

# 金融展望月刊

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\*The Chinese version rules if  
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Ministry of Justice Anti-Corruption Hotline 0800-286-586  
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- FSC registers amendments by Bankers Association to the "Corporate Governance Best-Practice Principles for Financial Holding Companies" and "Corporate Governance Best-Practice Principles for Banks"
- FSC amends "Regulations Governing Responsible Persons and Associated Persons of Securities Firms" and "Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants"
- FSC issues "Directions Governing the Conduct of Online Insurance Purchases and Insurance Services by Insurance Agent Companies and Insurance Broker Companies"
- FSC launches Green Finance Action Plan 3.0 to spur financial services firms to actively assist net-zero transition

### Policy and Law

#### *FSC registers amendments by Bankers Association to the "Corporate Governance Best-Practice Principles for Financial Holding Companies" and "Corporate Governance Best-Practice Principles for Banks"*

To strengthen the corporate governance of financial holding companies and banks, the FSC has supervised a project by the Bankers Association to amend the "Corporate Governance Best-Practice Principles for Financial Holding Companies" and "Corporate Governance Best-Practice Principles for Banks," to address incidents involving corporate governance issues that were discovered recently, and agreed to register amendments of the two Corporate Governance Best-Practice Principles on 3 October 2022. The key points of the amendments are as follows: (1) added principles for compliance when a company interacts with major shareholders and added regulations for the operations of boards of directors; and (2) new regulations have been added that were drafted with reference to the articles of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" as amended in recent years and the core strategies of the "Sustainable Development Guidemap for TWSE and TPEX Listed Companies." These amendments were adopted in order to spur the boards of directors and senior management of financial institutions to attach importance to a culture that values integrity and accountability, to foster the creation of sound values and appropriate conduct from the top-down, and to establish stable and robust business management systems.

#### *FSC amends "Regulations Governing Responsible Persons and Associated Persons of Securities Firms" and "Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants"*

To improve the management of securities firms and futures commission merchants and get them to better implement corporate governance, the FSC on 28 October 2022 amended the "Regulations Governing Responsible Persons and Associated Persons of Securities Firms" and "Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants." Key points of the amended Regulations are as follows:

1. A chairperson of the board is required to have good moral character, have the ability to effectively lead and manage the enterprise, have a certain level of education, and have work experience related to securities, futures, and financial institutions.
2. New provisions impose upon a board of directors the responsibility to appoint and supervise managerial officers, and to oversee the accountability of managerial officers and set up related systems.
3. New provisions require securities firms and futures commission merchants to conduct regular reviews of the concurrent holding of more than one position by responsible

persons, the results of which shall serve as an important reference to determine whether the concurrently held positions will be maintained or reduced in number.

4. With reference to legal provisions governing banks and insurance enterprises, newly added provisions require that when a natural person or a juristic person, or their related party, acts as a director (or supervisor) of a securities firm or futures commission merchant and concurrently acts as a director (or supervisor) of another financial institution, a conflict of interest shall in principle be presumed to exist, and a person who fails to resolve a conflict of interest without justification within a prescribed period of time shall be dismissed. The preceding does not apply to the government, or to a securities firm or futures commission merchant that is wholly owned, directly or indirectly, by the government.
5. Newly added provisions allow a securities firm or a futures commission merchant to apply, in accordance with its industry association's directions governing on-the-job training, for permission to run its own on-the-job training program.

### ***FSC issues "Directions Governing the Conduct of Online Insurance Purchases and Insurance Services by Insurance Agent Companies and Insurance Broker Companies"***

In response to the development of financial technology and the spread of COVID-19, in order to provide consumers with convenient and secure non-face-to-face procedures for handling insurance purchases and insurance services, the FSC — making reference to the "Directions Governing Insurers' Conduct of Online Insurance Purchases and Insurance Services" which it had issued in November 2021 — on 15 September 2022 issued the "Directions Governing the Conduct of Online Insurance Purchases and Insurance Services by Insurance Agent Companies and Insurance Broker Companies" to serve as a set of standards that would apply alike to both insurance agent companies and insurance broker companies (including banks that concurrently operate insurance broker or agent business) that conduct online insurance purchases and insurance services, so that they would pay balanced attention to risk management and protection of customer interests.

