

金融展望月刊

Financial Outlook Monthly

Publisher Tien-Mu Huang

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GPN 2009305443

ISSN 1992-2507

*The Chinese version rules if
any contradiction in meaning
exists between the Chinese
version and English versionl.

October 2020

《Chinese version please refer to page 1》

No. 191

Ministry of Justice Anti-Corruption Hotline 0800-286-586
Anti-Corruption Hotline 0800-088-789

- FSC launches the “Green Finance Action Plan 2.0”
- FSC launches the “Corporate Governance 3.0 - Sustainable Development Roadmap”
- FSC adopts the “Fintech Development Roadmap”
- FSC launches Trust 2.0-“The Promotion Plan for Full Functions of Trust Services”

Policy and Law

FSC launches the “Green Finance Action Plan 2.0”

The FSC launched the “Green Finance Action Plan 2.0” on 18 August 2020 to: (a) use financial mechanisms to increase the awareness of companies and investors of environmental, social, and governance (ESG) issues; (b) foster a virtuous cycle between investments and the industry’s pursuit of sustainable development; and (c) facilitate cooperation between the public and private sectors to build a sustainable financial industry ecology.

The short-term objectives under the Action Plan 2.0 are to establish frameworks and foundations for promoting effective green and sustainable financial markets and increase information transparency in order to guide funds toward green and sustainable industries. With these objectives in mind, key focal points over the short term will be to determine the scope of sustainable finance, improve the quality of ESG disclosures, strengthen climate-related disclosures, and amend related regulations in order to bring Taiwan more closely in line with international practices. The mid-term objective is to encourage financial market to respond to the potential risks and business opportunities of climate change and strengthen the competitiveness of Taiwan’s financial industry and financial markets. The key mid-term focal points are to establish an integrated ESG information platform and a sustainable development database in order to jointly resolve issues that must be addressed to achieve sustainable development, and to conduct sustainable finance evaluation for financial institutions. The 3 core strategies of the Action Plan 2.0 are to: (1) use effective information disclosure to foster appropriate corporate decision making; (2) spur financial institutions to address climate change risks and seize related business opportunities; and (3) use market mechanisms to guide the economy toward sustainable development.

The FSC stated that it will actively follow international trends and, acting on the basis of the Green Finance Action Plan 1.0, will create more comprehensive systems and guidelines for green and sustainable financial markets. The FSC will make use of financial market forces to guide and support development of physical industry while supporting a transformation to a low-carbon economy. The goals are to create a sustainable finance ecosystem with positive cycles, and to create a situation that benefits the financial industry, physical industries, society, and the environment.

FSC launches the “Corporate Governance 3.0 - Sustainable Development Roadmap”

To deepen corporate governance in Taiwan and promote sustainable corporate development, the FSC on 25 August 2020 launched the “Corporate Governance 3.0 - Sustainable Development Roadmap” (hereinafter referred to as CG 3.0). The key points of CG 3.0 are as follows: (1) independent directors should make up no less than one third of all directors; (2) at least half of all independent directors must not serve more than three consecutive terms; (3) based on international guidelines (e.g. the Task Force

Notification of E-journal of Financial Outlook Monthly

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



Financial Outlook
Monthly

on Climate-Related Financial Disclosures (TCFD) and standards issued by the Sustainability Accounting Standards Board (SASB), strengthen the disclosure rules for sustainability reporting, require more companies to prepare and file sustainability reports, and expand the application scope of third-party assurance for sustainability reporting; (4) companies are required to publish their unaudited financial information and accelerate their release of annual financial reports; (5) improve the fairness of companies that handle their own shareholder services and enhance the transparency of e-voting results, lower the daily maximum limit for shareholder meetings held by TWSE- and TPEX-listed companies, adopt stewardship principles for service providers, and establish an engagement mechanism between international proxy advisors and public companies; and (6) establish a sustainability market to promote sustainability-related products such as sustainability bonds, social responsibility bonds, and green bonds.

CG 3.0 is expected to improve interactions and communication among companies, investors, and stakeholders, establish a sound ESG ecosystem, and strengthen the international competitiveness of Taiwan's capital markets by: (1) strengthening the duties and functions of boards of directors; (2) enhancing information transparency; (3) strengthening communication with stakeholders; (3) encouraging stewardship; (4) deepening a corporate culture of sustainable governance; and (5) providing diversified products.

