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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

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

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- FSC asks banks to ease loan repayment terms for borrowers affected by COVID-19
- FSC addresses coronavirus outbreak by approving amendments to the “Standards Governing the Determination of What Constitutes a New-Type Life Insurance Product”
- FSC amends the “Regulations Governing the Dedicated Deposit Account of Electronic Payment Institutions”
- FSC amends the “Regulations Governing Information to be Published in Order Tickets, Trade Reports, and Reconciliation Statements Prepared by Securities Brokers Upon Receiving Orders to Buy or Sell Securities”
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Policy and Law

FSC asks banks to ease loan repayment terms for borrowers affected by COVID-19

To ease the loan repayment difficulties of those affected by the COVID-19 outbreak, the FSC on February 18, 2020: (a) requested that the Bankers Association of the Republic of China (BAROC) instructs its member banks to institute a debt workout mechanism for borrowers who have problems repaying loans due to the impact of the outbreak; and (b) asked BAROC to collect information on the loan products and debt workout measures provided by all banks, post this information to a special page on its website, and provide the relevant URL (www.ba.org.tw/PublicInformation/BusinessDetail/45) for the reference of consumers. As to relief mechanisms for corporate entities, upon each industry's competent authority has launched a debt relief mechanism, the FSC will ask the BAROC to inform its member institutions to help carry out the mechanisms accordingly.

FSC addresses coronavirus outbreak by approving amendments to the “Standards Governing the Determination of What Constitutes a New-Type Life Insurance Product”

Because there is little likelihood of people applying for insurance while infected with a notifiable infectious disease as a pre-existing condition,

Notification of E-journal of Financial Outlook Monthly

Thank you for reading the Financial Outlook Monthly. We will stop printing and sending the paper-form journal since January 2021 (No.194), and still provide E-journals on our website. If you would like to receive E-journal every month, please send your E-mail address to yhhsu@fsc.gov.tw. You may also download E-journal files from our website through the QR code as the following or the URL (<https://www.fsc.gov.tw/en/home.jsp?id=55&parentpath=0,4>).

Many thanks,

Financial Supervisory Commission, Republic of China (Taiwan)



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shortening or eliminating insurance coverage waiting periods could be reasonably considered. Therefore, in order to quickly meet the needs of consumers, government agencies, medical institutions, and disease control authorities for healthcare safeguards in response to the COVID-19 outbreak, the Life Insurance Association of the Republic of China drafted and filed an amendment to the aforementioned Standards, and the FSC approved it on March 10, 2020. In the case of medical insurance products that are of the same type as others already sold on the market but setting only shortened or eliminated waiting periods for coverage of notifiable infectious diseases, they will not be determined as a new-type life insurance product when being submitted for product review, and will not be subject under the amended Standards to prior approval rules so as to enable insurers to develop products more quickly.

FSC amends the “Regulations Governing the Dedicated Deposit Account of Electronic Payment Institutions”

In order to accommodate business needs, the FSC has amended the aforementioned Regulations on February 24, 2020. Key amendments include the following: (1) to allow electronic payment institutions or trustee banks to apply with credit cooperatives or the Agricultural Bank of Taiwan to open cooperative accounts for providing consumers with greater convenience and promote financial inclusion; (2) to allow the proportions designated and agreed by both electronic payment institutions and the managing banks, which could retain the funds collected/paid as an agent and stored value funds in such proportions for greater flexibility of operation; (3) to add rules governing the implementation of cooperative banks funds allocations instructed by electronic payment institutions; (4) to ask electronic payment institutions to open their information enquiry system permission for the managing banks to carry out account reconciliation; and (5) to allow electronic payment institutions to open only one single dedicated deposit account (two accounts were required before amended) for handling the funds collected by electronic payment institutions, when in the course of their own businesses and when they cooperate with or assist foreign institutions in engaging in activities associated with electronic payment business in Taiwan for more flexibility of operation.

