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Advisor Chang Chuang-Chang
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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- Amendments to the Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions
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Policy and Law

The promotion situation of FinTech development

At the Cabinet Meeting on September 6, 2018, the FSC reported the "promotion situation of FinTech development". Premier Lai Ching-te gave his affirmation and said that FinTech and innovation are important elements for enhancing the competitiveness of financial market, and also assist other industries' development and enhance economic growth. The important results at present of the FSC's three main FinTech development strategies are as follows:

1. Upgrading of the financial industry: An environment for FinTech innovative application has been built from the three dimensions of product R&D, talent nurturing and development environment.
2. Innovative development of FinTech: The FSC encourages to use new technology or business models in the financial market by establishing the FinTech innovative experimental mechanism and FinTechSpace, and holding the "FinTech Taipei 2018".
3. Information security and supervision: The FSC promotes information security information early warning, response and joint defense of information security to upgrade overall response and defense capability by establishing the Financial Information Sharing and Analysis Center ("F-ISAC"). Also, the FSC continues to deepen international supervisory cooperation to jointly respond to international development trends and exchange experience.

The FSC said that the aforementioned three strategies will continue to be promoted and, taking the actual implementation situation and market needs into consideration, the FinTech development policies will be reviewed on a rolling review basis and measures will be renewed as required. In addition, the FSC will continue to adjust financial regulations and formulate differentiated management mechanisms for financial innovation, and will encourage startups and financial institutions to cooperate, by providing their necessary assistance; at the same time, the FSC takes both consumer rights and interests and stability of the financial system into account to achieve the objective of financial inclusion.

The promotion of continuous trading on the securities market, with operations set to begin on March 23, 2020

On September 3, 2018 the FSC announced that the continuous trading system will be promoted to increase trading efficiency and information transparency on the securities market overall and to align with international practices. After discussing overall planning with Taiwan Stock Exchange ("TWSE"), Taipei Exchange ("TPEX") and the Taiwan Securities Association, and reaching a consensus on the promotion of continuous trading, the system is expected to become operational on March 23, 2020, allowing securities firms and investors to have sufficient time to prepare.

As the promotion of continuous trading system is a major market reform and involves quite a few different aspects, TWSE and TPEX have been asked to carefully implement system establishment and testing and, together with the Taiwan Securities Association, to carry out advocacy directed at securities firm employees and investors to facilitate the implementation of the system.

Amendments to the Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions

The FSC amended some of the clauses of the aforementioned Regulations on August 28,

2018, to make payment for purchases by e-payment accounts more flexible and increase payment convenience for account holders; the main points of the amendments are as follows:

1. Increase in the convenience of using a credit card to deposit stored value funds under the precondition of risk control.
2. Simplification of the e-payment account registration and account opening process and documents for government agencies, public schools and public enterprises.
3. With the precondition of the annual transaction limit of NT\$360,000 for First Category e-payment accounts, flexible adjustment of the monthly transaction amount of NT\$30,000 is allowed.

The loosening of this regulation will make payment simpler and more convenient for account holders and will help promote mobile payment. The FSC will continue to actively promote measures to popularize e-payment with the aim of building an e-payment-friendly environment.

Issuance of the interpretive order pursuant to Article 5 of the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises

The FSC issued the aforementioned interpretative order on September 3, 2018, allowing insurers to invest in domestic private equity funds established by the subsidiaries of securities companies for investing in the 5+2 industries and public infrastructure.

