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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](mailto:planning@fsc.gov.tw)

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

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Ministry of Justice Anti-Corruption Hotline 0800-286-586

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- The Financial Technology Development and Innovative Experimentation Act was passed in the Legislative Yuan
- Amendments to the Securities Investment Trust and Consulting Act
- Amendments to the Certified Public Accountant Act
- Amendments to the Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises, and issuance of the relevant interpretative order
- Amendments to the Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions

### Policy and Law

#### *The Financial Technology Development and Innovative Experimentation Act was passed in the Legislative Yuan*

The Legislative Yuan passed the Financial Technology Development and Innovative Experimentation Act ("the Act") on December 29, 2017. According to the FSC, the credit of passing the Act by the end of this session shall go to all legislators who have paid attention to Fintech development for a long time, the Executive Yuan and personnel of related central government agencies. Their collaboration during the review and draw-up process of the Act has made passage of the first financial regulatory sandbox law in the world possible. This Act will not only create a regulatory environment that is favorable to business development of the financial industry, but also greatly facilitate domestic Fintech development and significantly increase the competitiveness of domestic financial industry.

The Act covers establishment of a Fintech innovative experimentation mechanism and creation of a safe environment for Fintech R&D and pilot trials of the financial industry and related sectors, while maintaining financial market order, protecting customer rights, and serving the purpose of the Act - responsible innovation. According to the Act, natural persons, proprietary business, partnership and legal person may apply for innovative experiments related to any financial business activity subject to the FSC's approval according to laws. Non-residents may also submit such applications through an agent. The FSC will set up an exclusive unit responsible for acceptance, review and assessment of applications for innovative experiments and invite experts, scholars and related agencies/institutions to participate in the process. The experimentation period is up to one year and the applicant may apply for a one-time extension up to six months. However, when the experiment involves regulations that should be amended, the experimentation period extension is not subject to the restriction of a one-time extension and the overall period may be extended to three years. In the case where the experiment is genuinely innovative and can increase financial service efficiency, lower costs or advance the interests of financial customers, the FSC will actively review the need to amend related financial regulations, provide assistance with starting a business or strategic alliance and ask related institutions to provide guidance on setting up a business based on the results/progress of the innovative experiment. During the innovative experiment period, the applicant is not subject to criminal liability and administrative responsibility under related financial regulations, and the FSC will also help waive the requirement of compliance with specific applicable regulations, orders or directions on a case-by-case basis after consultation with related government agencies.

The FSC will draw up related regulations and enhance related supervisory measures according to the authorization granted by the Act as soon as possible, taking several principles into consideration, including innovation, fairness, customer protection, information security and related risk control. During this process, the FSC will bring together startup owners, financial business owners and related government agencies (institutions) to fully participate in the discussion and actively express their opinions in order to meet needs of the industry and cope with business development trends. Meanwhile, the FSC plans to establish the "Fintech Space" based on the concept of business clusters in Singapore or the UK and has chosen the 13th floor of Yangde Mansion on Nanhai Road in Taipei City as the venue to accommodate initial operating activities of the startups. The FSC also plans to strengthen industry-academia-research cooperation and international linkage in order to encourage more startups to join its effort and bring into play a good business cluster effect.

Combining implementation of the Act and the operation of the "Fintech Space", the FSC hopes to speed up collaboration between the financial service industry and non-financial service sector, allowing Fintech business opportunities to be grasped and the Fintech business of domestic companies to be developed, to increase financial market efficiency and quality through joint effort, diversifying financial services for the public and furthering financial inclusion in Taiwan.

## **Amendments to the Securities Investment Trust and Consulting Act**

The Legislative Yuan passed the Securities Investment Trust and Consulting Act on December 29, 2017 to increase the competitiveness of the domestic asset management industry and promote sound operation of securities investment trust and consulting enterprises. The amendments include two new articles and five amended articles.