### ***FSC launches Green Finance Action Plan 3.0 to spur financial services firms to actively assist net-zero transition***

Sustainable development and net-zero emissions are core policy objectives throughout the world, including Taiwan. Accordingly, the FSC on 26 September 2022 launched the Green Finance Action Plan 3.0. The vision of the Action Plan 3.0 is to "integrate financial resources to support net-zero transition," which will be achieved through five implementation aspects, including deployment, funding, data, empowerment, and ecosystem, and 26 measures. The goals are to: (a) build consensus among financial services firms; (b) put forward and develop guidelines and data; (c) encourage financial services firms to understand the GHG emission of their own operations and of their investment and lending positions; (d) spur financial services firms to act on their own initiative to respond to and seize upon climate-related risks and opportunities; and (e) continue promoting financial services firms to support sustainable development and to drive companies to reduce their GHG emissions.

Building on a foundation previously set by Green Finance Action Plans 1.0 and 2.0, this newly launched Green Finance Action Plan 3.0 will continue guiding financial markets and the overall economy to attach proper importance to sustainability and climate change, to improve the climate resilience of financial services firms and the industries, and to further leverage the power of financial markets to enhance sustainable development in Taiwan and support the transition to a net-zero economy.

### ***Trust 2.0 — "The Promotion Plan for Full-Function Trust Services" Phase 2 Implementation Plan***

To continue enhancing the functionality of trust services, the FSC on 29 September 2022 adopted Trust 2.0 - "The Promotion Plan for Full-Function Trust Services" Phase 2 Implementation Plan, which will be carried out from 1 September 2022 to 31 December 2024. Building on full-function trust services as they have been developed to date, this new Phase 2 Implementation Plan sets forth the following three core goals: (a) bring about trust services that satisfy people's needs at every stage of their lives; (b) expand and deepen the cross-industry alliances of trust enterprises; and (c) enable elderly persons, those with dementia, and people with disabilities to better understand trust services. The Phase 2 Implementation Plan also sets out 12 important measures designed to continue encouraging trust enterprises to develop trust services that are in synch with the changing times.

### ***FSC amends "Regulations Governing Insurance Brokers" and "Regulations Governing Insurance Agents"***

On 22 September 2022, the FSC amended the "Regulations Governing Insurance Brokers" and "Regulations Governing Insurance Agents" in order to: (a) safeguard the rights and interests of elderly consumers to obtain insurance; (b) spur insurance brokers and agents to strengthen their management and control mechanisms so that they better safeguard the rights and interests of elderly customers to obtain insurance; (c) ensure consistent supervision of all domestic and foreign insurance brokers and agents; and (d) spur the Taiwan subsidiaries of foreign insurance brokers and agents to exercise robust and sound business management and strengthen their financial condition.

### ***FSC amends "Directions for Insurance Enterprises Engaging in Online Insurance Business" to promote diversified development of online insurance***

In response to rapid development in the field of FinTech and in order to encourage insurers to provide a diverse array of online insurance products and online insurance services, the FSC, under the premise of paying balanced attention to the needs for technical innovation and risk management, has continued to consider the possibility of further deregulation since adopting the "Directions for Insurance Enterprises Engaging in Online Insurance Business" in 2014. On 29 September 2022 the FSC again eased restrictions on the types of products and services that insurers are allowed to sell online, and began allowing them to use a wider range of customer identity verification methods. Key points of the amended provisions are as follows:

1. To provide consumers an insurance purchase channel that enables them to plan out their medical insurance needs more quickly and conveniently, the list of life insurance product types that may be purchased online has been expanded to include per diem hospitalization insurance. Also, in order to guard against moral hazard and adverse selection, a newly added provision requires that when a customer seeks to purchase an insurance policy, the sum of per diem coverage obtained by the applicant from all insurers must not exceed a specified maximum.
2. In response to the development of an increasingly diverse range of identity verification techniques, in addition to the one-time password (OTP) method that insurers have been using until this time to verify identity when they sell insurance online or handle online insurance services, insurers are now additionally allowed to use biometrics, mobile ID, and financial FidO.
3. To make it more convenient for insurance customers to access online insurance services, the list of life insurance products for which services can be accessed online has been expanded to include investment-linked annuity insurance, while the list of group insurance products for which services can be accessed online has been expanded to include queries of claim settlement records and reporting of insured events.

## Industry Updates

### *FSC visits pilot bilingual bank branches to encourage banks to promote bilingual policy in a continuous effort*

On 21 September 2022, FSC Chairperson Huang, in the company of Ming-Hsin Kung, Chairperson of the National Development Council (NDC) and Chia-Chi Hsiao, Director-General of the National Treasury Administration, visited two pilot bilingual branches — the Chengde Branch of Far Eastern International Bank and the Songjiang Branch of the Bank of Taiwan. The FSC has promoted pilot bilingual branches since 2019, and as of the end of June 2022, 22 domestic banks had set up 584 bilingual branches, an increase of 412 branches (239%) from the 172 branches that had been opened by 18 domestic banks as of the end of December 2020. The FSC expects banks to set up bilingual branches continuously to promote the internationalization of Taiwan's financial services environment.

### *FSC approves the merger of Fubon Financial Holding Company ("Fubon Financial") and Jih Sun Financial Holding Company ("Jih Sun Financial")*

On 21 September 2022, the FSC granted approval for a cash takeover of Jih Sun Financial by Fubon Financial. The two financial holding companies have announced that the effective date of the merger will be on 11 November 2022. Upon the completion of the merger, Fubon Financial will be the surviving company and Jih Sun Financial will be the dissolved company. After the consolidation, Fubon Financial will acquire the businesses, assets, and liabilities of Jih Sun Financial.

### *FSC supervisory measures regarding the impact of rising interest rates on the solvency of life insurers*

With central banks around the world recently announced interest rate hikes, the FSC has continued in the latter half of 2022 to track market interest rate movements and monitor the financial condition of individual life insurers. If an insurer's financial ratios fall below legally required levels the FSC, acting in accordance with Article 143-6 of the "Insurance Act," will order the insurance enterprise to put forward a plan for capital increase or another corrective action plan for finance or business. The FSC will oversee its implementation of its corrective action plan for finance or business under the condition that individual insurer's solvency does not weaken through a comprehensive evaluation from three aspects as follows: (1) the inconsistencies under the current accounting system in how life insurers recognize higher interest rates over time in their assets and liabilities; (2) the reasons why the net worth of individual insurers decline; and (3) the implementation efforts of an individual insurer carries out a cash capital increase or a corrective action plan for finance or business.

### *FSC adopts measures to assist insurers that sell Covid-19 insurance policies*

Insurers have been responding to rising numbers of Covid-19 insurance policy claim settlements by carrying out cash capital increases, but in addition, the Non-life Insurance Association of the R.O.C. (NLIA) has recently requested assistance from the FSC. In order to stabilize the insurance market and maintain the operational capabilities of insurance enterprises, the FSC is planning to provide the following two measures to help insurers get on stronger financial footing:

1. To calculate their risk-based capital (RBC) ratio, insurers have until now been required to recognize deferred income tax assets on an annually amortized basis when factoring them into the RBC ratio, but they will now be allowed to recognize such assets in lump sum.
2. As of 1 August 2022, when an insurer pays out benefits to a home-care Covid patient based on hospitalization insurance benefits provided under a Covid-19 insurance policy, the amount of such benefits paid out may be deducted by the insurer from the amount of its required contribution to the Taiwan Insurance Guaranty Fund.