Amendments to partial provisions of the Mandatory Provisions of Standard Form Contract for the Business of Electronic Payment Institutions and Template of Standard Form Contract for the Business of Electronic Payment Institutions

The FSC introduced amendments to the regulations governing specific business activities for alignment with the Act Governing Electronic Payment Institutions on September 20, 2018. The amendments have the following key points:

1. Adding the definition of "payment via agreed linked deposit account" and "integration and conveyance of receipt/payment information for recipient users."
2. The electronic payment institutions shall agree with people using credit cards or agreed linked deposit accounts to deposit stored value funds automatically on the limit of every transaction, daily translation(s) and related conditions.
3. Adding new conditions specified in Article 4 of the Guidelines for Anti-Money Laundering and Countering Terrorism Financing for Electronic Payment Institutions Template, specific users are not allowed to apply for electronic payment service or carry out transactions, including those suspected of opening anonymous accounts, using fake names, creating shell firms, refusing to provide the required documents for identifying and verifying their identity, using forged or (altered) identification documents and providing suspicious or unclear documents.
4. Users depositing stored value funds with credit cards can only conduct the transactions in NTD, and the stored value funds shall not be used for fund transfer or withdrawal between different accounts for electronic payments.
5. Electronic payment institutions are now required to comply with the Regulations Governing the Standards for Information System and Security Management of Electronic Payment Institutions when they collect and make payments for real transactions as agents and carry out information system security activities.

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

In line with the adoption of International Financial Reporting Standards No. 16 "Leases" ("IFRS 16") in 2019, the FSC announced partial amendments to the aforementioned regulations on September 11, 2018 to enhance the transparency of financial information. The

amendments include addition of accounting items including "right-of-use asset" and "lease liability" and stipulation that information relevant to leases should be disclosed in line with the requirements of IFRS 16. Besides, the amendments take into account regulatory needs and adjust related appendices to employee benefits expenses.

Amendments to regulations governing credit rating of offshore structured products for non-professional investors

Considering the need of market participants and the protection of investors, the FSC amended to the order authorized by Article 17 and 18 of the Regulations Governing Offshore Structured Products on August 30, 2018. The key points of the amendments focus on the credit rating requirement for offshore structured products offered to non-professional investors for trust investment, brokerage trade or linking to investment-linked insurance policies. The required credit ratings of the long-term debt for the issuers or guarantors and the issue rating of the offshore structured products are relaxed from previous above A+/A1 to A/A2. The amendments can encourage international issuers to enter the domestic market and diversify the choices for investors in terms of financial products available in the market.

Waiving the requirement of financial report and opinion of independent accountant for a public company acquiring or disposing securities

In order to align with related business practices, the FSC has reviewed and amended the order authorized by Article 10 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies. The new order, issued on August 29, 2018, waives the requirement for a public company to obtain financial report and opinions of a certified public accountant on the reasonableness of transaction price provided that the acquisition or disposal of securities accounts for 20% of the company's paid-in capital or beyond NT\$300 million. The key amendments are as follows:

1. A public company may be exempt from said requirements provided that it acquired the securities of another company created according to the foreign laws and the cash invested is equivalent to the right obtained.
2. In the case that a public company and a wholly owned subsidiary buy shares of each other with cash as part of organizational restructuring of the group, the requirement for the company on acquisition and presentation of the financial statements and opinion of independent accountant is waived.
3. For a financial institution whose business activities focus on investment activities, such as a financial holding company, a bank, an insurance company, or a securities firm, the said requirement to obtain opinions of a certified public accountant is waived, provided that the company has deployed related valuation models and systems and carry out valuation based on appropriate models or statistical methods.

International Activities

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FSC and the Taiwan Academy of Banking and Finance hold the Conference on the Outlook of Internet-only Banks: Implications of International Developments for Taiwan

To allow the private sector and the financial regulators to understand the global banks' practice, the FSC and the Taiwan Academy of Banking and Finance hold the Conference on the Outlook of Internet-only Banks: Implications of International Developments for Taiwan, which was held on August 29, 2018. Internet-only bank operators from Japan, South Korea and Mainland China were invited to visit Taiwan to share their experiences. Meanwhile, the FSC also arranged one-on-one meetings to exchange views with these operators on the practical operations and business development of Internet-only banks before and after the conference.