FSC adopts the "Fintech Development Roadmap"

In order to shape a friendly fintech development ecosystem, and to uphold the efficiency, accessibility, usability, and quality of financial services, the FSC -- after seeking a wide range of views, studying international trends, and considering practical needs in Taiwan -- on 27 August 2020 issued the Fintech Development Roadmap to serve as the policy guideline for fintech development in Taiwan over the coming three years. The Roadmap includes a total of 60 specific measures addressing 8 main aspects and will be implemented in a phased manner over a three-year period. By adopting a three-level framework (consolidating the foundation; promotion of applications; coordination and collaboration), the FSC will work to maintain a strong legal environment, promote data sharing, and enhance communication channels. The eight main aspects are as follows: a one-stop communication platform; information sharing; regulation adaptation and ethical codes; capacity building; digital infrastructure; development of FinTechSpace ecosystem; international outreach; and supervisory technology.

FSC launches Trust 2.0-"The Promotion Plan for Full Functions of Trust Services"

To respond to population ageing and a declining birth rate, the FSC on 1 September 2020 launched the Trust 2.0-"The Promotion Plan for Full Functions of Trust Services" to encourage trust enterprises to actively restructure and cultivate professional talent. In addition, Trust 2.0 also seeks to encourage trust enterprises to integrate their internal resources while cooperating with outside entities in other sectors in order to move away from their current over-emphasis on trust services for the purpose of wealth management, and instead develop a comprehensive type of trust business that provides customers with services tailored to their particular needs. Trust 2.0 is set to run for two years, and will include the following key measures: (1) guide financial services firms to gradually elevate the functions of their trust departments and give these departments a more prominent position within their organizational framework; (2) amend the principles for review and adoption of the compensation systems of trust enterprises; (3) ease restrictions on the marketing and promotion of trust business; (4) study the feasibility of development in Taiwan of enterprises that engage exclusively in the trust business; (5) study the possibility of more comprehensive regulation of real estate investment trusts (REITs); (6) coordinate efforts to strengthen the trust mechanism for pre-sale houses; (7) study possible measures to establish and develop a legislative and taxation environment for family trusts; (8) encourage enterprises to establish employee benefit trusts; (9) promote the establishment of a trust business professional accreditation system for Certified Financial Planners for Seniors; (10) promote the establishment of a professional accreditation system for Family Trust Planners; (11) engage in cross-sector cooperation with social service groups, nursing homes, and medical facilities; and (12) conduct evaluations and

grant rewards and recognition to trust enterprises and individuals that have performed especially well.

FSC amends the "Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities" and the "Directions for the Conduct of Wealth Management Business by Securities Firms"

To meet the wealth management needs of high-asset customers, strengthen the product development capabilities of securities firms, and expand the business scope of securities firms, thereby upgrading the wealth management services provided by Taiwan's securities firms, the FSC issued amendments to the "Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities" on 8 September 2020 and the "Directions for the Conduct of Wealth Management Business by Securities Firms" on 10 September 2020, and additionally issued three related orders. For securities firms that meet certain conditions, these amendments and orders ease regulatory restrictions on the range of products and services that securities firms may provide to high-asset customers via various sales channels, including brokered trades, trust investment arrangements, and transactions with dealers. At the same time, they introduce related supervisory measures to ensure robust development of the high-asset customer business.

FSC adjusts work experience countable toward "2 years of previous experience" requirement for a fund manager who concurrently manages or assistant manages another fund

On 9 September 2020, the FSC amended a directive to relax restrictions regarding the types of work experience that can be counted toward the "2 years of previous experience managing the same type of fund" requirement for a fund manager who concurrently manages another fund. Under the amended directive, time spent as a discretionary investment manager of a singly managed investment account for which the basic investment policy and investment scope as set out in the discretionary investment services contract (or the actual asset allocations carried on the books) are the same as those of the same type of fund, may be counted as experience managing the same type of fund. In addition, the amended directive also expressly states that if time spent as a discretionary investment manager is counted toward the experience requirement, then the length of time spent managing or assistant managing the same type of fund must be at least one year.

FSC urges TWSE to develop a plan for implementing the stock market-maker system by the end of June 2021

The FSC is urging the TWSE to implement a market maker system on Taiwan's centralized stock exchange to energize the stock market and increase transaction volume in good-quality, low-liquidity stocks. It is expected to bring positive effects to the domestic capital market. The plan is to be implemented by the end of June 2021.

