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Advisor Cheng Cheng-Mount
Huang Tien-Mu
Shih Chiung-Hwa

Executive Editor

Department of Planning

Publishers & Editorial Office

Financial Supervisory
Commission

Add 18F., No.7, Sec. 2, Xianmin
Blvd., Banqiao Dist., New
Taipei City 22041, Taiwan,
Republic of China

Tel 8968-0899

Fax 8969-1271

E-mail planning@fsc.gov.tw

Website <http://www.fsc.gov.tw>

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Anti-Corruption Hotline 0800-088-789

- Amendments to the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies
- The FSC allows Securities Investment Trust Enterprises (SITEs) to set up a PE fund through a subsidiary, to manage a PE fund under mandate and to introduce investors to participate in the PE Fund
- Amendments to the Regulations Governing Securities Investment of Credit Cooperatives
- Amendments to the Regulations Governing Offshore Securities Branches and the Regulations Governing Offshore Insurance Branches for enhancement of customer Due Diligence (CDD) measures of offshore securities branches and offshore insurance branches

Policy and Law

Amendments to the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies

The FSC amended and issued on July 28, 2017 the above three regulations to urge independent directors to exercise their professional supervisory functions, enhance the functions of the board, and meet needs in actual practice. Key points of the amendments include:

1. Strengthening the duties and functions of the audit committee, and increasing the transparency of its meetings: the audit committee may resolve to invite relevant persons to attend meetings as non-voting participants; if an audit committee member has any possible conflict of interest in a matter to be discussed at a meeting, the member shall specify the key content of its interest, and shall recuse if there is any likelihood of adverse impact on the company's interests, and the circumstance shall be recorded in the meeting minutes; meetings shall be recorded in their entirety in audio or video and shall be well preserved.
2. Enhancing independent directors' participation in the operations of the board: at least one independent director shall attend board meetings in person, in order to enhance the independent director's understanding of the company's operations.
3. Disclosure of nomination of independent directors that have served for three terms or more: taking into reference similar regulations abroad, the amendment provides that a public company shall, when nominating for the company's independent directors any person that has already served as an independent director for three consecutive terms, announce the reasons why the company continues to nominate the same person to serve as an independent director at the same time as it announces the results of the review of the nominees, and shall present the aforementioned reasons to the shareholders at the time of the independent director election at the shareholders meeting.
4. Members of the special committees on public tender offer reviews or on mergers and

acquisitions are also allowed to serve as independent directors: the members of the abovementioned committees duly providing business, legal, financial and accounting services or consultations to the company with respect to public tender offers and mergers and acquisitions, may be exempted, as members of the remuneration committee currently are, from the application of the provisions not allowing such persons to act as independent directors in Article 3, Paragraph 1, Subparagraph 7 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The FSC allows Securities Investment Trust Enterprises (SITEs) to set up a PE fund through a subsidiary, to manage a PE fund under mandate and to introduce investors to participate in the PE Fund

In order to expand the business scope of SITEs and encourage domestic institutional investors to invest in domestic real industries in an effort to drive domestic economic development, the FSC issued an order to allow SITEs to apply for approval to engage in the following business activities related to PE funds on August 3, 2017.

1. SITEs can invest in domestic/foreign subsidiary which serve as GP (General Partner), set up a PE fund with co-investors (as LP, Limited Partner) and take charge of the fund's operation.
2. SITEs can manage a PE fund under mandate and shall establish a specialized unit dedicated to the management activities. As a PE Fund may involve in operation and management of invested companies, the SITEs may assign its personnel of such unit to the managed PE Fund or the invested companies it manages to assume specific positions.
3. SITEs can introduce institutional investors specified in Article 4 of the Financial Consumer Protection Act to participate in the managed PE Fund and provide related services.

