activities can help to instill a proper

understanding of financial consumption concepts so that people will handle their financial affairs with increased savvy.

2022 Financial Literacy Campaign for the Campus and Community

In the month of September 2022, the FSC held 40 activities at different locations, including the National Immigration Agency's Kaohsiung City Service Center No.1 as part of the 2022 Financial Literacy Campaign for the Campus and Community, attracting 2,755 participants. The Financial Literacy Campaign is free of charge, and has struck a chord with many people since its inception in 2006. As of the end of 2021, a total of 7,351 events had been held and over 1.1 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, social welfare groups, senior citizens' groups, police, fire fighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue to promote the financial literacy campaign in 2022. Schools or community groups interested in the campaign are invited to register through the website of the Banking Bureau. For more information, please contact us at (02) 8968-9710.

Major Enforcement Actions

FSC imposes sanctions on Bank SinoPac

The FSC recently imposed sanctions on Bank SinoPac after discovering that the bank had induced customers to use loans to purchase wealth management products, conditioning the provision of housing loans on the sale of tied-in mortgage life insurance products, and improperly selling insurance products while conducting its insurance agent business. These deficiencies violated Article 45-1, Paragraph 1 of the Banking Act, and also constituted a likely hindrance to sound operations. The FSC imposed an administrative fine of NT\$18 million based on the provisions of Article 129, Subparagraph 7 of the "Banking Act," and also issued the bank official reprimands in line with the provisions of Article 61-1, Paragraph 1 of the "Banking Act" and Article 164-1, Paragraph 1 of the "Insurance Act." Also, acting in accordance with Article 61-1, Paragraph 1, Subparagraphs 2 and 6 of the "Banking Act" and Article 164-1, Paragraph 1, Subparagraph 1 of the "Insurance Act," the FSC ordered the bank, beginning from the day next following delivery of the administrative ruling: (a) to suspend its president from performance of duties for three months; (b) to suspend the top supervisor of its channel business from performance of duties for six months; (c) to suspend for six months the conduct of brokered investments in overseas bonds for new customers and the sale of mortgage life insurance products that are tied to the bank's own housing loans; and (d) to suspend for one month all sales of new life insurance policies as an insurance agent, until the FSC recognizes that proper corrective actions have been taken.

FSC imposes sanctions on Taishin International Bank

The FSC recently imposed sanctions on Taishin International Bank after discovering that the bank, in collecting on overdue accounts and conducting its lending business, had used improper methods in seeking to collect payments from a third party other than the debtors or their guarantors, and had failed to establish internal controls for authorizing sales representative to adjust the approved interest rate (fees). These deficiencies revealed that the bank had failed to establish proper internal control systems in violation of Article 45-1, Paragraph 1 of the "Banking Act" as well as Article 3 and Article 8, Paragraph 3 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," enacted in accordance with Article 45-1, Paragraph 1 of the "Banking Act." The FSC imposed an administrative fine of NT\$10 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.

Personnel Changes

Personnel changes at the FSC headquarters

Fu-Longe Tsai, Director General of the FSC Department of Information Management, was recently transferred to the position of FSC Chief Secretary, and the position of Director General of the FSC Department of Information Management was filled by Yu-Tai Lin, who was promoted from his former position as Deputy Director General of the Department. Former Chief Secretary Kai-Yuan Chen was transferred to the position of an FSC Counselor. These changes took effect on 5 September 2022.