1. Amendment of Article 11: the limit for total number of offerees of private placement of a securities investment trust fund is raised from 35 persons to 99 persons.
2. Addition of Article 16-1 and amendment of Article 111: the addition and amendment specify the legal basis for bankruptcy remoteness of a securities investment trust enterprise and a securities investment consulting enterprise with regard its acquisition of assets on behalf of the investor and set related punishments.
3. Amendment of Article 17: the operational procedure for investment activities of a securities investment trust enterprise is streamlined; the requirement for a standardized written report on the securities investment trust enterprise's investments or transactions with fund capital is waived and such operational activity is now managed through the internal control system of the enterprise.
4. Amendment of Article 30: the requirement for submitting the current asset ratio of securities investment trust fund to Ministry of Finance for its approval is deleted.
5. Amendment of Article 62: restriction on discretionary investment operation is lifted for customers meeting specific criteria.
6. Addition of Article 105-1: the addition specifies criminal liability of securities investment trust and consulting enterprise personnel for breaching their duties.

## **Amendments to the Certified Public Accountant Act**

The Legislative Yuan passed the Certified Public Accountant Act on December 29, 2017 to cope with changes in domestic practices and appropriately adjust regulatory requirements for CPAs for sound administration of CPA business activities and development. The amendments include adding passive qualification requirements of a CPA, deleting the regulation that allows replacement of practical training with pre-professional training, imposing a specific requirement for continuing professional education, emphasizing compliance with the regulatory requirement for a CPA to obtain CPA Association membership for his/her practice, and imposing the requirement of signing a co-location contract for establishment of a co-location CPA firm.

## **Amendments to the Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises, and Issuance of the relevant interpretative order**

The FSC amended the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises on December 29, 2017, allowing an insurer to make contribution to long-term care institutions registered in accordance with relevant laws and invest in other limited partnership enterprises regulated by the competent authority. Meanwhile, the FSC has also imposed related investment limits and loosen the threshold of subsequent review for an insurer's investment in venture capital industry.

In addition, the FSC issued a relevant interpretive order on Jan 2, 2018, under which investment by an insurer in a domestic fund created by a national investment company is not subject to pre-approval by the competent authority and is eligible subsequent review. Meanwhile, an insurer is allowed to invest in domestic private equity funds created by national investment companies or subsidiaries of investment trust enterprises for investments in enterprises in the "5+2 innovative industries" and infrastructure projects.

## **Amendments to the Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions**

In view of mobile payment service development and applications of new technology, on December 28, 2017 the FSC introduced the amendments of some articles of the Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions to make payment service of electronic payment institutions more convenient while ensuring fund transfer security. Key points of the amendments are as follows:

1. Addition of a new user identity authentication method: a physical device in the possession of the user (e.g. a cell phone with biometrics authentication function) is used to collect and store the user's biometrics for authentication purpose and the authentication data is then read by system of the electronic payment institution for verification purpose.
2. Addition of a new ID authentication method when logging into an electronic payment platform.
3. Stipulation that the user may carry out transactions subject to security design limits within the timeframe set by the connection control and

timeout mechanism without entering the password again.

4. Revision of safety design requirements for "mobile device applications" of electronic payment platform and introduction of new design requirements regarding "adoption of bar code scanning technology."

## **Amendments to the Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business**

In line with current market development, to meet practical needs and enhance control and management of the financial derivatives business of the banking industry, the FSC introduced the amendments of the Regulations on February 1, 2018. Key points of the amendments are as follows: (1) Agricultural Bank of Taiwan and postal service institutions which also conduct the remittance are recognized as professional institutional investors; (2) when the company headquarters meet the criteria for high net worth corporate investor, a subsidiary wholly-owned and guaranteed by the company or local branch of the company may also submit an application to become a high-net-worth corporate investor; (3) a bank shall establish and maintain an effective product valuation and control mechanism to prudentially examine the reasonableness of product price and mark-to-market value; (4) a bank is required to tighten its controls on structured products business, including the restriction that does not allow it to actively sell such products to customers who make investments inactively or are economically underprivileged; when a bank provides the structured product trading service to a natural person customer for the first time, it shall assign a staff member to explain the product to the customer. In the case of a derivative product without principal guarantee, a bank shall assign a staff to provide explanation and audio-or video-record the selling process; (5) a bank has to obtain approval for securities dealers business license before it can trade convertible/exchangeable corporate bonds for engaging in Taiwan stock-linked equity derivatives transactions.