Amendments to the Regulations Governing Securities Investment of Credit Cooperatives

The FSC introduced the amendments to the Regulations on July 28, 2017, allowing credit cooperatives to invest in "common shares of component companies of the TPEX 50 Index (GreTai 50 Index) publicly announced by the Taipei Exchange", in order to adequately improve surplus funds investment efficiency, while controlling their investment risks at the same time. The FSC has also tightened the financial health criteria for credit cooperatives and raised the limits of investments by credit cooperatives in securities investment trust funds, domestic stocks listed in domestic stock exchange and the OTC and a single financial holding company.

Amendments to the Regulations Governing Offshore Securities Branches and the Regulations Governing Offshore Insurance Branches for enhancement of customer due diligence (CDD) measures of offshore securities branches and offshore insurance branches

To enhance the CDD requirements for offshore securities units ("OSUs") and offshore insurance units ("OIUs") and prepare for Asia/Pacific Group on Money Laundering (APG) evaluation the FSC promulgated amendments of the two Regulations on August 18, 2017. The main points of the amendments include strength of the CDD measures of OSU and OIU, stipulation of the process for a third party assisting OSU and OIU with CDD measures, stipulation that an OSU or OIU accepting insurance applications and doing business with customers must not solicit or assist domestic customers to change their status to non-residential status when they apply for insurance, and that a related internal control system should be established.

Promulgation of the Regulations Governing the Establishment and Compliance Matters of Offshore Banking Branches and Regulations Governing the Establishment of Offshore Securities Units and consequent amendments to the Offshore Banking Act Enforcement Rules

With the authorization granted by Article 3 and Article 22-3 of the

Offshore Banking Act, the FSC promulgated the two regulations with the Central Bank on August 8, 2017. The two regulations set the requirements on applications for OBU and OSU establishment, application documents and allocation of minimum working capital for operation. Moreover, the FSC also deleted the provisions about requirements on OBU and OSU establishment and other related requirements in the Offshore Banking Act Enforcement Rules for the promulgation of these two Regulations.

Promulgation of partial amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Publicly Held Bills Finance Companies

As Taiwan will adopt the International Financial Reporting Standard (IFRS) 9 "Financial Instruments" ("IFRS 9") in 2018 to be in line with the IASB's implementation schedule, the FSC promulgated partial amendments to the aforementioned regulations on August 2, 2017 and these amended regulations will take effect in fiscal year 2018. All of these regulations are amended in line with IFRS 9 and key points of the amendment include modification of accounting items under assets, liabilities and profit/loss, adjustments of related attached forms and detailed list of important accounting items, and requiring that information related to financial instruments be disclosed in notes of the financial reports.

The FSC announced amendment to the Regulation Governing Public Tender Offers for Real Estate Investment Trust Beneficiary Securities

To enhance the public tender offers system for REIT beneficiary securities, the FSC announced the amended to the Regulation on August 11, 2017. The main points of the amendments include the following: (1) In principle, the public tender offeror may not change the time, manner or place for payment of tender offer consideration; (2) The public tender offeror shall provide proof that it has the ability to perform payment of the tender offer consideration, including a performance guarantee issued by a financial institution or written confirmation provided by a financial consultant or CPA that the offeror has the ability to pay the tender offer consideration; (3) If the public tender offeror does not complete the payment by the time for payment of the tender offer consideration as specified in the prospectus, the tenderer may terminate the contract without issuing any notice of payment due; (4) Matters of special note have been added; external expert's evaluation or opinions cited in the public tender offer prospectus have to be disclosed for the reference of investors.; (5) If the public tender offeror uses a multilevel acquisition the identities of the ultimate provider of funds, the plans relating to the funds arrangement and other important information shall be disclosed.

The FSC allows futures commission merchants engaged in foreign futures trading to trade on foreign exchanges through another domestic futures commission merchant qualified as a member of a foreign futures exchange

In order to meet the business needs of futures trading brokers for foreign futures trading, the FSC issued the order No 1060023566 on July 27, 2017. According to the order, a domestic futures commission merchant that is a member of the relevant foreign futures exchange and has obtained proof that a clearing member of the futures clearing house can handle its clearing and settlement may be engaged by other futures commission merchants for foreign futures trading.

