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《Chinese version please refer to page 1》

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- FSC urges banks to implement COVID-19 relief measures
- FSC promotes streamlining of small business entity loan applications, and lowers minimum required score on simplified loan approval score sheet
- Starting from 20 April 2020, persons running a fever or not wearing a face mask are not allowed to enter banks
- Cabinet approves draft amendment to the “Compulsory Automobile Liability Insurance Act”

Policy and Law

FSC urges banks to implement COVID-19 relief measures

To respond to the serious impact of the COVID-19 pandemic on economic development, the FSC is encouraging financial institutions to take strong steps to implement relief measures adopted by central government agencies in accordance with the provisions of the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens.” Such measures, which are designed to maintain economic stability and help companies weather the crisis, include rescheduling of outstanding corporate loans, provision of working capital loans, provision of interest subsidies for relief loans, and the provision of loan guarantees by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan. In addition to granting relief loans to corporate borrowers as called for under the economic stimulus programs of central government agencies, the FSC is also pushing for banks to take the following measures for corporate and individual borrowers affected by COVID-19:

1. Corporate loans: The FSC is overseeing an effort by the Bankers Association of the Republic of China (BAROC) to prompt banks to step up the provision of relief loans and not turn their backs on borrowers in their hour of need. In particular, BAROC is pushing for its member institutions to defer repayment of loan principal until the end of December 2021.
2. Personal loans: Individuals who are having trouble with repayment of loans due to COVID-19 are allowed to apply for 3- to 6-month deferrals of principal or interest payments, and default penalties and default interest may be waived during the deferral period. During the period of a loan deferral or loan rescheduling, the debtor is not required to repay principal or interest. Until the obligation comes due it will not be treated as a bad debt, and an instance of late payment will not be included in the debtor's credit record. Because the application deadline will end on 31 July 2020, the FSC coordinated with banks on 12 May 2020 to extend the debt workout mechanism for credit card debts and personal loans until 31 December 2020.
3. Faster processing of relief loan applications: Processing of applications for rescheduling of outstanding loans can in principle be completed in two weeks,

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Many thanks,
Financial Supervisory Commission, Republic of China (Taiwan)



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while applications for new loans of NT\$5 million or less can be approved within 10 working days in the case of working capital loans, or within 15 working days in the case of relief loans, and applications for new loans of NT\$1 million or less can in principle be approved within 7 working days.

4. Push for banks to reflect Central Bank rate cuts in their own lending rates: In addition to lowering lending rates by 0.25 percentage points across the board, 20 private-sector banks have also followed the lead of government-owned banks by cutting lending rates by 0.5 percentage points for owner-occupied home loans to individuals affected by COVID-19, and 19 private-sector banks have cut lending rates by 0.75 percentage points for credit card debts, unsecured loans, and auto loans.
5. Principles regarding fair & reasonable fees for relief loans: On 12 May 2020, the FSC convened a meeting to explain to come up with principles regarding fair and reasonable service charges for relief loans. These principles include the following: (1) for loans of NT\$10 million or less, total fees must not in principle exceed NT\$10,000 regardless whether the fees are charged on a flat fee basis or as a percentage of the approved loan amount; (2) for loans of more than NT\$10 million, total fees must meet the principle of proportionality regardless whether the fees are charged on a flat fee basis or as a percentage of the approved loan amount; (3) if a bank's original fee standards were more advantageous to borrowers than the principles described above, then the bank must abide by its original fee standards.

FSC promotes streamlining of small business entity loan applications, and lowers minimum required score on simplified loan approval score sheet

Some small business entities encounter difficulties when attempting to apply for loans because they lack financial statements (or 401 reports). To help such entities get through the COVID-19 crisis, the FSC has brought together banks, the Small and Medium Enterprise Administration, Ministry of Economic Affairs (MOEA), the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, and the BAROC in a collaborative effort to devise a simplified loan approval score sheet to replace the financial reports and 401 reporting form. This simplified loan approval score sheet was recognized by the Central Bank on 16 April 2020 and by the Executive Yuan on 18 April.

Furthermore, in order to help newly established firms take advantage of the streamlining of small business entity loan applications, the Executive Yuan on 30 April invited the FSC, the Central Bank, and the MOEA to discuss the matter, and the participants adopted a proposal to lower the minimum required score on the simplified loan approval score sheet. Under this system, newly established firms with no history of bad credit and no established business relationship with any bank that wish to stay in business can use the new loan approval scoring standard to obtain bank loans even if they have no real estate to pledge as collateral.