Industry Updates

Amount invested in FinTech development by the financial industry this year set to exceed NT\$10 billion

The FSC invited the Taiwan Financial Services Roundtable to carry out a survey of the FinTech investment situation by domestic financial institutions in 2017, the targets including the associations of bankers, bills finance, securities, futures, investment trust and investment consulting, life insurance and non-life insurance, peripheral units such as Taiwan Stock Exchange, Taiwan Futures Exchange, Taipei Exchange, Taiwan Depository & Clearing Corporation, Financial Information Service Co., Ltd., National Credit Card Center of R.O.C., and the Joint Credit Information Center, and startup teams guided by the Financial Technology Development Fund. The important data is as follows:

1. FinTech budget allocated by financial institutions: The total was NT\$7.85 billion in 2017 and will be an estimated NT\$12.47 billion in 2018, with an annual increase of 59%.
2. Number of personnel responsible for FinTech related business: 7,158 in 2017; there was an increase of 1,210 FinTech employees in 2017, with an annual increase of 20%.
3. Cooperation situation of financial institutions and FinTech businesses: 86 financial institutions and FinTech businesses engaged in business cooperation in 2017; the most of business cooperation types was payment, followed by big data, technology, information security, cloud services, robo-advisor, lending, blockchain and insurance technology.
4. FinTech patents: There were 651 patents applications in 2017, and 341 were approved.

From 2019 the securities and futures markets will not trade nor deliver and settle on weekend work makeup days

The FSC said that, in order to align with international market trading norms and make trading convenient for investors, after collecting the opinions of securities and futures firms and reaching a consensus, from 2019 there will be no trading nor delivery and settlement on the securities and futures markets on bank weekend work makeup days.

FSC announced the list of insurance companies rewarded for outstanding performance in support of the Program for Improving Insurance Protection for the People

The FSC is implementing the Program for Improving Insurance Protection for the People with the aim of allowing insurance to fully bring into play its protection function and provide the people with adequate personal insurance protection. Companies that meet certain requirements in terms of performance under the Program are rewarded by being allowed to submit more new products for review. The list of rewarded companies is announced periodically. 15 life insurance companies were rewarded for outstanding performance under the Program for January-June 2018 by being allowed to submit an extra one to four new insurance products for review, namely, Bank Taiwan Life Insurance Co., Ltd., Taiwan Life Insurance Co., Ltd., PCA Life Assurance Co., Ltd., Cathay Life Insurance Co., Ltd., China Life Insurance Co., Ltd., Nan Shan Life

Insurance Co., Ltd., Shin Kong Life Insurance Co., Ltd., Mercuries Life Insurance Co., Ltd., Allianz Taiwan Life Insurance Co., Ltd., First Life Insurance Co., Ltd., BNP Paribas Cardif TCB Life Insurance Co., Ltd., Prudential Life Insurance Company of Taiwan Inc., AIA International Limited Taiwan Branch, Cardif Assurance Vie, Taiwan Branch, and Chubb Tempest Life Reinsurance Ltd., Taiwan Branch.

NPL ratio for domestic banks at 0.27% as of the end of August 2018

The total outstanding loans of domestic banks stood at NT\$28.03 trillion as of the end of August 2018, up by NT\$162.5 billion from the previous month while their total NPLs were NT\$74.9 billion, down by NT\$0.6 billion from the previous month's figure of NT\$75.5 billion. The average NPL ratio kept flat at 0.27%, compared to that at the end of previous month. The NPL coverage ratio of domestic banks stood at 517.42% at the end of August 2018, up by 7.53 percentage points from the figure of 509.89% at the end of the previous month.

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

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$613 million as of the end of August 2018, generating an NPL ratio of 0.13%, the same as the ratio at the end of July 2018. The NPL coverage ratio, in the meantime, was 1,502.59%, up by 40.67 percentage points from 1,461.92% at the end of July 2018.

