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- Preview of draft regulations proposed in accordance with the authorization by the Financial Technology Development and Innovative Experimentation Act
- Amendments to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies
- Foreign central and local governments allowed to issue international bonds on the professional board in Taiwan
- New category of “E-commerce” was formally introduced for TPEX-listed companies

Policy and Law

Preview of draft regulations proposed in accordance with the authorization by the Financial Technology Development and Innovative Experimentation Act

Considering that the Financial Technology Development and Innovative Experimentation Act (“the Act”) was promulgated by the President on Jan 31, 2018 and is expected to be enacted by the end of April, 2018 and the three related regulations will be enacted with the Act on the same day for regulatory compliance of the industries and enactment of the competent authority, the FSC previewed the drafts of the three regulations to solicit public opinions, including the Regulations Governing Financial Technology Innovative Experimentation, the Regulations Governing the Operations of Financial Technology Innovative Experimentation Review Meetings and Evaluation Meetings and the Regulations Governing the Charge of Financial Technology Innovative Experimentation Related Civil Dispute Handling Fees according to the Administrative Procedure Act on March 9, 2018. The deadline for opinion expression is April 9, 2018.

According to Paragraph 2, Article 2 of the Act, the competent authority shall set up a specific unit dedicated to related tasks. Therefore, the FSC has expanded the role and function of the FinTech Office and changed its name to “Financial Technology Development and Innovation Center”, which is responsible for tasks, such as developing Fintech and conducting innovative experiments. The Center also provides counseling and coaching service on Fintech business. Business owners interested in applying for innovative experiments on Fintech can contact it at (02)8968-0086, (02)8968-0081, (02)8968-0240 and (02)8968-0707 or fintechcenter@fsc.gov.tw for assistance. The FSC will appoint dedicated officers to help and guide the applicants with application-related matters.

According to the FSC, the three draft regulations will be published on the Executive Yuan Gazette, and the FSC will also provide summary and description about each article of them on its website. If any party has any opinion about them, please present it on the web page of “draft regulations announcement forum” on the website of the Laws and Regulations Database (<http://law.fsc.gov.tw/law>) within 30 days following the next day of announcement.

Amendments to the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies

In order to prevent the situation that a proxy solicitor does not attend shareholder meetings and impairs the exercising of voting right of the proxy of the shareholder, and prevent unfair proxy solicitation practices through giving different solicitors souvenirs, the FSC introduced amendments to the Regulations to well establish proxy solicitation requirements on March 29, 2018. Key points of the amendments are as follows:

(1) A new article is introduced to require a proxy solicitor to attend a shareholder's meeting under the shareholder's mandate and the solicitor should not include any information suggesting that the proxy solicitor may choose not to attend the shareholder's meeting in the document and advertisement for solicitation of proxies. In addition, anyone who has been subject to the FSC's disciplinary action in the previous three years shall not be a proxy solicitor.

(2) In order to maintain the fairness of proxy solicitation practice, companies are required to give their souvenirs to the solicitors based on the principle of fairness.

Foreign central and local governments allowed to issue international bonds on the professional board in Taiwan

To increase diversity of international bond products and issuers and to scale up the domestic bond market in Taiwan, the FSC announced an order on April 3, 2018 allowing foreign central and local governments to issue international bonds on the professional board in Taiwan. To be eligible, issuers must meet the requirements stipulated by Taipei Exchange.

New category of "E-commerce" was formally introduced for TPEX-listed companies

In response to increasingly diverse business models due to economic development and considering that more and more companies adopting e-commerce business model are listed on the Taipei Exchange, the FSC has worked with the Taipei Exchange on the amendments of the "Taipei Exchange Directions for Classifying and Adjusting the Industry Categories of TPEX Listed Companies", which introduces new industry category of "e-commerce." A TPEX-listed company generating its revenue mainly from transfer of products' ownership or provision of services via the Internet or other electronic media may submit the application to Taipei Exchange for being categorized as "e-commerce business" if it presents a document prepared and signed by a CPA to prove that the aforementioned revenue accounted for 50% (or 80%) or more of its annual operating revenue of the last two years (or last year). Six TPEX-listed companies have been re-categorized as "e-commerce businesses" on March 12, 2018, including PChome(ticker code 4965), Sunfun (ticker 5278) □ addcn(ticker 5287) □ PChome Online (ticker 8044) □

GOMAJI(ticker 8472) □ Kuobrothers(ticker 8477).

In addition, the Taipei Exchange will review the categorization of all TPEX-listed companies every year according to the "Taipei Exchange Directions for Classifying and Adjusting the Industry Categories of TPEX Listed Companies" for proper categorization of its listed companies. TPEX-listed companies may apply to the Taipei Exchange for adjustment of their industry category within one month after their annual financial reports are submitted. TPEX-listed companies meeting the criteria set by the Taipei Exchange for "e-commerce business" may also submit their applications for re-categorization then. This practice will expedite proper categorization of e-commerce companies and help them develop synergy of industry cluster when going listing and will increase the understanding of investors to the e-commerce industry.