Starting from 20 April 2020, persons running a fever or not wearing a face mask are not allowed to enter banks

To combat COVID-19 and prevent the disease from affecting the functioning of Taiwan's financial system, the FSC, acting at the suggestion of the BAROC and with approval from the Central Epidemic Command Center (CECC) on 17 April 2020, announced on 20 April 2020 that, until the day on which the CECC is disbanded, banks will take the temperature of anyone wishing to enter any of their places of business, and persons who are running a fever (i.e. found in two consecutive readings to have a forehead temperature of 37.5°C or an ear temperature of 38°C), or are not wearing a face mask, will not be allowed entry.

Cabinet approves draft amendment to the "Compulsory Automobile Liability Insurance Act"

To implement the principle of "non-discrimination" as set out in Articles 3 and 5 of the "UN Convention on the Rights of Persons with Disabilities," and to lighten the burden of policyholders who enter into more than one compulsory automobile liability insurance contract, the Executive Yuan, at Cabinet Meeting No. 3699 on 23 April 2020, approved an amendment to the "Compulsory Automobile Liability Insurance Act."

Key points of the amendment include the following:

1. To coordinate with a recent organizational reform of the Executive Yuan, the name of the competent authority was amended.
2. To achieve the goals of energy conservation and carbon reduction, and to relieve police and other traffic authorities of the need to ask the driver for an insurance sticker during traffic stops in order to confirm whether compulsory auto insurance has been purchased, the provision requiring drivers to furnish an insurance sticker has been deleted.
3. To safeguard the interests of policyholders and avoid disputes, in cases where a policyholder enters into more than one compulsory automobile liability insurance contract and either the policyholder or the insurer revokes the policy that entered into force later, when the insurer refunds premiums it will only deduct "a policy conservation fee".
4. To implement the principle of "non-discrimination" as set out in Articles 3 and 5 of the "UN Convention on the Rights of Persons with Disabilities," the term "crippled" has been replaced by the term "disabled."

FSC eases approval criteria for participation in the "Incentive Policy for Onshore Funds"

To encourage securities investment trust enterprises (SITEs) to bring up their asset management talent and techniques, increase the amount of assets under management, and become more internationalized, the FSC on 20 March 2020 amended the "Incentive Policy for Onshore Funds" to ease approval criteria for the Incentive Policy and encourage more SITEs to apply to participate.

The amendments were drafted with an eye to the development strategies of different SITEs and their issuance of passively managed funds in recent years. Key points of the amendments include the following:

1. From the approval criterion entitled "Assets under Management and its Growth," the FSC eliminated certain ETF assessment standards, such as whether the average AUM (excluding money market funds and ETFs) in the most recent year ranked in the top one-third of AUM of SITEs in Taiwan, and whether, in the most recent year, the average AUM (excluding money market funds and ETFs) was at least NT\$10 billion and the growth rate was positive and matched the average AUM growth rate of the overall market.
2. The content of the illustrative example for the approval criterion entitled "Other substantial contributions" has been amended. The following factors are deemed satisfying one of this approval criterion: whether the issued funds are appropriate for retirement planning; and whether the funds or discretionary accounts invest domestically, emphasize environmental protection (green), corporate governance or corporate social responsibility and present explicit performance.

FSC exempts insurance brokers and agents from certain document signing requirements set out in the "Regulations Governing Insurance Brokers" and the "Regulations Governing Insurance Agents"

Article 34, Paragraph 1 of the "Regulations Governing Insurance Brokers" and Article 34, Paragraph 1 of the "Regulations Governing Insurance Agents" require insurance brokers and agents to sign relevant documents unless the competent authority otherwise exempts them from this requirement. To streamline application processes while at the same time paying due attention to the need to safeguard

consumer interests, the FSC on 22 April 2020 expanded the scope of document types that insurance brokers and agents are not required to sign when handling an application for insurance. In addition to the existing list of document types that need not be signed (applications for microinsurance, travel accident insurance that provides for benefits of NT\$5 million or less, one-year renewals of personal injury insurance, compulsory auto liability insurance, renewals of residential fire insurance, and mobile device insurance), the amended provisions additionally exempt insurance brokers and agents from signing application documents for comprehensive travel insurance and travel inconvenience insurance.