Net foreign investment in listed shares

As of the end of August 2018, foreign and Mainland China investors had bought around NT\$ 5,538.9 billion and sold around NT\$ 5,760.2 billion worth of shares on the Taiwan Stock Exchange, making for a cumulative outward investment of around NT\$221.3 billion. Meanwhile, on the Taipei Exchange, foreign and Mainland China investors bought around NT\$665.3 billion and sold around NT\$ 675.2 billion, making for a net outward investment of around NT\$ 9.9 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 August 2018 stood at approximately US\$201.6 billion, down by around US\$600 million from the US\$202.2 billion at the end of July 2018.

Overseas and Mainland China investment situation of domestic listed companies in the second quarter of 2018

The FSC stated that, according to TWSE and TPEX figures, the overseas and Mainland China investment situation in the second quarter of 2018 was as follows:

1. Mainland China investment
 - (1) Number of companies: 662 TWSE-listed companies and 523 TPEX-listed companies have invested in Mainland China, for a total of 1,185 companies, accounting for 75.24% of the 1,575 TWSE- and TPEX-listed companies, down by 7 companies compared with the end of 2017.
 - (2) Accumulated investment amount: Accumulated investment by TWSE-listed companies was NT\$2.15 trillion and NT\$237.8 billion by TPEX-listed companies, for a total of 2.38 trillion, up by NT\$67.8 billion compared with the end of 2017.
 - (3) Investment profit or loss: TWSE-listed companies made a profit of NT\$116.6 billion, and TPEX-listed companies made a profit of NT\$3.2 billion, for a total of NT\$119.8 billion, up by NT\$13.2 billion compared with the second quarter of 2017.
2. Overseas investment (not including Mainland China)
 - (1) Number of companies: 702 TWSE-listed companies and 551 TPEX-listed companies have invested overseas, for a total of 1,253 companies, accounting for 79.56% of the 1,575 TWSE- and TPEX-listed companies, up by 2 companies compared with the end of 2017.
 - (2) Accumulated investment amount: Accumulated investment by TWSE-listed companies was NT\$5.63 trillion and NT\$521.2 billion by TPEX-listed companies, for a total of NT\$6.15 trillion, up by NT\$178.3 billion compared with the end of 2017.
 - (3) Investment profit or loss: TWSE-listed companies made a profit

of NT\$209.1 billion, and TPEx-listed companies made a profit NT\$20.8 billion, for a total of NT\$229.9 billion, up by NT\$36.8 billion compared with the second quarter of 2017.

Profit/loss, net value and exchange gains/losses of the insurance industry in July 2018

The pre-tax profit of insurance enterprises at the end of July 2018 was NT\$120.1 billion, up by NT\$38 billion, or 46.3%, compared with the same period last year; the pre-tax profit of life insurance enterprises was NT\$108.8 billion, up by NT\$35.9 billion, or 49.2%, compared with the same period last year; the pre-tax profit of non-life insurance enterprises was NT\$11.3 billion, up by NT\$2.1 billion, or 22.8%, compared with the same period last year.

The owners' equity of insurance enterprises at the end of July 2018 was NT\$1.5653 trillion, up by NT\$163.9 billion, or 11.7%, compared with the same period last year; the owners' equity of life insurance enterprises was NT\$1.4462 trillion, up by NT\$156.4 billion, or 12.1%, compared with the same period last year; the owners' equity of non-life insurance enterprises was NT\$119.1 billion, an up by NT\$7.5 billion, or 6.7% compared with the same period last year.

From 2018 to the end of July, the NTD exchange against the USD fell by 2.57%, and the net effects of exchange gains/losses of life insurance enterprises was about negative NT\$123.3 billion. The balance of foreign exchange valuation reserve of life insurance enterprises was NT\$41.8 billion, decreasing NT\$3.3 billion from the previous month.

Investor and Consumer Protection

2018 online financial literacy quiz contest kicked off

In order to increase financial literacy of society overall, provide teenagers the motivation to voluntarily acquire relevant information, and familiarize them with correct understanding of financial services, the FSC is holding the 2018 online financial literacy contest for students of junior and senior high schools from August 20 to October 12, 2018.

