

# 金融展望月刊

## Financial Outlook Monthly

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G P N 2009305443

I S S N 1992-2507

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

### January 2021

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# No. 194

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- FSC announces launch of the “Capital Market Roadmap”
- TWSE “Taiwan Innovation Board” and TPEX “Pioneer Stock Board” to launch in Q3 2021
- Cabinet forwards proposed “Insurance Act” amendment to Legislative Yuan
- FSC and TFSR set up FinTech Co-Creation Platform

### Policy and Law

#### *FSC announces launch of the “Capital Market Roadmap”*

To advance development of Taiwan’s capital markets and respond to three big trends (ESG and sustainability concerns; digital technologies; and demographic ageing), thereby forging forward-looking and globally competitive capital markets, the FSC on 8 December 2020 announced the launch of its “Capital Market Roadmap”. This Roadmap comprises five major strategies, 25 key items, and 82 concrete measures aimed at enhancing capital market functions and stimulating Taiwan’s economic growth. The five major strategies are the following: (1) strengthen primary market functions to support real economic development; (2) revitalize secondary market and increase efficiency and liquidity; (3) attract domestic and foreign investment and raise international visibility; (4) boost the functions and competitiveness of financial intermediaries; and (5) encourage financial innovation and diversification of financial products.

The 3-year “Capital Market Roadmap” will be carried out by the FSC, together with the Taiwan Stock Exchange, Taipei Exchange, Taiwan Depository & Clearing Corporation, and Taiwan Futures Exchange, as well as the Securities and Futures Institute, Securities and Future Investors Protection Center, and other securities and futures industry self-regulatory organizations. Implementation of the Roadmap will be reviewed each year with rolling updates and revisions deployed as necessary in the hopes of realizing the vision of a fair, efficient, diverse, and internationalized capital market with a focus on innovation and openness.

#### *TWSE “Taiwan Innovation Board” and TPEX “Pioneer Stock Board” to launch in Q3 2021*

To support the development of innovative enterprises, provide more channels for raising capital, and expand Taiwan’s capital markets, the FSC on 3 December 2020 announced that the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX) will further build out Taiwan’s multi-level capital market framework by launching the “Taiwan Innovation Board (TIB)” and the “Pioneer Stock Board (PSB)”, respectively. Set to begin operating in 2021, the purpose of the two new boards will be to help innovative firms access the capital market. The key features of these two new boards include the following: (1) the two boards will accelerate the entry of innovative companies into the capital market and reduce the cost and time spent on preliminary procedures by adopting a streamlined public offering process; (2) the two boards adopt suitable listing standards and requirements to allow innovative companies in various development phases to raise funds in market segments best suited to their business needs; (3) in recognition of the fact that most innovative businesses are still in early-stage development and therefore pose a higher investment risk, only qualified investors are accepted to invest in companies listed on the two boards; and (4) to help innovative companies maintain legal compliance and achieve better corporate governance, the two boards borrow from the sponsor systems of other countries by arranging for innovative companies to benefit from continuous guidance by an advising underwriter during the listing period.

The FSC, TWSE, and TPEX will work on relevant regulation amendments in line with the above plan, and the two exchanges will set up needed systems for the TIB and PSB, which are slated to launch officially in the third quarter of 2021. These new boards will help innovative companies raise funds in the capital market, boost development of the real economy, and strengthen the competitiveness of Taiwan’s capital markets.

#### *Cabinet forwards proposed “Insurance Act” amendment to Legislative Yuan*

To encourage insurers to accelerate the pace of their investments in domestic companies and infrastructure projects, to help insurers improve their financial structure, to strengthen their risk-bearing capacity, and to further clarify the authorities conferred by laws or regulations, the Executive Yuan on 3 December 2020 approved a proposed amendment to the “Insurance Act” and forwarded it to the Legislative Yuan for deliberations. Key points of the amended provisions are as follows:

1. Encouragement for insurers to invest in domestic companies, infrastructure projects, and social welfare enterprises:
  - (1) The basis for calculation of corporate bond investment caps has been changed from “paid-in capital” to “shareholders’ equity” in order to raise the cap on what insurers are

allowed to invest in domestic bond markets.

