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- Amendments to the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and the Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company
- Issuance of the Regulations Governing Online Insurance Business and Online Insurance Services by Insurance Agent Companies and Insurance Broker Companies
- FSC approved the first FinTech innovative experiment application

Policy and Law

Amendments to the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and the Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company

To enhance corporate governance and strengthen supervision, the FSC announced amendments to the aforementioned regulations on October 12, 2018 adding provisions on implementing non-competition and increasing the proportion of professional natural person directors on the boards of directors of financial institutions. The key points of the amendments are as below:

1. Implementation of non-competition: A provision has been added that it is presumed conflicts of interest when a natural person or juristic person acts as a director (supervisor) of a bank or a financial holding company and he/she or his/her related person concurrently serves as a director (supervisor) of another bank or financial holding company. This provision does not apply to banks or financial holding companies directly or indirectly wholly-owned by the government, but the juristic directors (supervisors) on behalf of the government must not concurrently serve in any capacity at another financial institution unless the person has obtained the permission from the competent authority. It is also stipulated that when such conflicts of interest occur, the person involved will be given a certain amount of time to adjust and, if adjustment is not done in the given time, he/she should be removed from his/her position.
2. The number of professional directors (supervisors) of banks and financial holding companies with total assets over NT\$1 trillion has been increased: When the number of directors (supervisors) is less than 5 persons, the number of professional directors required has been adjusted from 2 to 3 persons; when the number of directors (supervisors) exceeds 5, the requirement of one more of the professional directors for each additional 4 directors (supervisors) has been adjusted to one more for each additional 3 directors

(supervisors).

3. Natural-person directors: The professional directors of banks and financial holding companies shall be natural persons; when the board has more than 13 members, the number of directors who are professional natural persons is allowed to have only 5 members. However, when a bank or a financial holding company is directly or indirectly wholly-owned by the government or a single juristic person, its professional directors do not have to be natural persons.

The aforementioned amendments will be effective from July 1, 2019, however, the directors (supervisors) of banks and financial holding companies whose term has not expired on July 1, 2019 may be subject to the amendments only when their term expires.

Issuance of the Regulations Governing Online Insurance Business and Online Insurance Services by Insurance Agent Companies and Insurance Broker Companies

In line with Article 163-1 of the Insurance Act, "Insurance agents and brokers may, after obtaining permission from the competent authority, engage in related businesses in coordination with the development of electronic commerce business by insurance enterprises, and may conduct the business using an electronic system. The required qualifications and scope of business for insurance agents and brokers, and other compliance matters shall be prescribed by the competent authority," on October 24, 2018, the FSC announced the aforementioned Regulations and issued an order on Article 6 of the Regulations regarding the online insurance services which insurance agents and brokers are allowed to provide.

FSC approved the first FinTech innovative experiment application

On September 18, 2018, the FSC approved KGI Bank's application of "FinTech innovative experiment of using telecom mobile identity certification to conduct financial inclusion business". The innovative experiment involves cross-industry cooperation between the bank and Chunghwa Telecom, using as yet unused telecom mobile identity certification technology to realize customers' right to data portability and, in combination with telecom credit checking data, Big Data exchange and other technology and business model innovation, to conduct new customer online credit and credit card businesses, and provide a fairer and more reasonable price. The FSC said that this approved case matches the international FinTech innovation and cross-area cooperation development trend and can serve as a model for Internet-only banks to facilitate financial inclusion.

The FSC stated that, since the Financial Technology Development and Innovative Experimentation Act was implemented on April 30, 2018 to the present, 3 applications have been received; apart from the approved case, the others are undergoing review and the procedure for submitting additional documents. On the other hand, there were 37 cases for guidance request.

The development of domestic banks' digital deposit account businesses

The FSC stated that, as of the end of June 2018, 23 banks have started digital deposit account businesses (online account opening) with the total accounts over 917,000, up by 4.5 times, compared to those in the same period in 2017. The accounts were increased by 248,000 for the first quarter of 2018, compared to those at the end of December 2017, with a growth rate of 63%; the number of accounts was further increased by 276,000, with a growth rate of 43% for the second quarter of 2018. The above statistics indicated significant progress, resulted from the promotion of digital deposit accounts by domestic banks.

The FSC agreed to allow domestic banks to engage in digital deposit account businesses in 2015. The business scope of digital accounts was limited to NTD demand deposit accounts at the beginning, and expanded to foreign currency deposit accounts in January 2017, and digital term deposit accounts in August, 2018. Moreover, the digital deposit accounts allow transferring transactions among the pre-designated and non-pre-designated accounts of different ID. In response to the digitization wave, the FSC and the Bankers Association of the Republic of China will continue to relax regulations related to digital deposit accounts to meet banks' online business needs while focusing on customer convenience and security.