FSC amends the “Regulations Governing Information to be Published in Order Tickets, Trade Reports, and Reconciliation Statements Prepared by Securities Brokers Upon Receiving Orders to Buy or Sell Securities”

In preparation for the launch of a continuous trading system in Taiwan’s securities market, the FSC amended the aforementioned Regulations on March 2, 2020. Newly added provisions require that hardcopy documentation of trading orders and transactions carried out electronically must record whether the order is a “limit order” or a “market order,” and the provisions further specify the possible order durations as “day orders,” “immediate or cancel,” and “fill or kill.”

FSC amends the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, the “Regulations Governing the

Preparation of Financial Reports by Securities Firms”, and the “Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants”

To enhance corporate governance, and to help companies and investors better understand companies' shareholder structure, thus increasing the transparency of corporate equity and financial reports, the FSC on March 18, 2020 amended the 3 aforementioned Regulations. Newly added provisions require TWSE-listed or TPEX-listed companies (including TWSE- and TPEX-listed securities firms and futures commission merchants) to disclose information on major shareholders in their quarterly financial reports. Such information would include the names of shareholders with a stake of 5% or greater, and would specify the number of shares and stake held by each shareholder.

FSC amends the “Directions for the Separate Account Custodian Institutions and Investment Instruments of the Investment-linked Insurance” and the “Directions for the Review of Life Insurance Products”

To safeguard consumer interests, the FSC on February 24, 2020 amended the “Directions for the Separate Account Custodian Institutions and Investment Instruments of the Investment-linked Insurance” to require that, among the securities investment trust fund beneficial certificates linked to investment-linked insurance products, for those that are bond funds with a stipulated final settlement day, the sovereign rating of the government bonds and treasury bills that the bond funds have invested must be BBB+ or higher (or, for bonds other than government bonds and treasury bills, the issue rating must be BBB+ or higher), and the total amount of such investments must not exceed 40% of the fund's net asset value. In addition to coordinate with the amendment to the aforementioned Directions, the FSC on February 24, 2020 also amended the “Directions for the Review of Life Insurance Products” by revising the list of supporting documents that must be submitted along with an application for review of an investment-linked insurance product.

FSC issues official interpretation of Subparagraph 2, Paragraph 1, Article 5 of the “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises”

On March 4, 2020, the FSC issued the aforementioned official interpretation. According to the interpretation, when a policyholder cancels an insurance policy, the insurer's procedures for conservation and control operations must require the insurer to: (a) confirm the policyholder's intent to cancel and the reasons for it; (b) telephone the policyholder to inform them of how their interests could be adversely affected by a policy cancellation, or by replacement of an existing policy with a new one; and (c) check any changes to the telephone numbers, email addresses, and other contact information of the policyholder and the insured party to make sure that the changed contact information does not match that of insurance solicitors at the company itself, or that of insurance solicitors at any entity that

cooperates with the company in the marketing of its products.

International Activities

Taiwan and Germany bolster bilateral cooperation on banking and insurance supervision

The FSC Chairman Wellington Koo, Ms. Sabrina Schmidt-Koschella, Deputy Director-General of the German Institute Taipei, and German Federal Financial Supervisory Authority representative jointly held the supervisory cooperation declaration exchange ceremony on February 20, 2020.

Industry Updates

FSC grants Taiwan Cooperative Bank approval to set up a representative office in Binh Duong Province, Vietnam

The FSC has granted approval for Taiwan Cooperative Bank to file an application with the Vietnam authorities to set up a representative office in Binh Duong Province, Vietnam on March 9, 2020. The purpose of the bank to establish the new presence is to further expand its global presence and to grasp business opportunities in Southeast Asian financial markets. A total of 13 Taiwanese banks currently have a presence in Vietnam, where they have a total of 12 branches, 10 representative offices, and 1 bank subsidiary in Ho Chi Minh City and Hanoi.