## **Amendments to the Regulations Governing the Disclosure of the Relevant Information Concerning the Capital Adequacy and Risk Management**

The FSC introduced the amendments of Regulations Governing the Disclosure of the Relevant Information Concerning the Capital Adequacy and Risk Management on Jan 9, 2018 for compliance with market discipline principle of the third pillar of the Basel III Accord. The amendments, which took effect on Dec 31, 2017, lay down more strict disclosure requirements for forms and set new requirements for net stable funding ratio and remuneration system disclosure table.

## **Relax qualifications for offering and issuing professional board international bonds by a foreign financial institution branch**

In order to attract various high-quality foreign bond issuers to issue bonds in Taiwan to diversify bond investment vehicles and to facilitate sound development of the domestic bond market, the FSC approved the amendments to the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds on Dec 28, 2017. In the case that a foreign financial institution or its parent company meets related regulatory criteria and its stock is listed on a stock exchange which is a formal member of the World Federation of Exchanges, its branch is allowed to offer and issue professional board international bonds in Taiwan.

## **Introducing deregulatory measure regarding foreign bond products that securities firms are allowed to trade over the counter**

In order to increase investment instruments for investors having funds in foreign currencies, increase liquidity of book-entry bonds market and meet practical needs of OBU operation in the banking industry, the FSC issued an order on Jan 8, 2018, allowing securities firms to trade foreign bonds with repurchase or resale agreements over the counter with non-professional investors. In the case that the OBU is concurrently engaged in proprietary trading of foreign bonds, it may trade structured notes denominated in foreign currencies with offshore professional institutional investors, high net worth corporate investors, and professional corporate investors or funds with total assets over NT\$100 million.

## **Scope of eligibility for custodians of discretionary investment assets widened**

In order to help domestic investment trust and investment consulting enterprises receive engagements from government-owned funds for foreign investment activities and considering related regulations on government funds already set specific requirements for custodians of discretionary investment assets, the FSC expanded the scope of eligibility for custodians of discretionary investment assets on Jan 9, 2018; in the case that a government-owned fund is a customer of discretionary investment service and regulations governing criteria for custodian of its discretionary investment assets are already in place, such regulations shall apply.

### ***Exception made to the regulatory restriction that does not allow different investment accounts managed by the same associate person of SITEs and SICEs to make opposite investment decisions.***

With regard to the regulatory restriction that does not allow different investment accounts managed by the same associate person of SITEs and SICEs to make opposite investment decisions, give reverse trade advice, or carry out reverse transactions for one investment instrument when the fund manager is also the discretionary investment manager or the fund manager/ the discretionary investment manager is also a securities investment analyst, the FSC has made an exception to this restriction; the restriction does not apply to subscription or redemption transaction of open-end funds which are from a securities investment trust enterprise or an offshore fund management institution. The aim is to help investment trust enterprises and investment consulting enterprises streamline their investment process and increase their investment efficiency. However, when the fund manager/discretionary investment manager and the concurrent securities investment analyst providing advice are engaged in the aforementioned investment activities, they shall provide a reasonable analytical basis, fully explain the necessity of such investment decisions and report such information to the responsible supervisor afterward for recordation.

### ***Amendments to the Plan of Advance Excellence for SITEs to increase securities investment trust enterprise participation willingness***

In order to encourage securities investment trust enterprises ("SITEs") to upgrade their asset management human resources and techniques, increase the size of assets under their management and expand their business in the international market, the FSC introduced amendments to the Plan of Advance Excellence for SITEs on Jan 4, 2018 and related Q&A, relaxing criteria for a number of performance assessment indicators. First, the requirement for gradually reducing the percentage of funds mandated or appointed to overseas consultants over the years is relaxed. Second, the FSC has deleted the requirement of 10% annual growth rate for three indicators, including overseas sale of securities investment trust funds, engagements by foreign investors for investment consulting services, and foreign investments in securities investment trust funds. The FSC has introduced three new auxiliary parameters for performance assessment of an SITE. First, the SITE has achieved significant results with issuance of green funds (including ETF) investing in domestic enterprises. Second, the SITE has achieved significant results by working with the distribution institutions on promotion, and calculating the sales incentive pay on the AUM basis. Third, the SITE has successfully retained high-performance talent in core areas of asset management, including investment research, product design, risk control and investment transaction, with significant increase of compensation.