Measures taken to improve caring trust for the elderly and disabilities

To encourage banks to actively develop the caring trust business, the FSC announced the "Evaluation and Incentives for the Handling of Property Trusts for the Elderly and Disabilities by Trust Enterprises" on November 10, 2015. As of the end of June 2018, 25 trust enterprises were providing the elderly and disabilities care trust related products, with the accumulated number of beneficiaries of the elderly and disabilities trust contracts reaching 15,276 and the value of property under trust at around NT\$13.6 billion.

Amendments to the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies

The FSC introduced amendments to the aforementioned Regulations on October 17, 2018 for sound operation of insurance agent companies and insurance broker companies and for establishment of internal control systems for related business activities based on industry practices. The amendments have the following key points:

1. The internal control rules focus on operation activities related to business solicitation or insurance contracts arrangement.
2. The auditing of internal control systems of insurance agent companies and insurance broker companies is adjusted, and these companies are required to engage CPAs for audit of their internal control systems only when the competent authority

- thinks it is necessary.
3. Banks concurrently operating insurance agent business or insurance broker business are now specifically required to appoint, dismiss or transfer their auditors according to the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries; the requirement of presenting the internal audit report to the board of the directors is waived for consistency with such a requirement for banks.
 4. A bank concurrently operating insurance agent business or insurance broker business shall prepare an internal control system statement for its insurance business, which shall be incorporated into its internal control system statement for presentation.

Issuance of the interpretive order pursuant to Paragraph 5, Article 15 of the Regulations Governing the Supervision of Insurance Solicitors

In order to reduce carbon emission, save energy and allow vehicle owners to quickly comply with requirements set for highway supervision purposes, the FSC issued the interpretive order pursuant to Article 15 of the Regulations Governing the Supervision of Insurance Solicitors on September 27, 2018. According to the order, when the insurance company has processed an application for compulsory automobile liability insurance through the system developed by Taiwan Insurance Institute, the information for insurance application has been transmitted and checked by the system, the signature and registration number of the solicitor have been provided in the electronic application form, and the insurance company's management mechanism for verification of solicitation information by the solicitors has been in place, then the application form is considered to have the signature of the solicitor according to the Paragraph 5, Article 15 of the Regulations Governing the Supervision of Insurance Solicitors.

International Activities

FSC signed the FinTech Cooperation Agreement with the state of Arizona, U.S.

The FSC Chairman Koo signed the FinTech Cooperation Agreement with Mr. Mark Brnovich, Attorney General of the State of Arizona, U.S. on September 25, 2018. The agreement includes a bilateral supervisory authority referral mechanism, information sharing and potential joint innovation plans. Following the signing, each side, on the basis of the agreement, can refer startups to the other, provide assistance to understand the each other's supervisory system, and share each's market and financial services related information.

FSC Chairman Koo witnessed the signing of the FinTech cooperation MOU by the British Office Taipei and the Taiwan Financial Services Roundtable

The FSC Chairman Koo, together with the UK Trade Minister George Hollingbery, witnessed the signing

of the Memorandum of Understanding (MOU) on FinTech Sector Promotion & Cooperation by the British Office Taipei (BOT) and the Taiwan Financial Services Roundtable (TFSR) on September 25, 2018.

FSC Vice Chairman Chang received UK parliamentary delegation

A UK parliamentary delegation led by Ms. Baroness Falkner, Chair of EU Financial Affairs Sub-Committee, was warmly received by the FSC Vice Chairman Chuang-Chang Chang on October 1, 2018.

Asian financial supervisors visited the FSC

Asian financial supervisors visited the FSC on October 17, 2018. The two sides exchanged views and shared experience on the development and situation of financial industry, FinTech and related issues and supervisory policy.

Industry Updates

FSC agreed to allow Far Eastern International Bank to set up representative offices in Singapore and Ho Chi Minh City, Vietnam

The FSC agreed to allow Far Eastern International Bank to apply to the competent authority in Singapore and Vietnam to establish representative offices in each country on September 27, 2018. The operations of domestic banks in Singapore and Vietnam at present are as below:

1. Singapore: 12 banks have established 12 branches.
2. Vietnam: 12 banks have established 9 representative offices, 12 branches and 1 subsidiary bank (Indovina Bank is a joint venture set up by Cathay United Bank and VietinBank) in Ho Chi Minh City, Hanoi, Dong Nai etc.

SITEs recognized by the FSC with meeting the requirements of the Plan of Advance Excellence for SITEs in 2018

With the aims of raising the level of domestic asset management talent and techniques, increasing the scale of asset management and developing towards internationalization, the FSC has announced the "Plan of Advance Excellence for SITEs". The securities investment trust enterprises ("SITEs") that meet the requirements of the Plan qualify for various preferential measures. In 2018, Cathay, Yuanta and Fuh Hwa SITEs are recognized by the FSC with meeting the requirements of the Plan.