A stock market-maker system will introduce the market makers (quoting buy and sell prices) and participants for transaction incentives (actively participating in transactions) among brokerage firms. The market making operates by cross selection among all stocks in combination with good-quality, low-liquidity stocks. The term "good-quality, low-liquidity stock" shall mean a stock that has been listed at least one year, meets certain transactional conditions (has relatively low average daily trading volume, turnover rate and volatility), and is issued by a company that meets certain financial condition (has not reported a loss in its most recent annual financial report, its EPS is greater than NT\$2 per share, and has made an earnings distribution in the most recent year). The TWSE will specify the quoting rules and incentive policies, including processing fee discounts and bonuses.

FSC amends Articles 6, 7, and 18 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and Point 6 of the "Directions for Sale of Investment-linked Insurance Products"

To strengthen control of the sale of investment-linked insurance products to elderly customers, and safeguard the rights and interests of such customers, the FSC on 28 August 2020 amended Articles 6, 7, and 18 of the "Regulations Governing

Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises” and Point 6 of the “Directions for Sale of Investment-linked Insurance Products.” Prior to the amendments, insurers were required to make audio or video recordings of the process when selling investment-linked insurance products to persons aged 70 years or older, but this threshold has now been lowered to 65 years of age. The amendments will enter into force from 1 October 2020.

FSC commissions Taiwan Depository & Clearing Corporation to collect and process supervisory information of bills finance companies

To improve the application of financial supervisory technology, the FSC has been actively working to promote a digital regulatory reporting mechanism. With this aim in mind, the FSC on 11 August 2020 announced that it had commissioned to the Taiwan Depository & Clearing Corporation (TDCC) the task of collecting and processing the supervisory information of bills finance companies. Under the outsourcing agreement, the TDCC conducts affairs related to: (1) information integration among the TDCC, the Taipei Exchange, and the Joint Credit Information Center on bills transactions, bond issues, and lines of credit; (2) examination by the TDCC of supervisory information of bills finance companies; (3) establishment by the TDCC of a digital regulatory reporting and analysis system; and (4) both periodic and occasional provision by TDCC of analytical data and regulatory reports to the financial supervisory authority. The aims are to: (a) introduce new supervisory information technologies to increase the degree of automation, timeliness, and intelligence of supervisory data collection, processing, and analysis operations; and (b) integrate the databases of the various financial industry self-regulatory organizations, thereby securing more sources of supervisory data and providing it to the financial supervisory authority for use in routine supervisory work and financial examinations.

International Activities

The Trade Representative of the Singapore Trade Office in Taipei visited the FSC

Mr. Yip Wei Kiat, the Trade Representative of the Singapore Trade Office in Taipei, paid a visit to the FSC Chairperson Tien-Mu Huang on 2 September 2020. The two sides shared experiences regarding financial industry development, fintech, and supervisory policies.

FSC holds the 2020 Conference on ERM in the Insurance Industry

In order to improve insurers’ understanding of the current state of business risks management in both at home and abroad, the FSC held the “2020 Conference on ERM in the Insurance Industry ~ A Chance for Reshaping and Renaissance” on 7 September 2020 in Taipei at the Regent Taipei Hotel, where participants discussed new guidance and practical ways to implement IFRS 17 and ongoing evolution of the international Insurance Capital Standard (ICS). Officials from international bodies and the insurance authorities of individual countries around the world were invited to attend the event online and share their insights regarding developments in overseas supervisory systems, while local experts and industry representatives were also invited to discuss research findings and experiences. The event was actively attended by insurance professionals and scholars from Taiwan, and it contributed much to efforts here to implement the New Generation Insurance Solvency Regime and adopt IFRS 17.

Industry Updates

FSC visits bilingual bank branches to push for achievement of the Bilingual Nation policy

To showcase its continued support for the government’s “Bilingual Nation 2030 policy”, the FSC is encouraging banks to set up pilot bilingual branches, help employees improve their English ability, and create service environments that are conducive to the provision of bilingual financial services. FSC Chairperson Tien-Mu Huang, in the company of National Development Council Minister Ming-Hsin Kung and Minister of Finance Jain-Rong Su, on 11 September 2020 visited two pilot bilingual branches -- the CTBC Bank City Hall Branch and the First Commercial Bank Yanji

Branch -- to learn about the success of efforts to promote the establishment of pilot bilingual branches. Since this undertaking was launched in 2019, 17 banks have each set up at least one bilingual branch, and another 6 banks are currently in the process. The FSC hopes that more banks will devote resources to the creation of a bilingual financial services environment, and will continue conducting visits at other banks.