IBF Securities gets approval to acquire brokerage business of DA-DIN Securities Co.

The FSC recently approved plans by IBF Securities to acquire the brokerage business of DA-DIN Securities Co. IBF Securities has been seeking to expand its securities brokerage business, and in pursuit of this goal, the IBF board of directors and the DA-DIN Securities shareholders approved a resolution calling for IBF Securities to acquire the brokerage business of DA-DIN Securities Co. and transfer the business to the IBF Anho Branch. After the acquisition, IBF's business locations will remain unchanged.

NPL ratio for domestic banks as of the end of February 2020

The total outstanding loans extended by the current 36 domestic banks increased by NT\$123.2 billion (US\$4.06 billion) as compared to the figure of previous month and amounted to NT\$30.03 trillion (US\$990.11 billion) at the end of February 2020. Meanwhile, the NPLs of these banks totaled at NT\$70.6 billion (US\$2.33 billion) which increased by NT\$1.1 billion (US\$36.27 million) from NT\$69.5 billion (US\$2.29 billion) as of the end of the previous month. The average NPL ratio of the 36 banks increased by 0.01 percentage points and therefore rose to a figure of 0.24% from 0.23% of the previous month, but was down by 0.01 percentage points compared to the same month last year.

The coverage ratio of allowances for NPLs stood at 590.24%. While the ratio decreased by 6.49 percentage points from 596.73% of the previous month, it still remained stable at a higher level.

NPL situation of credit cooperatives at the end of February 2020

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.53 billion as of the end of February 2020, generating an NPL ratio of 0.11%, the same as the ratio at the end of January 2020. The NPL coverage ratio was 1,926.76%, up by 29.26 percentage points from 1,897.5% at the end of January 2020.

Net foreign and mainland China investment in listed shares

As of the end of February 2020, foreign investors had bought around NT\$1,265.1 billion and sold around NT\$1,438 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$172.9 billion. In addition, foreign investors had bought around NT\$150.2 billion and sold around NT\$143.1 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$7.1 billion. Meanwhile, mainland China investors had bought around NT\$2.8 billion and sold around NT\$2.6 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$200 million; mainland China investors had bought around NT\$800 million and sold around NT\$1.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$500 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 at the end of February 2020 stood at approximately US\$210.8 billion, down by around US\$3.9 billion from US\$214.7 billion at the end of January 2020. The figure for cumulative net inward remittances by mainland China investors was US\$183.8 million, down by around US\$3.7 million from US\$187.5 million at the end of January 2020.

Profit/loss, net value and exchange gains/losses of the insurance industry in January 2020

The pre-tax profit of insurance enterprises at the end of January 2020 was NT\$24.9 billion; the pre-tax profit of life insurance enterprises was NT\$23.3 billion, an increase of NT\$18.7 billion, or 406.5%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$1.6 billion, up by NT\$500 million or 45.5% compared with the same period in 2019.

Owners' equity of insurance enterprises at the end of January 2020 was NT\$2,122 billion; owners' equity of life insurance enterprises was NT\$1,986.6 billion, an increase of NT\$724.4 billion, or 57.4%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$135.4 billion, up by NT\$14.9 billion or 12.4% compared with the same period in 2019.

Overall, as of the end of January 2020 Taiwan's life insurance enterprises had total assets of NT\$29.8 trillion while its foreign investments stood at NT\$17.7 trillion, the NT Dollar had depreciated by 0.46% versus the US Dollar from the end of 2019. Meanwhile, the pre-tax profit of life insurance enterprises at the end of January 2020—into which is factored the combined NT\$22.2 billion impact of exchange gains/losses, hedging gains/

losses, and the net effect of volatility on the foreign exchange valuation reserve—was NT\$23.3 billion.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of December 2019

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of December 2019 (accumulated) were as follows: Premium revenues from new foreign-currency denominated policies amounted to around NT\$518.859 billion, down by 16% from NT\$617.95 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$166.86 billion (around 32% of the total), down by 30% from NT\$239.883 billion year-on-year, and the sales of traditional insurance products totaled NT\$351.999 billion (around 68% of the total), down by 7% from NT\$378.067 billion year-on-year.