Offshore fund institutions recognized by the FSC with meeting the requirements of the Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds in 2018

With the intention of encouraging offshore fund institutions to increase their involvement in Taiwan and taking part in the development of the domestic asset management market, the FSC has announced the "Plan to Encourage Stronger Business Ties in Taiwan for Offshore Funds". The offshore fund institutions that meet the requirements of the Plan qualify for various preferential measures. In 2018, Alliance Bernstein, Allianz, Schroders, Eastspring Investments, JP Morgan, Fidelity and Franklin Asset Management Group are recognized by the FSC with

meeting the requirements of the Plan.

NPL ratio for domestic banks at 0.26% as of the end of September 2018

The total outstanding loans of domestic banks stood at NT\$28.1 trillion as of the end of September 2018, up by NT\$68.5 billion from the previous month while their total NPLs were NT\$73.7 billion, down by NT\$1.2 billion from the previous month's figure of NT\$74.9 billion. The average NPL ratio was 0.26% as of the end of September 2018, down by 0.01 percentage points from the previous month's figure of 0.27%. The NPL coverage ratio of domestic banks stood at 524.84% as of the end of September 2018, up by 7.42 percentage points from the figure of 517.42% at the end of the previous month.

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

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$630 million as of the end of September 2018, generating an NPL ratio of 0.13%, the same as at the end of August 2018. The NPL coverage ratio was 1,479.23%, down by 23.36 percentage points from 1,502.59% at the end of August 2018.

Net foreign investment in listed shares

As of the end of September 2018, foreign and Mainland China investors had bought around NT\$6,264.1 billion and sold around NT\$6,419.5 billion worth of shares on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$155.4 billion. Meanwhile, on the Taipei Exchange, foreign and Mainland China investors bought around NT\$746.1 billion and sold around NT\$756.1 billion, amounting to a net-sell of around NT\$10 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 September 2018 stood at approximately US\$201.9 billion, up by around US\$300 million from the US\$201.6 billion at the end of August 2018.

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

The pre-tax profit of insurance enterprises at the end of August 2018 was NT\$129 billion; the pre-tax profit of life insurance enterprises was NT\$116.2 billion, up by NT\$26.4 billion, or 29.4%, compared with the same period last year; the pre-tax profit of non-life insurance enterprises was NT\$12.8 billion, up by NT\$2.1 billion, or 19.6%, compared with the same period last year.

The owners' equity of insurance enterprises at the end of August 2018 was NT\$1.5716 trillion; the owners' equity of life insurance enterprises was NT\$1.4514 trillion, up by NT\$124.9 billion, or 9.4%, compared with the same period last year; the owners' equity of non-life insurance enterprises was NT\$120.2 billion, up by NT\$6.5 billion, or 5.7%, compared with the same period last year.

From 2018 to the end of August, the NTD exchange against the USD fell by 2.96%, and the net effect of exchange gains/losses of life insurance enterprises was about minus NT\$139.8 billion. The balance of

foreign exchange valuation reserve of life insurance enterprises was NT\$47.3 billion at the end of August 2018, increasing NT\$5.5 billion from the previous month.

Investor and Consumer Protection

FSC reminds owners of automobiles and motorcycles that they cannot renew license plates, change registration or undergo vehicle inspection if they have not taken out Compulsory Automobile Liability Insurance or their insurance became effective less than 30 days

The FSC reminds owners of automobiles and motorcycles to pay attention to the validity period of their Compulsory Automobile Liability Insurance contract to avoid it expiring or becoming effective less than 30 days, which will result in them being unable to renew license plates, change registration or undergo vehicle inspection etc. What's more, if the residential address or business address is changed, the proposer shall promptly notify the insurer to update such information so that the insurer can send a renewal notice to the proposer's latest address 1 month prior to the expiration of the policy period.

FSC reminds owners of automobiles to insure themselves against automobile theft loss for transferring risks

The FSC reminds the public that Automobile Theft Loss Insurance can transfer the risk of loss of their vehicles by theft, burglar or robbery. The general scope of coverage of Automobile Theft Loss Insurance is the losses of the entire insured vehicle; theft of parts or accessories is not covered by Automobile Theft Loss Insurance, so that the owners of automobiles need to separately purchase automobile parts and accessories theft loss additional clause to be protected. The scope of coverage of Automobile Theft Loss Insurance differs according to the terms and conditions of each insurer's policy, so consumers should choose a suitable insurance product according to their needs.

2018 School and Community Financial Literacy Campaign

As part of 2018 School and Community Financial Literacy Campaign, in October 2018, the FSC held 59 financial literacy promotion sessions at schools and organizations, including Guo Guang Elementary School in Taichung City, and a total of 8,261 participants attended. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of September 2018, in all 5,564 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.