- (2) The maximum number of directors and supervisors that an insurer may appoint to the board of a public utility or social welfare enterprise has been raised to no more than one-third the total number of director and supervisor seats. This amendment is intended to make insurers more willing to invest in these types of investments and spur them to exercise tighter supervision of the companies in which they invest.
2. Improvement of insurers' financial structure and strengthening of their risk-bearing capacity: In line with international systems, the newly added provisions set out net worth ratio along with the current capital adequacy ratio as dual supervisory indicators and classification standards of capital categories, in order to reasonably reflect risks.
3. Consummation of insurance supervisory legislation:
  - (1) To strengthen regulation of the transfer or withdrawal of branch units by insurance enterprises, a newly added provision authorizes the competent authority to adopt regulations governing the transfer or withdrawal of branch units.
  - (2) To specify the requirements that the responsible persons of insurance enterprises are expected to meet and the legally binding nature of those requirements, and to facilitate compliance by insurance enterprises: (a) the amended Act requires the competent authority to discharge the responsible person who does not meet qualification requirements set by the competent authority; and (b) when a responsible person of the insurance enterprise violates the restrictions on concurrent posts or prohibitions conflicts of interest, the amended Act allows the competent authority to order the insurance enterprise to make adjustment within a prescribed period of time; the responsible person shall be discharged when the insurance enterprise fails to make needed adjustments within the prescribed time period and without justifiable reason.
  - (3) Taiwan already has regulations that govern various matters pertaining to insurers' real estate investments (e.g. internal handling procedures, the types of real estate in which investments are allowed, standards and handling principles for determining what constitutes real estate that can be used immediately with reasonable benefit, and other requirements). The amended Act now authorizes the competent authority to adopt provisions governing such matters in order to elevate the legal basis for such provisions. To coordinate with this amendment, the constituent elements for penalties have been modified.

### **FSC and TFSR set up FinTech Co-Creation Platform**

On 19 November 2020, the FSC and the Taiwan Financial Services Roundtable (TFSR) jointly established the FinTech Co-Creation Platform (FTCP) to work together in promoting FinTech development. The FTCP has four working groups (the Capacity Building Group, Data Governance Group, RegTech Group, and Publicity & Exchange Group), and will invite at least 25 financial industry self-regulatory organizations, experts and scholars to serve as working group members. The FTCP also has a secretariat to handle administrative matters and coordinate among the four working groups. In the future, the FSC will take active part in the operation of the FTCP and move forward in step with FinTech elites in hopes of stimulating FinTech professionals, cultivating FinTech professionals, and promoting the development of digital finance and RegTech. By doing so, the FSC and TFSR expect to create new value in the financial industry and achieve financial inclusion.

### **FSC amends the "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets"**

In order to make Taiwanese banks calculate capital charges for loans secured by real estate using a method that is in line with international practices, the FSC, making reference to the "Basel III: finalizing post-crisis reforms," recently amended the "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets" to require that banks use loan-to-value ratios as the basis for calculating capital charges for real estate exposures (the "LTV approach"). This new method was originally scheduled for adoption at end-June 2021, but banks have already completed related preparatory work, so adoption of the new approach will take place ahead of schedule at the end of 2020. After the amended Methods take effect, when domestic banks calculate capital charges for real estate exposures, they will base risk weights on LTV ratios. This approach will make capital charges more risk-sensitive, thus reflecting the degree of risk associated with a bank's real estate loans.

### **FSC calls on banks to properly implement mortgage loan management measures**

To enhance the management of mortgage loan and risk control of credit business, the FSC on 20 November 2020 issued a request to domestic banks and the branches of foreign banks in Taiwan to carefully consider possible actions to improve internal control systems and operating

procedures for dealing with the mortgage loan deficiencies discovered during financial examinations in recent years (the deficiencies involve the following eight areas: statutory limit management; credit investigation; real estate appraisals; management of exceptional cases; post-loan management; mortgage loans for remaining units; luxury housing mortgage loans; and acquisition, development and construction loans). The FSC also instructed the aforementioned banks and branches to properly carry out credit investigations, post-loan reviews, and follow-up monitoring.

### **FSC amends the "Regulations Governing Securities Investment Trust Enterprises"**

In order to facilitate stronger supervision of securities investment trust enterprises (SITEs), the FSC on 17 December 2020 amended the aforementioned Regulations. Key points of the amended provisions are as follows:

1. To ensure sound management of SITE business and safeguard the interests of investors, a newly added provision requires SITEs to collect or pay fees in a reasonable manner for their operations, and prohibits them from using unreasonable fees to solicit or conduct business.
2. To strengthen the management of investment in domestic, foreign and mainland enterprises by SITEs:
  - (1) The authorization rules, internal control requirements and investment limit of SITEs have been stipulated: To ensure that SITEs exercise better management of investee enterprises, the amended Regulations expressly provide that: (a) a SITE's investments in domestic, foreign, and mainland enterprises shall amount to no more than 40% of the SITE's net value; (b) a SITE must establish mechanisms within its internal control system for management of investee enterprises and assessment of their risks; and (c) the competent authority is authorized to determine the scope, permissible investment ratios, qualification requirements and related procedures of domestic and foreign enterprises in which SITEs are allowed to invest.
  - (2) Stronger ongoing management by SITEs of investee enterprises: For a SITE applying to invest in a foreign enterprise, the list of required supporting documents has been amended, and a newly added provision sets out the supporting documents that must be furnished if the SITE subsequently applies to increase the amount of the investment. The amended Regulations also set out the types of matters that a SITE must file as a material change, and also set out the types of financial and business information that a SITE must periodically report regarding its foreign and mainland investees.