Status of commercial reverse mortgage services provided by banks (house for pension program)

In an aging society with low birth rate, the FSC has continued to encourage banks to make relevant adjustments of resource allocation and planning based on demographic changes, in order to satisfy needs of seniors for financial products and services. Such effort aims to help seniors achieve economic independence and receive better profits from financial products or services provided by the banking industry. The banking industry has actively provided different loan arrangements since the first bank began to accept applications from seniors for

commercial reverse mortgages with their own houses/properties (Taiwan Cooperative Bank was the first bank to provide such service in November 2015). Principal repayment methods of such loan arrangements include monthly repayment of fixed amount and repayment with trust arrangement and annuity insurance. The borrowers may contact the bank for applications of a loan that meets his/her practical needs according to his/her age, financial status, health condition and cost of living.

Considering that reverse mortgage borrowers are seniors, attorney consultation or third-party attestation are available to help borrowers (seniors) and the parties having responsibility to notify banks (usually legal inheritors) understand important terms and conditions in the reverse mortgage agreement when the bank grants reverse loans, in order to protect customer rights.

According to the statistics, a total of 10 banks, including Taiwan Cooperative Bank, Land Bank of Taiwan, Taiwan Business Bank, First Commercial Bank, Hua Nan Commercial Bank, Bank of Kaohsiung, Bank of Taiwan, CTBC Bank, Taishin International Bank and Shanghai Commercial and Savings Bank, have provided reverse mortgages. As of the end of June 2017, a total of 1,751 applications for reverse mortgage loan had been accepted and a total of NT\$ 9.309 billion of loans had been approved.

Amendments of the Regulations Governing Preparation of Financial and Operational Reports by Insurance Enterprises

As Taiwan will adopt International Financial Reporting Standard 9 "Financial Instruments ("IFRS 9") along with the international community in 2018, the FSC introduced the amendments to some articles of the above Regulations on August 23, 2017. Key points of the amendments are as follows:

1. Accounting item changes for IFRS 9 and related statements:
 - (1) Two new asset items, namely financial assets at fair value through other comprehensive income and financial assets measured at amortized cost, are added, while four IAS 39 items, including available-for-sale financial assets, financial assets (liabilities) measured at cost, debt instrument investments for which no active market exists and held-to-maturity financial assets, are removed. Moreover, requirements are also set for disclosure of financial instrument information in the notes of financial report.
 - (2) According to IFRS 4 "Insurance Contracts", insurance companies may choose the overlay approach for their adoption of IFRS 4 and those choosing such approach shall disclose related information according to the standard.
2. Schedules/statements related to the accounting items and the list of important accounting items are adjusted.

The FSC introduced further deregulation to waive the requirement of signature of the insurance applicant and the insured for application for specific types of non-life insurance

On August 29, 2014, the FSC waived the requirement of signature of the insurance applicant and the insured for applications for 5 non-life insurance products, including compulsory automobile liability insurance, when the proof of the insurance applicant's willingness to apply is available. On 28 July, 2017, the FSC also waived the requirement of signature for applications by foreign enterprises in Taiwan for commercial fire insurance and liability insurance. The FSC also revised the business item to which signature waiving originally applied from "residential fire insurance contract renewal" to "contract renewal of fire insurance and automobile insurance."

Amendments to some articles of the Regulations Governing Derivatives Transactions Conducted by Insurance Companies

In order to strengthen risk control measures for investments in structured products by the insurance industry and ensure consistency of regulations governing reporting requirements for internal audit reports prepared by insurance companies for their financial derivatives transactions, the FSC introduced the amendments to Article 13, 14 and 16 of the Regulations

on August 23, 2017.