### *NPL Ratio for Domestic Banks as of the End of September 2022*

The total outstanding loans extended by the current 39 domestic banks increased by NT\$349.3 billion (US\$11 billion) as compared to the figure of previous month and amounted to NT\$36.38 trillion (US\$1,146 billion) at the end of September 2022. Meanwhile, the NPLs of these banks totaled at NT\$56.57 billion (US\$1.78 billion) which decreased by NT\$8 million (US\$0.25 million) from NT\$56.56 billion (US\$1.78 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 0.03 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 7.2 percentage points and therefore rose to a figure of 854.27% from 847.07% of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of September 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 September 2022*

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.781 billion as of the end of September 2022, generating an NPL ratio of 0.14%, up by 0.01 percentage points from 0.13% at the end of August 2022. The NPL coverage ratio was 1,548.44%, down by 12.24 percentage points from 1,560.68% at the end of August 2022.

### *Net foreign and mainland China investment in listed shares*

As of the end of September 2022, foreign investors in the year to date had bought around NT\$13.2991 trillion and sold around NT\$14.4123 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$1.1132 trillion. In addition, foreign investors in the year to date had bought around NT\$2.2749 trillion and sold around NT\$2.3293 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$54.4 billion. Meanwhile, mainland China investors had bought around NT\$1.9 billion and sold around NT\$2.4 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.5 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 September 2022 stood at approximately US\$207.1 billion, down by around US\$5.8 billion from US\$212.9 billion at the end of August 2022. The figure for cumulative net inward remittances by mainland China investors was US\$35.8 million, down by about US\$1.7 million from US\$37.5 million at the end of August 2022.

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

The sales statistics of foreign-currency denominated products by the life insurance industry as of the end of July 2022 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$296.467 billion, down by 12% from NT\$338.761 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$97.223 billion (around 33% of the total), down by 43% from NT\$169.197 billion year-on-year, and the sales of traditional insurance products totaled NT\$199.244 billion (around 67% of the total), up by 18% from NT\$169.564 billion year-on-year.

### *Profit/loss, net value and exchange gains/losses of the insurance industry in August 2022*

The pre-tax profit of insurance enterprises at the end of August 2022

was NT\$187.8 billion, decreasing by NT\$168.3 billion, or 47.3% compared to last year; the pre-tax profit of life insurance enterprises was NT\$264.3 billion, decreasing by NT\$74.3 billion, or 21.9% compared to last year, while the pre-tax loss of non-life insurance enterprises was NT\$-76.5 billion, decreasing by NT\$94 billion or 537.1%.

Owners' equity of insurance enterprises at the end of August 2022 was NT\$1,461.3 billion, going down by NT\$1,384.3 billion, or 48.6% compared to last year; owners' equity of life insurance enterprises was NT\$1,367 billion, going down by NT\$1,324.6 billion, or 49.2% compared to last year, while owners' equity of non-life insurance enterprises was NT\$94.3 billion, going down by NT\$59.7 billion or 38.8%.

As of the end of August 2022, the NT Dollar had depreciated by 9.9% against the US Dollar since the end of 2021, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$204.8 billion, increasing by NT\$161.1 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 was NT\$44.7 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\$815.3 billion.

## Major Enforcement Actions

### *FSC grants 2022 awards to insurers for excellence in implementing Treating Customers Fairly (TCF) Principles, and awards for best progress*

On 28 September 2022, the FSC held the "2022 Awards Ceremony for Excellence in Implementing the Treating Customers Fairly Principles among Insurers." FSC Chairman Huang personally presided over the ceremony, and in remarks praised insurers for their contributions to society. He also said that, in the face of changing international political and economic conditions, the FSC will do all it can to help insurers deal with challenges.

