

# 金融展望月刊

## Financial Outlook Monthly

Publisher Wellington L. Koo

Advisor Chang Chuang-Chang  
Huang Tien-Mu  
Kai-Yuan Chen

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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\*The Chinese version rules if  
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- FSC approved the second cohort of FinTech innovative experiment applications- cross-border wire transfers for migrant workers
- Amendments to the Directions Concerning the Establishment of Foreign Branches by Domestic Banks
- Amendments to the Directions for the Setting Aside of Foreign Exchange Valuation Reserve by Life Insurance Enterprises
- FSC introduced guidelines on establishment of an application review panel for Internet-only banks

### Policy and Law

#### *FSC approved the second cohort of FinTech innovative experiment applications- cross-border wire transfers for migrant workers*

On January 31, 2019, the FSC approved two applications including the "FinTech Innovative Experiment of Small Amount Cross-border Wire Transfers" of the Taiwan branch of Hong Kong's EMQ Limited and the "FinTech Innovative Experiment of Salary Wire Transfers for Migrant Workers" of Welldone Co., Ltd. The main content of the experiments is cross-border wire transfers service for migrant workers. After migrant workers input the wire transfers information into the Apps on their smart phones and pay through a convenience store, an outlet of the two companies, an ATM, an online bank or a physical bank, the two companies will pay for the beneficiaries with the funds in their own accounts at a cooperative overseas financial institution, and then reimburse the amount remitted by the originators to their accounts. In this way, it can reduce the cost of wire transfers and the time required for the remitted money to arrive and increase the convenience and accessibility.

According to the figures released by the Ministry of Labor, there were around 700,000 migrant workers in Taiwan as of the end of 2018. The remittance fee of the two innovative experiments each time is between NT\$150 to NT\$300. If each migrant worker remits once through the experiments, compared to the minimum remittance fee by banks which is NT\$400, all the migrant workers will save between NT\$70 million to NT\$175 million on remittance fees, which is not including the handling fees of the offshore banks.

#### *Amendments to the Directions Concerning the Establishment of Foreign Branches by Domestic Banks*

In order to encourage outstanding domestic banks to expand their overseas businesses and to realize differentiated supervisory management, the FSC introduced the amendments to Article 3, 5 and 8-1 of the aforementioned Directions on February 12, 2019. The FSC will accelerate the review of the applications submitted by domestic banks

which have excellent global management capabilities and plan to establish branches in a country or region where domestic banks have no operations yet. The amendments also enhance the flexibilities of on-job trainings for staffs of overseas branches.

### ***Amendments to the Directions for the Setting Aside of Foreign Exchange Valuation Reserve by Life Insurance Enterprises***

In order to further strengthen the reserve requirements for foreign exchange valuation of life insurance companies, the FSC introduced the amendments to Article 3 of the aforementioned Directions on January 30, 2019. According to the amendment, when the hedging cost in the foreign exchange market exceeds 2%, a life insurance company is required to raise the monthly fixed setting ratio of reserve set aside for foreign exchange valuation from 0.05% to 0.06% and raise both the monthly additional reserve setting ratio and the monthly additional offsetting ratio from 50% to 60%.

### ***FSC introduced guidelines on establishment of an application review panel for Internet-only banks***

In order to review the applications for the establishment of Internet-only banks in a fair and impartial manner, the FSC will invite external experts and scholars to comprise a panel with its own representatives to review the aforementioned applications. The FSC has also introduced a guideline governing the panel's tasks, the rights and obligations of panelists and the FSC task forces, convening, voting, and dissolution of the panel. The tasks of the panel include: (1) to determine the items for review, sub-items and their weightings, in addition to criteria and mechanism of review; (2) to review applications of establishment of Internet-only banks; (3) to propose recommendations regarding matters of review criteria, procedure and results. The application deadline was set on February 15, 2019, and 3 founders have submitted their applications to the FSC. The panel will review all the applications fairly and impartially. The final results will be announced by the end of June 2019.

### ***Issuance of the interpretive order pursuant to Paragraph 1 of Article 10 and Subparagraph 9 of Article 23 of the Regulations Governing Securities Investment Trust Funds***

The FSC issued the aforementioned order on January 25, 2019 to lift the investment limit of "ETF feeder funds" to allow a master fund to include smaller ETF in the investment scope for meeting market needs. Specifically, the investment of an ETF feeder fund in its master ETF fund may exceed 10% of the net asset value of the master fund, and the ETF manager is allowed to manage the ETF feeder fund concurrently.

### ***Taiwan Stock Exchange plans to launch trading***

### ***simulation platform on March 25, 2019 for promotion of continuous trading***

The FSC has announced that the securities market will formally introduce continuous trading system on March 23, 2020. In order to help investors get familiar with the system before its formal launch, Taiwan Stock Exchange has planned to build a trading simulation platform to help investors experience continuous trading with order placement. The trading platform is scheduled to operate from March 25, 2019 to May 31, 2020.