### ***Amendment to the Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds to Encourage Offshore Funds to Contribute to Taiwan's economy***

In order to encourage offshore fund institutions to contribute to Taiwan's economy, the FSC amended the Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds on Dec 28, 2017. When a master agent or offshore fund institution applies for establishment of a business venue in Taiwan, it shall meet the criterion of not having record of any material regulatory violation or serious misconduct within 3 years prior to the application date. The FSC has also adjusted the performance indicator 2.4 regarding the eligibility requirements for offshore fund institutions investing in domestic investment trust funds. Also, in the case that the master agent or offshore fund institution has achieved significant results by working with the distribution institution on a promotion campaign, and calculating the sales bonus on the AUM basis, such results can also be an auxiliary parameter for performance assessment of the offshore fund institution.

### ***Fund distributors are required to undertake annual self-assessment***

In order to master the compliance status and sales practice appropriateness of fund distributors, the FSC issued an order on Dec 27, 2017 requiring fund distributors to review the fund distribution business of the preceding year in the first quarter of each year, complete the preparation of a self-assessment report and submit it to the Securities Investment Trust and Consulting Association by the end of March. The association will then report related information to the FSC.

### ***Amendments to Article 32 of the Regulations Governing Managed Futures Enterprises and Article 2 of the Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals***

The FSC issued two orders on Jan 5 and Jan 11 of 2018, allowing managed futures enterprises to trade domestic and foreign futures and make securities investments with discretionary assets. The fund provided by the customer

and the fund received for clearing and settlement purpose can be in NTD or foreign currencies. This deregulatory measure is designed to increase fund utilization efficiency of managed futures enterprises. The FSC has also allowed managed futures enterprises to accept a mandate from overseas Chinese and foreigners for discretionary securities trading, in order to channel their investment funds into the domestic securities market.

### ***Changes made to compulsory automobile liability insurance rate table, increasing premiums for drunk-driving***

In order to reasonably reflect drunk driving claims cost of compulsory automobile liability insurance, the FSC has worked with the Ministry of Transportation and Communications and introduced the table of surcharges for compulsory automobile liability insurance on December 29, 2017; current surcharge for one-time drunk driving, which is NT\$ 2,100, will be raised to NT\$ 3,600. In other words, the total surcharge for drunk driving is the sum of the fixed surcharge NT\$ 3,600 multiplied by the number of drunk driving records during the previous year. There is no limit for the total surcharge and the amended premium rate table will take effect on March 1, 2018.

### ***Amendment to Article 7 of the Required Qualifications and Directions for Life Insurance Companies to Engage in Foreign-currency Denominated Non-investment-linked Life Insurance Business and issuance of a related interpretative order for the lifted ceiling on sale of traditional insurance policies denominated in RMB***

(Given that investment instruments for RMB capital has become more diversified) since domestic insurance company started to sell non-investment-linked life insurance policies with premium collected and benefit paid in RMB, the FSC deleted the regulations regarding sales ceiling specified in Subparagraph 3, Paragraph 3 and Paragraph 4 of Point 7 of the Required Qualifications and Directions for Life Insurance Companies to Engage in Foreign-currency Denominated Non-investment-linked Life Insurance Business on December 25, 2017 with the aim of increasing the market size and stimulating product innovation. Meanwhile, the FSC has also required domestic life insurance companies engaged in the aforementioned business to control and manage asset-liability allocation risk and incorporate such control and management measures into their internal control and internal audit systems.

### ***Issuance of an interpretative order on the amendment to Paragraph 1 of Article 34 of the Regulations Governing Insurance Brokers and Paragraph 1 of Article 34 of the Regulations Governing Insurance Agents regarding business activities, exempting mobile device insurance products from specific signature requirement***

On December 29, 2017, the FSC issued an interpretative order that amended insurance product types exempt from signing requirement as prescribed in Paragraph 1, Article 34 of the Regulations Governing Insurance Brokers and Paragraph 1, Article 34 of the Regulations Governing Insurance Agents. According to the order, the aforementioned exemption product types include mobile devices' insurance.