In order to spread financial knowledge about mobile payment and familiarize students with mobile payment through campus events for promotion of mobile payment services and increase of their popularity, the FSC set up a new website (www.multiridea.com) this year, and the participants of the contest can draw their inspiration from the content of the website to create videos. The online quiz competition presents true/false and multiple choice questions on several aspects, including everyday financial matters and knowledge, regulations, consumption and finance, protection of financial consumer rights and interests, and financial news, based on the content of Money Wise website created by the FSC and the curriculum of junior high and senior high schools. Moreover, the Financial Literacy Promotion Pages created by the FSC on its website have listed links of websites about financial knowledge education and provide related resources for participants.

In addition, in order to decrease the urban-rural gap and encourage junior high school students in remote areas and on offshore islands to actively participate in the contest, a specific quota has specifically reserved for participants from these areas. A participation award and the best team leader award will be presented after the contest ends to encourage students to participate in the event and their teachers to lead the team. All junior and senior high school students interested in the contest are welcome to sign up as a team for the competition. Please visit the website <https://financeknowledge.tabf.org.tw/> for more information or contact Taiwan Academy of Banking and Finance, the event organizer, at (02)3365-3555.

The insurance industry activates voluntary caring service measures in response to the losses caused by the torrential rain of the recent tropical depression

In response to the losses in central and southern Taiwan resulting from the torrential rains of the tropical depression on August 23, 2018, the FSC has urged insurers to voluntarily provide various

caring measures, including the 0800 toll-free line, free re-issue of policies, original policy loan or deferred payment of interest, deferred premium fee for policy renewal, fast and initiative settlement of claim, home service etc.

FSC reminds consumers of things to pay attention to when buying investment-linked insurance products

As investment-linked insurance products vary in terms of types and premium structure and the investment-related risks are borne by the policy holders, the FSC reminds consumers to carefully assess the risks of each product and understand the premium price structure in detail before buying such products to avoid disputes.

The FSC suggest that consumers go to the website of the Taiwan Insurance Institute to learn more about the attributes and basic information of investment-linked insurance products. Before buying an investment-linked insurance product, consumers can go to the website of the Life Insurance Association of the Republic of China to learn about the premium collection standard, applicable conditions and underwriting and security regulations for the investment-linked insurance products of each insurance company, and confirm if such products meet their actual needs. In addition, after buying an investment-linked insurance product, if a consumer finds that the product does not meet their needs, they can, according to the insurance contract, cancel the contract within 10 days of the day after the policy was received, and the insurance company should return all the premium received unconditionally.

2018 School and Community Financial Literacy Campaign

As part of 2018 School and Community Financial Literacy Campaign, in September 2018, the FSC held 28 financial literacy promotion sessions at schools and organizations, including Shumei Elementary School in Taoyuan City, and a total of 5,192 participants attended. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of August 2017, in all 5,536 sessions have been held and over 920,000 people have 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)8968-9709.

Major Enforcement Actions

Shareholders of Chang Hwa Bank were fined

The shareholders of Chang Hwa Commercial Bank Ltd., including the same person or same concerned party, failed to report their holdings in violation of Paragraph 2, Article 25 of the Banking Act. In response, the FSC imposed a fine of NT\$6 million on the shareholders involved in accordance with Paragraph 3, Article 128, and Paragraph 7, Article 25 of the Banking Act. The excess shares not reported shall have no voting rights and the shareholders involved have been ordered to dispose of them within a set period of time.

Farglory Life Insurance Inc. was fined

When a salesperson of Farglory Life Insurance Inc. collected premium payment in cash and handled policy loans, she failed to adhere to the Directions for Collecting Premiums Authorized by Insurance Enterprises and the Guidelines for Security Operations Control Handling Procedure drawn up by the company, and the company also failed to save related checking records, amongst other actions not in accordance with regulations. In doing so, Farglory Life Insurance Inc. failed to meet the requirements of Subparagraph 2, Paragraph 1, Article 5 of the Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises. In response, the FSC imposed a fine of NT\$1.2 million on the company under Paragraph 4, Article 171-1 of the Insurance Act.