International Activities

FSC signs fintech cooperation agreement with the Polish Financial Supervision Authority

FSC Chairman Wellington L. Koo and Chairman of the Polish Financial Supervision Authority Mr. Marek Chrzanowski together signed a financial technology cooperation agreement on March 6. The agreement will facilitate cooperation on fintech development and supervision between the two authorities and also provide more opportunities for fintech companies in Taiwan and Poland.

Industry Updates

FSC agrees Taiwan Cooperative Bank Co., Ltd. to establish two more sub-branches in Cambodia

The FSC gave a green light to the Taiwan Cooperative Bank Co., Ltd. (TCB) to increase the number of sub-branches under its Phnom Penh branch by applying to add Veng Sreng and Sihanoukville sub-branches on March 8, 2018. TCB's move to expand its presence in the country is motivated by its steady economic growth and takes into account the bilateral trade and investment between Taiwan and Cambodia. The additional sub-branches will expand TCB's Southeast Asian financial services network and help TCB to better assist Taiwan-owned companies smoothly develop their business in the region. At present, the bank's Phnom Penh branch has four sub-branches (namely Tuek Thla, Pur Senchey, Siem Reap and City Center) and the two new ones will make the total number of sub-branches to six. In addition, TCB has one subsidiary bank, twelve branches, five sub-branches and two representative offices overseas, in Belgium, the Philippines, the US, Hong Kong, Mainland China, Australia and Myanmar, respectively.

The FSC stated that the branch presence of domestic banks in Cambodia at present is the following: Cathay United Bank and E.Sun Bank both have a subsidiary bank, TCB, First Commercial Bank and Mega International Commercial Bank each has a branch and the Shanghai Commercial & Savings

Bank, Ltd has a representative office.

Approval for Allianz Taiwan's transfer of partial business, assets and liabilities of its traditional life insurance policies to China Life

After reviewing and considering that the division is beneficial to business development of both Allianz Taiwan Life Insurance Company Limited ("Allianz Taiwan") and China Life Insurance Co., Ltd. ("China Life"), the FSC approved the transfer of partial business, assets and liabilities of Alliance Taiwan's traditional life insurance policies to China Life through division arrangement on February 27, 2018.

According to respective evaluation of the two companies, after the deal of policy transfer is completed, Alliance Taiwan will still commit itself to a long-term presence in the domestic insurance market and continue operating in a stable and sound way in Taiwan. Alliance Taiwan plans to develop different products, including insurance products providing protection benefits, and China Life will increase its business size and customer base.

In order to protect the rights and interests of policy holders, the FSC has asked China Life to present its policyholders' interests statement and promise that the terms and conditions regarding liabilities and rights in the policy agreement remain unchanged. The FSC has also asked China Life to present its statement of service continuity to policyholders and promise that China Life will continue to provide service to holders of policies transferred from Alliance Taiwan since the date of policies transfer.

NPL ratio for domestic banks at 0.29% as of the end of February 2018

The total outstanding loans of domestic banks stood at NT\$27,265.0 billion as of the end of February 2018, up by NT\$99 billion from the previous month while their total NPLs were NT\$78.2 billion, up by NT\$1.7 billion from the previous month's figure of NT\$76.5 billion, generating an average NPL ratio of 0.29%, up by 0.01 percentage points from the previous month. The NPL coverage ratio of domestic banks stood at 477.04% at the end of February 2018, down by 8.23 percentage points from the figure of 485.27% at the end of the previous month.

NPL ratio for credit cooperatives at 0.13% as of the end of February 2018

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$613 million as of the end of February 2018, generating an NPL ratio of 0.13%, up by 0.01 percentage points from 0.12%, at the end of January 2018. The NPL coverage ratio, in the meantime, was 1,459.55%, down by 210.75 percentage points from 1,670.30% at the end of January 2018.

Net foreign investment in listed shares

As of the end of February 2018, foreign and Mainland China investors had bought around NT\$ 1,270.9 billion and sold around NT\$ 1,294.5 billion worth of shares on the

Taiwan Stock Exchange, making for a cumulative outward investment of around NT\$23.6 billion. Meanwhile, on the Taipei Exchange, foreign and Mainland China investors bought around NT\$140.6 billion and sold around NT\$135.0 billion, making for a net inward investment of around NT\$ 5.6 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 February 2018 stood at approximately US\$210.6 billion, down by around US\$2.6 billion from the US\$213.2 billion at the end of January 2018.

Investor and Consumer Protection

FSC reminds consumers that the "Compulsory Automobile Liability Insurance Drunk Driving Surcharge Mechanism" has been implemented, and calls on people not to drink and drive

The FSC reminds people that Compulsory Automobile Liability Insurance (CALI) began implementing a drunk driving surcharge mechanism on March 1, 2014. If a driver drives after drinking and is caught by the police, the case will be included in the record of the car owner; if the insured party has a drunk driving record in the previous year, a premium surcharge will be imposed when CALI is purchased according to the number of drunk driving records; for every case of drunk driving recorded in the previous year, a surcharge of NT\$2,100 was originally imposed, with no limit on number of vehicles, number of times or total surcharge. From March 1, 2018 on, the surcharge for each recorded case of drunk driving was raised from NT\$2,100 to NT\$3,600. The FSC calls on people not to drink and drive to avoid being subject to an insurance premium surcharge and, more importantly, to protect themselves and others.