## **International Activities**

### ***Mr. Nguyen Anh Dung, Representative of the Vietnam Economic and Cultural Office in Taipei, visited the FSC***

The FSC Chairman Wellington L. Koo received Mr. Nguyen Anh Dung, Representative of the Vietnam Economic and Cultural Office in Taipei on January 18, 2019. The two sides shared a wide range of views on financial exchanges and cooperation between Taiwan and Vietnam and other issues of mutual interests.

### ***Delegation from the US-Taiwan Business Council visited the FSC***

A delegation from the US-Taiwan Business Council led by Chairman Splinter was warmly received by the FSC Vice Chairman, Dr. Chuang-Chang Chang on February 15, 2019. The two sides broadly shared views on financial issues of mutual interests.

## **Industry Updates**

### ***FSC agreed O-Bank Co., Ltd. to invest in a consumer finance company in Beijing, Mainland China through equity participation***

On January 15, 2019, the FSC agreed O-Bank Co., Ltd. to invest in a consumer finance company in Beijing, Mainland China through equity participation by acquiring a 20% stake of the company with RMB\$200 million. O-Bank considers that the target customers of the consumer finance company are less-covered by banking services and the bank can meet the needs of different segments of consumers. Meanwhile, this cooperation is able to strengthen the innovative digital finance so that O-Bank can gradually get familiar with the market of Mainland China.

### ***FSC approved the application by Kagoshima Bank, Ltd. to set up a representative office in Taiwan***

On January 24, 2019, the FSC approved the application by Kagoshima Bank, Ltd. (Kagoshima Bank) to set up a representative office in Taiwan. Established in 1944, Kagoshima Bank is a wholly-owned subsidiary of Kyushu Financial Group. According to the global rankings for banks by "The Banker" magazine in July 2018, the group

had total assets of JPY\$10 trillion (equivalent to around NT\$2.75 trillion) and is ranked 185th worldwide. 3 Japanese local banks have established representative offices in Taiwan and the domestic banks have set up 1 subsidiary bank and 9 branches in Japan at present.

#### ***FSC agreed Taishin International Bank Co., Ltd. to set up a representative office in Shanghai, Mainland China***

The FSC agreed to allow Taishin International Bank Co., Ltd. to set up a representative office in Shanghai, Mainland China on January 31, 2019.

The bank aims to establish the Shanghai representative office, mainly considering that Shanghai is a financial center as well as a cluster area of Taiwanese enterprises. The representative office will also help the bank collect local financial regulations and market information for further overseas expansions in the future.

Domestic banks have 5 subsidiary banks, 24 branches, 7 sub-branches and 3 representative offices under operation in Mainland China at present.

#### ***Sales result of insurance products with spillover effect and in-kind payment for life insurance companies in 2018***

The sales result of insurance products with spillover effect and in-kind payment for life insurance companies in 2018 was as follows:

- 1.The FSC has approved or filed the sale of 12 insurance products with spillover effect by 6 life insurance companies; the number of new policies of such kind of products was 10,645 in 2018, up by 2.54% compared with 10,381 in 2017, and the total insurance premium income was NT\$192 million in 2018, up by 68.42% compared with NT\$114 million in 2017.
- 2.The FSC has approved or filed the sale of 8 insurance products with in-kind payment by 5 life insurance companies; the number of new policies of such kind of products was 151,860 in 2018, up by 1.94% compared with 148,971 in 2017, and the total insurance premium income was NT\$80 million in 2018, up by 23% compared with NT\$65 million in 2017.

#### ***NPL ratio for domestic banks at 0.24% as of the end of January 2019***

The total outstanding loans of domestic banks stood at NT\$28.84 trillion as of the end of January 2019, up by NT\$300.6 billion from the previous month while their total NPLs were NT\$70.4 billion, up by NT\$2 billion from the previous month's figure of NT\$68.4 billion. The average NPL ratio remains 0.24% compared to the previous month.

The NPL coverage ratio of domestic banks stood at 569.56% at the end of January 2019, down by 5.88

percentage points from the figure of 575.44% of the previous month.

#### ***NPL ratio for credit cooperatives at 0.11% as of the end of January 2019***

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$550 million as of the end of January 2019, generating an NPL ratio of 0.11%, up by 0.01 percentage points from 0.10% at the end of December 2018. The NPL coverage ratio was 1,732.73%, down by 177.05 percentage points from 1,909.78% at the end of December 2018.