FSC assesses trust property services for seniors, awards top-performing enterprises

On 27 August 2020, the FSC held the “Seminar for Assessment of Trust Property Services for Senior Citizens and Persons With Disabilities,” where awards were conferred upon banks that have performed especially with this type of business. Premier Tseng-chang Su was invited to deliver remarks at the event and present awards. Among those in attendance were representatives of government agencies, social service groups, and financial service firms. This marks the fifth year for this annual event, which first took place in 2016, and it was the fourth year in which banks that show strong performance have been singled out for special recognition. Award recipients include the following 10 banks: TCB Bank; First Commercial Bank; Hua Nan Commercial Bank; Taishin International Bank; Taiwan Business Bank; Land Bank of Taiwan; Bank of Taiwan; Mega International Commercial Bank; Chang Hwa Bank; and Taipei Fubon Commercial Bank.

FSC grants 2020 awards to securities and futures firms for excellence in implementing Treating Customers Fairly Principles

On 19 August 2020, the FSC held the “2020 Awards Ceremony for excellence in implementing the Treating Customers Fairly Principles among Securities and Futures Firms.” FSC Chairperson Tien-Mu Huang personally presided over the ceremony and presented the awards, which were granted to firms ranking among the top 20% for performance in implementing the Treating Customers Fairly Principles. Awards were conferred upon the following firms (listed in no particular order):

1. Securities firms: Yung Chuan Securities; Pei Cheng Securities; BridgeStone Securities; Citigroup Global Markets; FundRich Securities; Fushan Securities.
2. Futures commission merchants: Mega Futures; Cathay Futures; Hua Nan Futures.

Financial institutions steadily increase fintech investments

Since 2018, the FSC has annually commissioned the Taiwan Financial Services Roundtable (TFSR) to survey fintech investments in the domestic financial industry during the preceding year. This year’s survey of 2019 fintech investments was conducted through financial industry associations (for banks, bills houses, securities firms, futures commission merchants, investment trust and investment consulting firms, life insurers, and non-life insurers) as well as financial industry self-regulatory organizations such as the Taiwan Stock Exchange, the Taiwan Futures Exchange, the Taipei Exchange, the Taiwan Depository & Clearing Corporation, the Financial Information Service Co., the National Credit Card Center, and the Joint Credit Information Center. There were a total of 299 survey respondents. Key findings include the following:

1. Operating funds allocated to fintech: Total of NT\$16.52 billion in 2019, and an estimated NT\$18.88 in 2020 (estimated growth of 14.30%).
2. Number of employees engaged in fintech work: Total of 8,824 persons in 2019, or 2.87% of all employees in 2019 (up by 2.44% from 2018).
3. Cooperation between financial institutions and fintech firms: In 2019, 104 financial institutions engaged in business cooperation with fintech firms, mostly involving operations in the “Other” category (e.g. Open API, identity authentication, AI customer service), followed by big data, cybersecurity, AI, payments, AML/KYC, cloud services, robo-advisory wealth management, blockchain, insurtech, biometric identification, compliance technology, lending, and IoT.
4. Fintech patents: A total of 844 fintech patent applications were filed in 2019 and 600 were approved. This works out to an average of 2.82 fintech patent applications per financial institution, up from 1.98 per institution in 2018. The average of 2.01 fintech patent approvals per institution in 2019 was up from 1.68 approvals per institution in 2018.

Deutsche Securities Taipei Branch to Close its Business

The FSC has granted approval for the termination of business operations of Deutsche Securities Asia Ltd Taipei Branch (hereinafter referred to as "DB Securities Taipei Branch").

The FSC stated that Deutsche Bank AG has announced significant strategic transformation and restructuring plans in July 2019. The plans include focusing on its core banking market, and exiting its global equities sales and trading business. The DB Securities Taipei Branch, registered as a securities and futures broker, has therefore decided to terminate its business in Taiwan as part of the Deutsche Bank AG's restructuring plan. The DB Securities Taipei Branch set its last business day in Taiwan on 17 August 2020.

The DB Securities Taipei Branch mainly provides brokerage services in the securities and futures markets, with 0.18% and 0.12% of the market share respectively. It ranked 13th among 14 foreign securities firms in 2019. The DB Securities Taipei Branch will help exiting customers transfer to other domestic firms. The FSC expects the close of the DB Securities Taipei Branch will not cause significant impact on the Taiwan's securities and futures markets.

The total trading volumes of registered foreign brokerages firms in Taiwan increased by 46% for the first half of the 2020, compared to the same period in 2019. This shows that foreign securities firms are steadily growing in Taiwan.