1. Considering that structured products, which may incur significant risks, are one type of financial derivatives that insurance companies may invest in, insurance companies shall devise specific trading strategies before making such investments. In this context, insurance companies are required to incorporate structured products investment strategies into their guidelines and policies of the internal financial derivative trading process.
2. As it is necessary for insurance companies to regularly assess their structured products positions in terms of investment performance and status of compliance with current trading strategies and determine whether such position has incurred more risks than it can bear, insurance companies investing in structured products are required to review the investment performance of such positions at least once a month in order to evaluate the compliance with its current trading strategies and the impact of the risks incurred by such positions on their financial health.
3. Currently, internal audit reports prepared by insurance companies shall be presented to the competent authority according to the provision of Paragraph 2 of Article 20 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises, which also stipulates the condition for waving such reporting requirement. In this context, the FSC removed the regulation that requires insurance companies engaged in financial derivative trading prepare an audit report on such trading activities and present it to the competent authority. Such removal is made for regulatory consistency in order to facilitate compliance of the insurance industry.

Industry Updates

FSC holds the "Evaluation of Handling of Property Trusts for Seniors and the Mentally or Physically Disadvantaged by Trust Enterprises" Awards Ceremony and Colloquium

The FSC held the "Evaluation of Handling of Property Trusts for Seniors and the Mentally or Physically Disadvantaged by Trust Enterprises" awards ceremony and the "Future Trends and Outlook in the Handling of Property Trusts for Seniors and the Mentally or Physically Disadvantaged by Trust Enterprises" colloquium on July 17, 2017 in the Lecture Hall of the Taiwan Academy of Banking and Finance. Premier Chuan Lin was invited to give a speech and present the awards. Over 200 people attended from government agencies, city and county governments, social welfare groups and financial institutions.

This measure was launched in 2016 and will run for five years. Banks with outstanding performance in this area are selected and rewarded annually. This year is the first time the evaluation and awards ceremony have been held. The 10 award winners included First Commercial Bank, Hua Nan Commercial Bank, Land Bank of Taiwan, Bank of Taiwan, Taiwan Cooperative Bank, Cathay United Bank, Taiwan Business Bank, E. Sun Commercial Bank, Bank of Kaohsiung and Mega International Commercial Bank.

In his speech, Premier Lin said that Taiwan is on the verge of becoming an aged society. As this trend continues, it will inevitably have impacts on society, economy and financial markets. Therefore, the government is now actively building a long-term care system in Taiwan. This aims at building a basic long-term care service through consumer-end, industry-end and government-end cooperation so that people can receive basic medical treatment and care protection in old age. Banks had mainly focused on deposit business and loan business in the past. Today, enhancing the handling of trust business directed at seniors and the mentally or physically disadvantaged will not just raise the value of the banking industry, it will also reinforce the protection of people's economic security. Premier Lin also thanked the FSC, the Ministry of Health and Welfare, city and county governments, the financial industry and social welfare groups for jointly promoting aged society welfare measure and continuing to provide financial services for seniors, fulfilling their social responsibilities.

FSC agrees to allow DBS Bank Taiwan to acquire the consumer finance and wealth management businesses of ANZ Bank Taiwan

As of September 30, 2016 (base date of estimate,) the total assets of ANZ Bank Taiwan's business that will be acquired by DBS Bank Taiwan were estimated at NT\$59.941 billion, and liabilities were estimated at NT\$51.752 billion. DBS Taiwan estimates that, on the separation base date (November 25, 2017), its total assets will reach NT\$419.179 billion, and it will have 48 domestic branches.

The FSC said that ANZ Bank Taiwan has fewer branches in Taiwan than other foreign bank subsidiaries and after this acquiring by DBS Bank Taiwan, ANZ Bank Taiwan will be able to focus on its corporate finance business. As for DBS Bank Taiwan, the growth in the scale of its Taiwan business will help to promote resource integration, generate economy of sale and increase competitiveness, and provide more diverse services to customers.

NPL ratio for domestic banks at 0.30% as of the end of July 2017

The total outstanding loans of domestic banks stood at NT\$26,584.4 billion as of the end of July 2017, up by NT\$113.6 billion from the previous month, while their total NPLs were NT\$78.7 billion, generating an average NPL ratio of 0.30%, both the same figures as the end of previous month. The NPL coverage ratio of Taiwan's domestic banks stood at 459.70% at the end of July 2017, up by 4.14 percentage points from the figure of 455.56% at the end of the previous month.