FSC amends the “Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties”

To ensure consistent supervisory treatment of financial institutions under its jurisdiction, the FSC amended Article 3 of the aforesaid Regulations on 28 April 2020 to coordinate with a 12 April 2019 official interpretation of Article 45 of the “Financial Holding Company Act.” The amendment of Article 3 provides that, the scope of the “person” of “third parties with an interested relationship” includes both juristic persons and natural persons. In addition, if an interested party of an insurance enterprise has not been directly involved in any transaction between the insurer and such third party, and if the two transactions are executed under different contracts, the aforementioned Regulations do not apply to the interested party. The FSC also amended Article 4 to provide that: (a) when an insurer acquires or disposes of exchange traded notes (ETNs) issued by an interested party, the insurer may do so by means of a general authorization; and (b) when an interested party of an insurer is a company that “concurrently operates” a securities investment trust enterprise (SITE) or a securities investment consulting enterprise (SICE), transactions that it conducts using assets under management in accordance with the “Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises” may be handled pursuant to regulations that apply when the interested party is a SITE or SICE, i.e. the managing department is granted a general authorization to engage in those transactions.

FSC amends the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”

In light of the fact that the assessment of fair value of in-force policy liabilities is now carried out in compliance with IFRS 17, the FSC has re-examined the conditions under which insurers are allowed to measure investment property at fair value subsequent to initial recognition, and on 11 May 2020 amended the aforementioned Regulation. For investment property that meets the compulsory requirement that it can be used immediately with reasonable benefit, fair value must be assessed by the income approach, using a discount rate no lower than the benchmark interest rate of the aforementioned terms; for investment property that does not meet the aforementioned requirement, fair value must be assessed by the cost method. Also, subsequent measurement of insurance liabilities must be done using the FSC's annual “basis of valuation of the fair value of insurance liabilities,” and in the event the fair value of insurance contract liabilities exceeds the booked amount and the insurer files an improvement plan, if the plan calls for the setting aside of an additional amount to reserves, that amount must be set aside to policy reserves. To ensure the comparability and consistency of quarterly financial reports within the same accounting year, the amendment began to apply to the first quarter of 2020 financial report.

Industry Updates

NPL Ratio for Domestic Banks as of the End of April 2020

The total outstanding loans extended by the current 36 domestic banks increased by NT\$84.9 billion (US\$2.85 billion) as compared to the figure of previous month and amounted to NT\$30.39 trillion (US\$1,019.73 billion) at the end of April 2020. Meanwhile, the NPLs of these banks totaled at NT\$73.7 billion (US\$2.47 billion) which increased by NT\$0.3 billion (US\$10.07 million) from NT\$73.4 billion (US\$2.46 billion) as of the end of the previous month. The average NPL ratio of the 36 banks remained at 0.24%, which is the same as 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 increased by 2.01 percentage points and therefore rose to a figure of 571.84% from 569.83% of the previous month. The overall NPL reserves maintain in a high level and stay sound.

NPL situation of credit cooperatives at the end of April 2020

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.51 billion as of the end of April 2020, generating an NPL ratio of 0.1%, same as that at the end of March 2020. The NPL coverage ratio was 2,013.67%, down by 34.17 percentage points from 2,047.84% at the end of March 2020.

Net foreign and mainland China investment in listed shares

As of the end of April 2020, foreign investors had bought around NT\$3,190.9 billion and sold around NT\$3,707.5 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$516.6 billion. In addition, foreign investors had bought around NT\$330 billion and sold around NT\$342.1 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$12.1 billion. Meanwhile, mainland China investors had bought around NT\$4.9 billion and sold around NT\$4.7 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of NT\$200 million; mainland China investors had bought around NT\$1.2 billion and sold around NT\$1.9 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$700 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 April 2020 stood at approximately US\$200 billion, down by around US\$400 million from US\$200.4 billion at the end of March 2020. The figure for cumulative net inward remittances by mainland China investors was US\$175.8 million, down by around US\$1.4 million from US\$177.2 million at the end of March 2020.

Exchange gains/losses, hedging gains/losses, and foreign exchange volatility reserves of the insurance industry in March 2020

As of the end of March 2020, the NT Dollar had depreciated by 0.5% versus the US Dollar from the end of 2019, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$53 billion. The net effect of exchange gains/losses of life insurance enterprises at the end of March 2020—which includes exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve—was minus NT\$52.8 billion.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2020

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2020 were as follows: Premium revenues from new foreign-currency denominated policies amounted to around NT\$97.998 billion,

down by 3% from NT\$100.822 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$26.282 billion (around 27% of the total), down by 26% from NT\$35.577 billion year-on-year, and the sales of traditional insurance products totaled NT\$71.716 billion (around 73% of the total), up by 10% from NT\$65.245 billion year-on-year.