### ***Issuance of an interpretative order on the regulations governing loans extended by the insurance enterprises to the same party, the same related party or the same affiliate enterprise and other transactions***

On December 29, 2017, the FSC issued an interpretative order on the regulations regarding the calculation of the aggregate amount of transactions. In the case of asset transactions, whenever buying asset positions, the aggregate amount of transactions shall be calculated according to the requirements specified in Order No 09800101002 issued on August 27, 2009, while selling asset positions, the booked amounts shall be deducted from the aggregate amount. In the case of revenue or expense transactions, all rent(s) or charge(s) paid to or collected from the same party, the same related party or the same affiliate enterprise during the current year shall be included in the calculation of the aggregate amount of transactions with this counterparty and start the calculation all over again for the following year.

### ***Issuance of an interpretative order on Article 15 of the Regulations Governing Pre-sale Procedures for Insurance Products***

In order to meet practical needs regarding review process for major insured amounts and commercial fire insurance products provided to international corporations in Taiwan, the FSC issued an interpretation order for Subparagraph 2, Paragraph 1 of Article 15 of the Regulations Governing Pre-sale Procedures for Insurance Products. According to the order, in the case of major insured amount and commercial fire insurance products provided to international corporations in Taiwan which are subject to a

recording requirement for the product review process and issue binders due to uncertain underwriting conditions, the insurance company shall prepare related information and send it to the competent authority or its designated agency for recording purpose within 15 days following the issue date of the policy.

## Industry Updates

### **EASYCARD's application to allow stored value cards to be used for online transactions approved**

On December 26, 2017, the FSC approved EASYCARD Corporation's application to allow its issued stored value cards to be used for online transactions. It makes it the first stored value card that can be used for online transactions in Taiwan.

EASYCARD Corporation will issue a stored value card in registered card-based form. After the consumer activates the card, he/she will be able to engage in instant online transactions via internet and physical specially-engaged institutions that equipped networking environment by using card based (physical card sensing) and/or non-card based (by smart phone code scan or using the user's code and password.) Initially, the new product will be used in online stores where EASYCARD cannot be used at present; in future, as if the terminal equipment has been installed and system has been updated through brick-and-mortar stores, the new product will gradually both be used in all stores and to pay for public transport rides.

### **JKOPAY's application for a specialized e-payment institution business license approved**

On January 11, 2018 the FSC approved JKOPAY's application for a specialized e-payment institution business license, making it the sixth specialized e-payment institution approved by the FSC.

According to Paragraph 1 of Article 10 of the Act Governing Electronic Payment Institutions, to operate a specialized e-payment institution, a license application should be made to the competent authority attaching the required documents. JKOPAY had made such an application and, after agreement by the Central Bank, the FSC approved the application. In future, JKOPAY will be able to conduct businesses including to collect and make payments for real transactions as an agent, to receive stored value, and to carry out transfer between e-payment accounts.

To date, six specialized e-payment institutions and 25 concurrent e-payment institutions have been approved, showing that the e-payment industry is growing in Taiwan. The FSC has built a sound, flexible regulatory environment, encouraged financial institutions to provide consumers with diverse, convenient and secure e-payment tools, created a secure, convenient and trustworthy payment environment and thus assisted e-payment and e-commerce industries development.

### **FSC assisting insurance firms to prepare for adoption of IFRS 9 (Financial Instruments)**

To assist insurance firms adopt IFRS 9 Financial Instruments, the FSC is supervising and assisting firms with preparatory work; guidance is being provided to help these firms overcome problems they face and the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises has been amended to facilitate the adoption of IFRS9 in 2018 at the same time as the standards are adopted internationally.

For the insurance industry, the major change that will occur with IFRS 9 adoption is different categorization of financial assets; when specific types of assets are measured at their fair values after such re-categorization, their unrealized valuation gains and losses will be determined by market fluctuation, resulting in different owner's equity.

### **Childcare provider professional liability insurance approved**

On December 21, 2017, the FSC approved Childcare Provider Professional Liability Insurance and Childcare Provider Professional Liability Insurance-Extended Outdoor Activities Clause. The aforementioned insurance policies will provide cover for childcare providers when, while providing childcare services in a specific place, their negligence breaches the duty of care that a childcare provider should have, resulting in injury or death of the child (children) they are taking care of, and they should bear compensation liability according to the law; in such circumstances, when a claim is made against the policy holder, these insurance policies will be activated, thus transferring the risk childcare providers face when doing their work.