The FSC is committed to building a sound financial market and friendly investment environment to attract global investors to invest and manage their wealth in Taiwan. Thus, the FSC has actively relaxed rules to introduce more diversified financial products and investment options. Furthermore, the FSC is expanding the operation scope of financial institutions so they can provide high-quality services. These are among a variety of important FSC policies. Through the above activities, the FSC emphasized its ongoing policy to encourage and welcome the international financial institutions to participate in Taiwan's capital markets.

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

The total outstanding loans extended by the current 36 domestic banks increased by NT\$196.4 billion as compared to the figure of previous month and amounted to NT\$31.98 trillion at the end of August 2020. Meanwhile, the NPLs of these banks totaled at NT\$75.5 billion which decreased by NT\$2.4 billion from NT\$77.9 billion as of the end of the previous month. The average NPL ratio of the 36 banks was 0.24%, which was down by 0.01 percentage points compared to the previous month, and was up by 0.01 percentage points compared to the same month last year.

The coverage ratio of allowances for NPLs stood at 567.03%, which increased by 20.24 percentage points from 546.79% of the previous month.

NPL situation of credit cooperatives at the end of August 2020

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.46 billion as of the end of August 2020, generating an NPL ratio of 0.09%, down by 0.01 percentage points from 0.1% at the end of July 2020. The NPL coverage ratio was 2,269.65%, up by 162.95 percentage points from 2,106.7% at the end of July 2020.

Net foreign and mainland China investment in listed shares

As of the end of August 2020, foreign investors had bought around NT\$7,595.3 billion and sold around NT\$8,264.4 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$669.1 billion. In addition, foreign investors had bought around NT\$855.5 billion and sold around NT\$875.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$19.8 billion. Meanwhile, mainland China investors had bought around NT\$14 billion and sold around NT\$16 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$2 billion; mainland China investors had bought around NT\$3.5 billion and sold around NT\$4.7 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$1.2 billion. 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 August 2020 stood at approximately US\$197.7 billion, down by around US\$3.9 billion from US\$201.6 billion at the end of July 2020. The figure for cumulative net inward remittances by mainland China

investors was US\$119 million, down by around US\$51 million from US\$170 million at the end of July 2020.

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

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of June 2020 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$246.232 billion, down by 14% from NT\$287.124 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$60.801 billion (around 25% of the total), down by 29% from NT\$85.802 billion year-on-year, and the sales of traditional insurance products totaled NT\$185.431 billion (around 75% of the total), down by 8% from NT\$201.322 billion year-on-year.

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

The pre-tax profit of insurance enterprises at the end of July 2020 was NT\$160.4 billion; the pre-tax profit of life insurance enterprises was NT\$150.5 billion, an increase of NT\$13.1 billion, or 9.5%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$9.9 billion, down by NT\$0.4 billion or 3.9% compared with the same period in 2019.

Owners' equity of insurance enterprises at the end of July 2020 was NT\$2,523.6 billion; owners' equity of life insurance enterprises was NT\$2,387.9 billion, an increase of NT\$609.7 billion, or 34.3%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$135.7 billion, up by NT\$6.9 billion or 5.4% compared with the same period in 2019.

As of the end of July 2020, the NT Dollar had appreciated by 2.0% versus the US Dollar from the end of 2019, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$37.5 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises was negative NT\$178.9 billion.

Investor and Consumer Protection

FSC holds 2020 online financial literacy quiz contest

In order to enhance financial literacy, motivate youth to learn on their own, raise the general level of understanding of financial markets and services, the FSC is holding a 61-day online financial literacy quiz contest, targeted at junior and senior high school students, from 24 August to 23 October 2020, with separate divisions for students at the junior and senior high levels. The contest starts out with an initial online round, followed up by onsite second-round contests. There are separate divisions for students at the junior and senior high levels. In addition, to adjust for the education gap between urban and rural areas, a certain number of contestant spots have been set aside separately for students from different areas to encourage participation by students from remote districts and the offshore islands. Junior and senior high school students interested in taking part can register teams by visiting the quiz website (<http://financeknowledge.tabf.org.tw>), or by calling the organizer (Taiwan Academy of Banking and Finance) at (02) 3365-3565.

2020 School and Community Financial Literacy Campaign

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 75 financial literacy events in September 2020 at schools and organizations, including the Penghu County Veterans Service Office, attracting a total attendance of 6,044 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of August 2020, a total of 6,614 events had been held and over 1.04 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, social welfare groups, and senior citizens' 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.