### **FSC eases ETF shareholding dispersion requirements**

To facilitate ongoing efforts to develop Taiwan's ETF market while at the same time providing for proper regulation of securities investment trust enterprises (SITEs) operations and ETF shareholding dispersion, the FSC, making reference to recommendations put forward by the Securities Investment Trust and Consulting Association of the R.O.C. (SITCA), has decided to ease regulatory requirements regarding ETF shareholding dispersion. After the requirements have been eased, the rules for ETF shareholding dispersion will be as follows:

1. The ultimate limit on the holdings of a single investor in the shares of an ETF will be raised from 30% to 50%.
2. For a small ETF (AUM of less than NT\$3 billion), the limit will be raised to 70%.
3. The implementation of the abovementioned dispersion requirements will be reviewed separately for equity ETFs and bond ETFs, and such reviews will be factored into future approval decisions when SITEs register or apply to offer ETFs of the same type.

### **FSC amends the "Regulations Governing the Supervision of Insurance Solicitors"**

To better protect the interests of insurance solicitors, and to coordinate with a Civil Code amendment that will eventually lower the age of majority, the FSC in December 2020 amended the aforementioned Regulations as follows: (a) The minimum age requirement for insurance solicitors has been lowered to the age of majority, and the "revocation of registration" penalty originally set out in Paragraph 1 of Article 19 has been deleted. (b) The pre-amendment Regulations provide that "where a solicitor has been suspended from solicitation activities accumulatively for two years or longer during the effective period of the registration, his or her solicitor registration shall be revoked." In the amended version, "during the effective period of the registration" has been changed to "within any five-year period." (c) The effect of revocation of a solicitor's registration is now limited to the same type of insurance business. (d) A solicitor whose registration has been revoked was formerly prohibited from registering again for at least three years, but this prohibition has been eliminated.

### **FSC amends eligibility rules for Employment Gold Card to help financial institutions recruit professional talent**

To help meet the strong demand for professional talent that has arisen in connection with rapid development of new technologies, the FSC on 15 December 2020 amended the "Required Qualifications for 'Foreign Special Professionals with Specific Financial Expertise' and Principles for Recognition of Qualifications." Key points of the amendments include the following: (1) To obtain recognition as having met this requirement, the applicant was previously required to have been an important senior executive of a financial institution for at least 10 years. This 10-year minimum has now been reduced to five years. (2) The Principles require that an applicant must "have served in a professional position in a financial institution, and have outstanding professional ability or cross-border experience much-needed by the country." To obtain recognition as having met this requirement, the applicant was previously required to have served at least five years in a managerial-level position at a domestic or foreign financial institution. This five-year minimum has now been reduced to three years. (3) The Principles require that an applicant must otherwise be "a potential contributor to the country's financial industry." To obtain recognition as having met this requirement, the applicant is required to provide relevant documents which show they have academic qualifications and employment experience in key industries promoted by the government.

The FSC has administered the Employment Gold Card system since February 2018. To date, 114 Employment Gold Cards have been issued, including 69 cards issued in the first 11 months of 2020. The system has thus clearly begun to show results. It is expected that the amendments described above, and steps taken to ease qualification requirements for the responsible persons of various types of financial institutions, will facilitate the efforts of Taiwanese financial institutions to recruit a more diverse range of financial professionals with multi-disciplinary expertise.

## Industry Updates

### Taiwan receives positive recognition in Asian Corporate Governance Association's "CG Watch 2020" survey

At its 20th annual conference, which was held online on 25 November 2020, the Asian Corporate Governance Association (ACGA) released a preview of its "CG Watch 2020" survey. In this latest biennial rating survey on corporate governance performance in 12 Asia-Pacific markets, Taiwan ranks No. 4 behind only Australia, Hong Kong, and Singapore. "CG Watch 2020" awarded Taiwan a total aggregate score of 62.2, our highest ever. Among the 12 markets covered in the survey, Taiwan and Australia are the only markets for which scores in every category improved from the previous survey. In addition, the gap between Taiwan's aggregate score and those of Hong Kong (63.5) and Singapore (63.2) has narrowed.