### **NPL ratio for domestic banks at 0.28% as of the end of December 2017**

The total outstanding loans of domestic banks stood at NT\$27,056.3 billion as of the end of December 2017, up by NT\$60.0 billion from the previous month while their total NPLs were NT\$74.7 billion, down by NT\$6.6 billion from the previous month's figure of NT\$81.3 billion, generating an average NPL ratio of 0.28%, down by 0.02 percentage points from 0.30% at the end of

previous month. The NPL coverage ratio of domestic banks stood at 492.92% at the end of December 2017, up by 35.28 percentage points from the figure of 457.64% at the end of the previous month.

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

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$487 million as of the end of December 2017, generating an NPL ratio of 0.11%, down by 0.02 percentage points from 0.13%, at the end of November 2017. The NPL coverage ratio, in the meantime, was 1,810.29%, up by 289.81 percentage points from 1,520.48% at the end of November 2017.

### **Net foreign investment in listed shares**

As of the end of December 2017, foreign and Mainland China investors had bought around NT\$6,769.2 billion and sold around NT\$ 6,614.0 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative net inward investment of around NT\$155.2 billion. Meanwhile, on the Taipei Exchange, foreign and Mainland China investors bought around NT\$724.2 billion and sold around NT\$691.5 billion, making for a net inward investment of around NT\$ 32.7 billion. The figure for cumulative net inward remittances by offshore foreign institutional investors, Mainland China investors, offshore overseas Chinese and foreign nationals as of the end of December 2017 stood at approximately US\$208.1 billion, down by around US\$1.1 billion from the US\$209.2 billion at the end of November 2017.

## Investor and Consumer Protection

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

As part of 2017 School and Community Financial Literacy Campaign, in 2017 the FSC held 457 financial literacy promotion sessions at schools and organizations, including at Kaohsiung Municipal Dingjin Elementary School, and a total of 55,589 participants attended. The sessions are free and have struck a chord since their inception in 2006. As of the end of 2017, in all, 5,228 sessions have been held and over 890,000 people attended. The target participants include students at all levels of schools, communities, women' groups, indigenous people, immigrants and military service personnel.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2018. 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

### **14 Local banks fined from NT\$2 million to NT\$10 million or ordered to take corrective action for shortcomings relating to the Ching Fu Group credit case**

For deficiencies in the area of corporate governance, credit review and loan control or anti-money laundering etc. relating to the Ching Fu Group loan case, 14 local banks were issued the following penalties:

1. Eight banks, namely First Commercial Bank, Land Bank of Taiwan, Bank of Kaohsiung, Bank of Taiwan, Mega International Commercial Bank, Taichung Business Bank, Hua Nan Commercial Bank, and Taiwan Cooperative Bank were found to have been wanting in the area of establishing or properly implementing internal control mechanisms when handling the Ching Fu Group credit case, in violation of Paragraph 1 of Article 45-1 of the Banking Act, and were fined NT\$2 million to 10 million.
2. Six banks, namely Chang Hwa Bank, the Export-Import Bank of the ROC, Shin Kong Bank, Yuanta Bank, Taichung Commercial Bank and TC Bank were found to have had incomplete systems or management mechanisms and to have failed to investigate and verify and retain a record of the tracks of investigation and verification for suspicious transactions when handling the Ching Fu Group credit case, raising concern about the sound operation of the banks. They were ordered to take corrective action under Article 61-1 of the Banking Act.

### **Bank of Kaohsiung fined NT\$4 million for violation of Paragraph 1 of Article 45-1 of the Banking Act after an employee fraudulently opened an account and received a loan, and charged a customer excessive fees.**

After an employee of Bank of Kaohsiung used the opportunity provided by his job to fraudulently open an account and apply for a loan and misappropriated the loan money and charged the customer excessive fees, the FSC deemed the bank to have had deficiencies in terms of establishing or not properly implementing an internal control system, raising concerns about the soundness of operation. For violation of Paragraph 1 of Article 45-1 of the Banking Act, the bank was fined NT\$4 million and ordered to remove the offending employee from his position under Subparagraph 3, Paragraph 1 of Article 61-1 of the Act.