NPL ratio for credit cooperatives at 0.13% as of the end of July 2017

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$561 million as of the end of July 2017, generating an NPL ratio of 0.13%, the same as the ratio at the end of June 2017. The NPL coverage ratio, in the meantime, was 1,541.59%, up by 54.56 percentage points from 1,487.03% at the end of June 2017.

Net foreign investments in listed shares

As of the end of July 2017, foreign and Mainland China investors had bought around NT\$ 3, 600.2 billion and sold around NT\$ 3, 339.2 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative net inward investment of around NT\$261.0 billion. Meanwhile, on the Taipei Exchange, foreign and Mainland China investors bought around NT\$ 334.4 billion and sold around NT\$319.2 billion, making for a net inward investment of around NT\$ 15.2 billion. The figure for cumulative net inward remittances by offshore foreign institutional investors, Mainland China investors, offshore overseas Chinese, and offshore foreign nationals as of the end of July 2017 stood at approximately US\$211.8 billion, down by around US\$900 million from the US\$212.7 billion as of the end of June 2017.

Investor and Consumer Protection

FSC reminds consumers to pay attention to the difference between liability insurance and injury insurance

The FSC stated that liability insurance and injury insurance are two different kinds of insurance products and differ with respect to scope of coverage, subject matter insured, the insured, claim requirements and handling of claim payment. Disputes often arise as a result of the two types of product being mixed up by consumers. Consumers should clarify the differences between these two products and choose an insurance product that best suits their needs. By doing so, they will gain added protection of their rights and interests.

FSC reminds the public that insurance can't solve debt problems

After the reports of insurance fraud in the news in recent days, the FSC said that insurance is intended to mitigate unspecified future risk and, if an accident occurs, risk is transferred and dissipated and losses made up through the insurance system. In essence, it is a kind of protection, not a way to profit. If the objective of arranging insurance coverage is to cause the death of the insured to claim the insurance benefit, apart from the offender facing criminal liability, the insurance benefit cannot be collected because, under the regulations of articles 109 and 121 of the Insurance Act, the insurance company is not liable to pay the insurance benefit for an insurance contract if the motive for buying the insurance policy was to cause the death of the insured to claim the insurance benefit.

The Insurance Anti-Fraud Institute was established through the efforts of various quarters of society to prevent and stop insurance fraud and to help the insurance market develop soundly. The Institute works closely with investigation and prosecution agencies and carries out insurance crime surveys, with the aim of protecting the rights and interests of the vast majority of insurance policy holders who purchase insurance in good faith. The FSC reminds consumers that they should have correct ideas of the objective of insurance and not take a chance on using insurance to make a profit or solve debt problems to avoid a situation they and their family will always regret.

2017 School and Community Financial Literacy Campaign

In August 2017, FSC held nine financial literacy promotion sessions at schools and groups, including the Eden Social Welfare Foundation in Taipei City, as part of its 2017 School and Community Financial Literacy Campaign. A total of 431 participants attended. These sessions are free of charge and have been very well received since their inception in 2006. 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.

Personnel Changes

Personnel change at the FSC

Director General of the FSC's Insurance Bureau, Mang-Chih Lee retired on August 15, 2017. The vacant position was filled by Kuei-Mao Wu, the Director General of the Examination Bureau; the vacant position of Director General of the Examination Bureau was filled by Li-chuan Wang, the Director General of the Banking Bureau; FSC Secretary General, Jean Chiu was promoted to the Director General of the Banking Bureau. All the appointments were approved by the Executive Yuan and became effective on August 15, 2017.

The vacant position of FSC Secretary General was filled by Chiung-Hwa Shih, Deputy Director of the FSC Insurance Bureau; the vacant position of Deputy Director of the Insurance Bureau was filled by Li-Ling Tsai, Secretary General of the FSC Securities and Futures Bureau; the vacant position of Secretary General of the Securities and Futures Bureau was filled by Hung-Ming Jian, Section Chief of the same bureau. All the appointees became effective on September 1, 2017.