FSC recognizes top performing insurers in campaign to promote mortality products, microinsurance, and investments in the “5+2” key innovative industries and public infrastructure projects

To ensure that insurance properly fulfills its protection function and provides citizens with adequate insurance products, and to encourage insurers to develop microinsurance business, the FSC is conducting the “Program for Improving Insurance Protection for the People” and has issued a set of “Directions for Insurance Companies to Engage in Microinsurance Business.” Insurers that have performed especially well are allowed to submit more products for review, and the FSC periodically releases the names of top-performing insurers. In addition, to encourage insurers to invest in domestic infrastructure projects and the “5+2” key innovative industries, thus helping to stimulate domestic economic development, insurers whose investment performance in these areas is especially good are also rewarded in the manner described above. From July to December of 2019, the FSC conducted the Program and singled out 15 insurance companies to receive rewards for outstanding performance in the conduct of microinsurance business, as follows: BankTaiwan Life Insurance Co., PCA Life Assurance Co., Cathay Life Insurance Co., Nan Shan Life Insurance Company, Shin Kong Life Insurance, Fubon Life Insurance Co., MassMutual Mercuries Life, Allianz Taiwan Life Insurance Company, First-Aviva Life Insurance Co., BNP Paribas Cardif TCB Life Insurance Co., Prudential Life Insurance Company of Taiwan, AIA Taiwan, Cardif Taiwan, Chubb Life, and Taiwan Life. One life insurance company (Cathay Life) was rewarded for excellent performance in investing in domestic infrastructure and the “5+2” key innovative industries.

Investor and Consumer Protection

FSC reminds consumers of availability of electronic insurance certificates for compulsory automobile liability insurance

In view of the increasing ubiquity of smart mobile devices, in response to the government policy of

promoting energy conservation and carbon reduction, and to help automobile owners quickly handle business at motor vehicle offices, the FSC is strongly promoting the issuance of electronic insurance certificates for compulsory automobile liability insurance. When owners of cars and motorcycles seek to handle business at a motor vehicle office, they can furnish electronic insurance certificates to motor vehicle authorities to confirm that they have compulsory auto liability policy coverage.

FSC reminds consumers to arrange proper hiking insurance before heading into the mountains

To prompt hiking enthusiasts to get better insurance coverage, the FSC has instructed the Non-Life Insurance Association of the Republic of China to help insurers develop better hiking insurance products that meet the needs of the public. The coverage provided by comprehensive hiking insurance currently falls into one of two categories. The first type of policy covers death or medical expenses that arise from a hiking accident. The second type covers the cost of emergency rescue services. People may consider their needs to buy the second type of coverage to transfer their risks.

2020 School and Community Financial Literacy Campaign

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 31 financial literacy events in March 2020 at schools and organizations, including the Nantou City Zhongliao Elementary School, attracting a total attendance of 2,437 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of February 2020, a total of 6,326 events had been held and over 1.01 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, and social welfare groups.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2020. 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

FSC imposes sanctions on Cathay Life Insurance Co., Ltd.

In a routine examination of Cathay Life's business operations in 2018, the FSC discovered that the insurer had violated insurance legislation in: (a) its handling of a customer complaint regarding improper solicitation by a Cathay Life solicitor; (b) its management of strategic investments; and (c) its handling of insurance purchases by legal persons. The FSC therefore imposed a fine of NT\$5.6 million and issued 6 reprimands against the company in accordance with Paragraph 1, Article 149, and Paragraph 5, Article 171-1 of the Insurance Act, and Article 81 of the Act Governing Relations between the People of the Taiwan Area and the Mainland Area.