#### ***Net foreign and Mainland China investment in listed shares***

As of the end of January 2019, foreign investors had bought around NT\$618.2 billion and sold around NT\$581.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$37 billion. In addition, foreign investors had bought around NT\$92.9 billion and sold around NT\$ 74.2 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$ 18.7 billion. Meanwhile, Mainland China investors had bought around NT\$2.5 billion and sold around NT\$2.6 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$100 million; Mainland China investors had bought around NT\$500 million and sold around NT\$200 million worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$300 million. As for inward remittances by foreign and Mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese and foreign nationals as of the end of January 2019 stood at approximately US\$200.5 billion, up by around US\$3 billion from the US\$197.5 billion at the end of December 2018. The figure for cumulative net inward remittances by Mainland China investors as of January 31, 2019 was US\$191.9 million, up by around US\$650,000 on the US\$ 191.3 million at the end of December 2018.

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

The pre-tax profit of insurance enterprises in 2018 was NT\$99.1 billion; the pre-tax profit of life insurance enterprises was NT\$84.2 billion, down by NT\$32.4 billion, or 27.8%, compared with 2017; the pre-tax profit of non-life insurance enterprises was NT\$14.9 billion, up by NT\$400 million or 2.8% compared with 2017.

The owners' equity of insurance enterprises at the end of December 2018 was NT\$1.2076 trillion; among them, the owners' equity of life insurance enterprises was NT\$1.0901 trillion, down by NT\$273.7 billion, or 20.1% compared with the same date of 2017; the owners' equity of non-life insurance enterprises

was NT\$117.5 billion, up by NT\$200 million or 0.2% compared with the same date of 2017.

Up to the end of December 2018, the NTD exchange against the USD fell by 2.97%, and the net effects of exchange gains/losses of life insurance enterprises was about negative NT\$230.9 billion. The balance of foreign exchange valuation reserve of life insurance enterprises was NT\$56 billion, increasing NT\$2.3 billion from November 2018.

## Investor and Consumer Protection

### *FSC reminds people to use a legal channel when trading in overseas futures to avoid the fraud risk*

Recently, some people reported that they had remitted margin of futures contracts overseas and conducted foreign exchange margin trading through a foreign exchange trading platform provided by an overseas company but had been unable to take their money back. As such trading platforms have not been approved to conduct futures trading business in Taiwan, if transaction disputes occur there is often no way of seeking compensation. Therefore the FSC reminds people that futures trading should be done through a legal domestic futures business operator to protect their rights and interests.

In recent years, there were fraud cases of Binary Options through Internet platforms. The trading of Binary Options usually takes place online or through unregulated channels. Many cases of fraud and disputes involving Binary Options had happened overseas and therefore the FSC reminds people to be careful.

### *FSC reminds consumers to purchase Compulsory Automobile Liability Insurance and regularly check insurance validity*

The FSC reminds consumers to purchase Compulsory Automobile Liability Insurance according to the laws and to regularly check the validity of the insurance to ensure that the coverage is not terminated and to avoid a fine for expired insurance. Also, because Compulsory Automobile Liability Insurance provides basic coverage, people are suggested to purchase automobile third party insurance and excess liability insurance to transfer the liability risk that may arise from driving an automobile.

### *FSC reminds people to buy suitable bicycle insurance to transfer relevant risks*

At present, the bicycle insurance products on the market can be divided into 3 types, including Injury Insurance, Liability Insurance and Bicycle Physical Loss Insurance. Different insurers might provide different coverage. The FSC reminds people to purchase bicycle insurance according to their needs to transfer the related risks when riding a bicycle.

## 2019 School and Community Financial Literacy Campaign

As part of 2019 School and Community Financial Literacy Campaign, in February the FSC held 13 financial literacy promotion sessions at schools and organizations, including the Wen-ao Elementary School in Penghu County with a total of 1,055 participants attending. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of February 2019, in all 5,794 sessions have been held and over 950,000 people have 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 2019. 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

### *Shin Kong Life Insurance Co., Ltd. was fined*

When the FSC carried out an ordinary inspection of businesses, it found that Shin Kong Life Insurance was in violation of the Insurance Act and related regulations when handling interested party transactions, procurement operations, funds utilization, financial asset valuation, and telephone marketing fee collection. As a result, the FSC imposed a fine of NT\$6 million on the company in accordance with Article 149, 168 and 171-1 of the Insurance Act and issued 16 reprimands. Shin Kong Life Insurance was also prohibited from trading in stocks issued by interested parties using the after-hours fixed-price trading and large amount pairs trading for two years.

## Personnel changes

### *Personnel changes at the FSC*

The position of the Chief Secretary of the FSC was filled by Mr. Kai-Yuan Chen, Deputy Director General of the FSC Financial Examination Bureau. The position of Deputy Director General of the Bureau was filled by Mr. Tzy-hao Cheng, Chief Secretary of the same bureau. The position of the Chief Secretary of the Bureau was filled by Mr. Feng-Jaw Lin, Director of the same bureau. The personnel change became effective on March 4, 2019.

Former Chief Secretary of the FSC Securities and Futures Bureau Mr. Hung-Ming Jian retired on March 4, 2019 and the vacant position was filled by Ms. Chia-Chun Kuo, Director of the same bureau on the same day.