Sales performance of insurance with spillover-effect and in-kind benefits provided by life insurance companies as of the first quarter of 2020

As of the first quarter of 2020, the sales performance of insurance products with spillover effect and in-kind benefits provided by life insurance companies was as follows:

1. The FSC has approved or received filings of 33 insurance products with a spillover effect from 8 life insurance companies. In total, 22,444 new contracts for such products have been sold as of the first quarter of 2020, up by 188% from 7,790 compared to the first quarter of 2019. The first-year premium income was NT\$297.64 million, up by 342% from NT\$67.35 million compared to the first quarter of 2019.
2. The FSC has approved or received filings of 17 in-kind payment insurance products from 6 life insurance companies. In total, 27,386 new contracts for such products have been sold as of the first quarter of 2020, down by 28% from 38,052 compared to the first quarter of 2019. The first-year premium income was NT\$6.85 million, down by 14% from NT\$7.97 million in the first quarter of 2019.

Investor and Consumer Protection

FSC reminds banks not to offset or seize any part of government relief subsidies paid to members of the public

The government recently issued relief subsidies to assist members of the public whose finances have been severely affected by the COVID-19 situation, but the public reflected that some banks froze or seized the funds immediately upon their receipt. The FSC has reminded banks that such actions violate the “Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens” as amended on 21 April 2020. Article 9-1, Paragraph 2 of the Act provides: “subsidies, support, allowances, incentives, or compensation provided by the government may not be used as the objects for offsetting, seizure, guarantee, or compulsory enforcement.” If a bank fails to take note of this legal provision and offsets or seizes a subsidy payment received from the government, it will be asked to provide redress.

The FSC explained that when the Ministry of Labor transfers a relief subsidy to someone's account, a notation is made that the source of funds is the “Executive Yuan,” and it will also be apparent when relief subsidies are transferred from other government agencies that the source of funds is a government agency, so banks should check whether a customer's account includes subsidies, support, allowances, incentives, or compensation provided by the government, so as to avoid illegal offsets or seizures.

2020 School and Community Financial Literacy Campaign

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 46 financial literacy events in May 2020 at schools and organizations, including the National Taipei University of Education, attracting a total attendance of 3,463 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of April 2020, a total of 6,396 events had been held and over 1.02 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.

Investor and Consumer Protection

FSC imposes sanctions on Hua Nan Securities Co., Ltd.

Owing to the fact that Hua Nan Securities Co. had failed to establish and implement a policy regarding sound and effective management of risks associated with the issuance of call (put) warrants, the FSC, acting in accordance with Article 178-1, Paragraph 1, Subparagraph 4 and Article 66 of the “Securities Exchange Act,” imposed an administrative fine of NT\$1.44 million, issued a warning that ordered the company to file a corrective action plan, and ordered the company to retain a non-audit CPA to issue a special audit report. The FSC also ruled that the company will not be allowed to issue any new call (put) warrants until after: (a) the CPA has submitted an audit opinion regarding the design of the company's internal control systems, and the effectiveness of their implementation; (b) and the audit opinion has been approved by the FSC. In addition, acting in accordance with Article 56 of the “Securities and Exchange Act,” the FSC ordered the company to suspend its president and three other employees from their duties for 2 months to 1 year, respectively.

FSC imposes sanctions on Capital Investment Trust Corporation

The FSC recently issued a warning to Capital Investment Trust Corporation and imposed an administrative fine of NT\$1.2 million pursuant to Article 103, Subparagraph 1 and Article 111, Subparagraph 7 of the Securities Investment Trust and Consulting Act after it came to light that the company had failed to effectively ensure safe use of the internet and failed to carry out proper oversight, with the result that the aforementioned fund manager had improperly used the company wi-fi during office hours to trade stocks for his own benefit or the benefit of others. In addition, acting upon the authority of Article 104 of the same Act, the FSC also ordered Capital Investment Trust to dismiss the fund manager from his positions.

Personnel Changes

Personnel changes at the FSC

The President of Taiwan specially appointed Mr. Tien-Mu Huang as the FSC Chairperson and Mr. Yung-Chin Hsu as the FSC Vice Chairperson. Both of the appointees assumed their new positions on 20 May 2020.

On 4 May 2020, former Deputy Director-General Mr. Chen-Shan Chang of the FSC Securities and Futures Bureau (SFB) was promoted to the post of SFB Director-General, and Ms. Chia-Chun Kuo, the former Chief Secretary of the SFB, was appointed to fill the position of Deputy Director-General of the SFB. The appointee assumed the new position on 26 May 2020. Ms. Ching-Ping Kao, formerly a division head within the SFB, was promoted to fill the position of SFB Chief Secretary, and assumed this new position on 29 May 2020.