FSC reminds people to read the policy terms carefully when buying insurance

The FSC said that the rights and obligations between policyholders and insurance companies should uphold are agreed in the insurance contract. If an insurance event occurs, the claim for compensation that a policy beneficiary makes to an insurance company should also be based on the contents of the contract signed between the two parties, thus reading the policy contract carefully is the first step for a policyholder to protect his/her rights and interests. The FSC suggests that consumers gain an understanding of the basic attributes of the insurance product they buy, the scope of coverage (payment items) and exclusions, and read the product introduction, so that they can grasp the key points of an insurance product easily and efficiently.

The FSC calls on people to take out Residential Earthquake Fundamental Insurance (REFI) to reduce earthquake losses

The FSC recommends that people buy REFI to reduce property losses in the event of an earthquake. This insurance

policy provides basic earthquake protection for residences for “total loss” that comes from the insured residence collapsing or becoming uninhabitable due to earthquake or landslide, subsidence, landslip, crack, breach, tsunami, high tide and flood caused by earthquake. The maximum insured amount at present is NT\$1.5 million, together with temporary accommodation allowance of NT\$200,000. The premium is NT\$1,350 annually per household. As of the end of January 2018, around 2.9 million households had purchased REFI coverage, giving an insured rate of 33.73%.

2018 School and Community Financial Literacy Campaign

As part of 2018 School and Community Financial Literacy Campaign, in March 2018, the FSC held 47 financial literacy promotion sessions at schools and organizations, including Fenggui Elementary School in Penghu County, and a total of 4,473 participants attended. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of 2017, in all, 5,228 sessions had been held and over 890,000 people attended. The target participants include students at all levels of schools, communities, women’s 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

Land Bank of Taiwan fined NT\$1 million

Land Bank of Taiwan failed to carry out reporting of large-amount cash transactions, reported after the statutory time limit and merged multiple large-amount cash transactions when reporting, in violation of Paragraph 1, Article 7 of the Money Laundering Control Act and Article 4 of the Regulations Governing the Reporting of Cash Transactions over a Certain Amount and Suspected Money Laundering Transactions by Financial Institutions. Under Paragraph 3, Article 7 of the aforementioned Act, the FSC imposed a fine of NT\$1 million on Land Bank of Taiwan.

The FSC added that the Money Laundering Control Act, which was amended on December 28, 2016 and the amendments that came into effect on June 28, 2017, raised the fine range for violating the regulations on the reporting of cash transactions over a certain amount and suspected money laundering transactions from NT\$200,000 to NT\$1 million to NT\$500,000 to NT\$10 million, and also added a fine of NT\$500,000 to NT\$10 million for failure to meet the requirements regarding confirmation of customer identity and record preservation by financial institutions. Financial institutions that violate the regulations after the amended Money Laundering Control Act came into effect will be fined

according to the aforementioned new regulations.

The FSC imposed NTD 2.4 million penalty on South China Insurance Co., Ltd and issued three reprimands

The FSC has imposed a NTD 2.4 million penalty on South China Insurance Co., Ltd and issued three reprimands according to Paragraph 1, Article 149 and Paragraph 4 and Paragraph 5, Article 171-1 of the Insurance Act for the following regulatory breaches: (1) factors of multiple premises and factors of deductible adjustments were not accurately measured based on coverage for calculation of premium rates of insurance products; (2) payment or fund transfer dates were later than effective dates of automobile insurance policies; (3) the company did not verify the identity of card holder for premium payment with the credit card when there were multiple card holders for one credit card number; (4) the company failed to establish regular audit and active notification mechanisms for payments that should have been made to policyholders over the years and such negligence was not favorable to protection of customer rights and interests and sound operation of the company; (5) the commission rate paid by the company was over the loading rate for group accident insurance.; (6) the company’s archived information about interested parties subject to transaction restrictions was incomplete.

Chunghwa Post Co., Ltd ordered to halt the sale of Postal Simple Life Insurance contracts for six months (excluding policy renewal cases)

From 2009, Chunghwa Post Co., Ltd.’s salesperson surnamed Chang illegally solicited insurance business and misappropriated premiums, affecting the rights of many policy holders and the period of violation was very long, however, the violations were not discovered by the company’s internal control and internal audit systems, illustrating that the systems were slack. Under Paragraph 1, Article 149 of the Insurance Act, a reprimand was issued, and, under Subparagraph 1, Paragraph 1 of the same Article, the company’s Keelung Post Office and all its branches were ordered to halt the sale of new Postal Simple Life Insurance contracts for six months (excluding policy renewal cases), Chunghwa Post was also required to submit an improvement plan to the FSC and will only be allowed to re-start selling Postal Simple Life Insurance when the FSC confirms that the necessary improvements have been made (including checking that no other post offices in Taiwan are affected by similar violation cases).

Also, with regard the salesperson Chang, the company has been required by the FSC to cancel her registration in accordance with the Regulations Governing the Administration of Supervision of Postal Simple Life Insurance.