The FSC this year gave awards to non-life and life insurers that ranked in the top 25% for implementation of the TCF Principles, and to insurance companies that had achieved the best progress. Five non-life insurers (MSIG Mingtai Insurance; Nan Shan General Insurance; South China Insurance; AIG Asia Pacific Insurance, Taiwan Branch; and Taiwan Fire & Marine Insurance) received Awards for Excellence and one non-life insurer (MSIG Mingtai Insurance) received an Award for Best Progress. Six life insurers (China Life Insurance; TransGlobe Life Insurance; Nan Shan Life Insurance; PCA Life Assurance; Cathay Life Insurance; and Shin Kong Life Insurance) received Awards for Excellence and one life insurer (Nan Shan Life Insurance) received an Award for Best Progress (presented in no particular order). During the event, firms discussed their experiences and thoughts regarding fair treatment of customers in an active effort to seek further improvement on this front.

The year 2022 marks the fourth year of the FSC's program for rating the performance of companies' implementation of the TCF Principles, and ongoing efforts are being made to further improve the fair treatment of customers. Earlier this year the FSC stepped up requirements for insurers to attach more importance to fair treatment of elderly and disabled customers, and in 2023 the FSC will adopt the "Friendly Service Principles" and "Principles of Ethical Management." The FSC is confident that, by communicating with insurers and amending the rating system, it can bolster consumers' trust in insurers. This approach will also be conducive to the sustainable development of insurers, will strengthen insurers' grasp of the concept of financial

consumer protection, and will spur them to maintain better compliance with related legal requirements, thus effectively improving the protection of consumer interests.

### *FSC launches special anti-fraud section on website to help raise alertness to scams*

Financial scam incidents have been on the rise recently, with shady operators using a variety of ruses to swindle consumers if they briefly let down their guard. To promote anti-fraud outreach work, the FSC has marshaled the resources of its various bureaus and financial industry self-regulatory organizations, and borrowed upon important anti-fraud outreach materials that have already been developed by them to launch a special Chinese-language anti-fraud outreach section on the Web (URL: <https://moneywise.fsc.gov.tw/home.jsp?id=24&parentpath=0&type=1>). This website section presents information on cases of fraud to illustrate actual tricks employed by scammers, educate the public on how to guard against such scams, and inform people about what to do after discovering they've been scammed. This approach will help members of the public to spot financial scams and thus prevent such scams from succeeding. Information on the anti-fraud section is accessed via four different tabs labeled "Financial fraud red flags," "Risk warnings," "Outreach videos & resources," and "What the FSC has done." This presentation enables visitors to find all the information they're looking in a single place, including the following:

1. Financial fraud red flags: This tab provides information on financial scams that have occurred a lot recently, how to avoid falling for them, and what to do when you have (or suspect you may have) been defrauded.
2. Risk warnings: This tab reminds visitors of frequently seen scam risks, provides lists of lawful financial services firms, describes the tell-tale signs of illegal firms, and provides information on how to lodge complaints or seek advice.
3. Outreach videos & resources: This tab provides links to anti-fraud outreach videos and websites with special anti-fraud sections.
4. What the FSC has done: This tab informs visitors of measures that the FSC has taken to prevent financial fraud.

The FSC further reminds the public to avoid financial fraud with "five don'ts," which are "Don't accept calls from strangers, don't click on unfamiliar links, don't believe sure-fire investment tips supposedly coming from divine sources, don't fear nonsensical threats, and don't give out your personal information." The FSC welcomes members of the public to make use of the anti-fraud section of the Moneywise website to obtain comprehensive anti-fraud information, develop a proper awareness of fraud, and learn to guard against financial fraud.

### *2022 Financial Literacy Campaign for the Campus and Community*

In the month of October 2022, the FSC held 37 activities at different locations, including Fugang Elementary School in Taitung County, as part of the 2022 Financial Literacy Campaign for the Campus and Community, attracting 2,816 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.