The following are among the most important aspects of Taiwan performance in this year's ACGA survey:

1. Taiwan's aggregate score improved more from the previous survey than any other market. Taiwan received the highest score in the category of "Government and public governance" (68) and the second highest score in the category of "Regulators" (66) after Hong Kong (69).
2. The FSC has launched the "Corporate Governance 3.0 – Sustainable Development Roadmap," which places high priority on strengthening Taiwan's ESG ecosystem and companies' sustainability reports, and expands the scope of applicability of the Sustainability Reporting Standards of Global Reporting Initiative (GRI) to include TWSE- and TPEX-listed companies that release sustainability reports.

### Wearing of masks at financial institutions' places of business required to prevent spread of COVID-19

The Ministry of Health and Welfare and eight other government agencies jointly issued a directive requiring the wearing of masks beginning from 1 December 2020 at the business places of banks, securities firms, insurance companies, and other such locations with a high risk of COVID-19 transmission. On that same day, the FSC forwarded this directive to the various financial industry trade associations and instructed the trade associations to disseminate the directive to their member institutions and require their compliance.

### FSC grants banking license to Rakuten International Commercial Bank

On 8 December 2020, the FSC granted a banking license to Rakuten International Commercial Bank Co., Ltd. ("RICB"), the first Internet-only bank to obtain a business license in Taiwan. RICB is being jointly established as an Internet-only bank in Taiwan by Rakuten Bank, Ltd. (of Japan), Rakuten Card and IBF Financial Holdings Co. Approval to establish RICB had been granted by FSC on 2 August 2019, and after more than a year of preparation a banking license application was submitted to the FSC, which recently completed all off-site assessment and on-site application review procedures and then granted the business license on 8 December 2020. The FSC hopes that after it opens, RICB will act in the spirit of responsible innovation to spur innovation in the market and development of the banking industry, and achieve financial

inclusion.

### ROC Eximbank gets green light to apply for Jakarta representative office

The FSC recently granted approval to the Export-Import Bank of the Republic of China ("ROC Eximbank") to apply to Indonesian authorities to set up a representative office in Jakarta. Six domestic Taiwan banks currently have five representative offices and one banking subsidiary in Indonesia (the subsidiary has 11 branches and sub-branches there). At this time, domestic banks have established 227 business locations in countries targeted by the New Southbound Policy.

### FSC approves application by ShopeePay (Taiwan) to operate electronic payment service

On 13 November 2020, the FSC approved an application by ShopeePay (Taiwan) Co., Ltd. to operate an electronic payment service. Taiwan currently has five specialized electronic payments operators and 23 financial institutions (including banks, Chunghwa Post Co., and electronic stored value card issuers) that concurrently operate electronic payment services.

### Horizon Securities gets approval to acquire brokerage business and assets of Kuang Long Securities

The FSC recently approved an application by Horizon Securities Co., Ltd. ("Horizon") to acquire the brokerage business and assets of Kuang Long Securities Co., Ltd. ("Kuang Long"). Horizon has been seeking to expand its securities brokerage business, and in pursuit of this goal, each company's board of directors approved a resolution calling for Horizon to acquire the brokerage business and assets of Kuang Long and to set up a branch unit at the original location of Kuang Long. After the acquisition, the number of Horizon's brokerage business locations will increase to 10. To help securities firms grow and become more competitive, the FSC encourages them to use M&A deals to get on stronger financial footing.

### NPL Ratio for Domestic Banks as of the End of November 2020

The total outstanding loans extended by the current 36 domestic banks increased by NT\$140.6 billion (US\$4.88 billion) as compared to the figure of previous month and amounted to NT\$31.39 trillion (US\$1,089.02 billion) at the end of November 2020. Meanwhile, the NPLs of these banks totaled at NT\$72.9 billion (US\$2.53 billion) which decreased by NT\$4.8 billion (US\$0.17 billion) from NT\$77.7 billion (US\$2.7 billion) as of the end of the previous month.

With a slight decrease of 0.02 percentage point, the average NPL ratio of the 36 banks fell to 0.23% down from 0.25% at the end of previous month, and remained the same ratio as the same month last year.

The coverage ratios of allowances for NPLs increased by 35.52 percentage points and therefore rose to a figure of 589.02% from 553.5% of the previous month.

### NPL situation of credit cooperatives at the end of November 2020

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.507 billion as of the end of November 2020, generating an NPL ratio of 0.1%, same as that of the end of October 2020. The NPL coverage ratio was 2,092.22%, down by 40.32 percentage points from 2,132.54% at the end of October 2020.

### Net foreign and mainland China investment in listed shares

As of the end of November 2020, foreign investors had bought around NT\$11,149.7 billion and sold around NT\$11,805.8 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$656.1 billion. In addition, foreign investors had bought around NT\$1,282.5 billion and sold around NT\$1,277.5 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$5 billion. Meanwhile, mainland China investors had bought around NT\$16 billion and sold around NT\$18.9 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$2.9 billion; and mainland China investors had bought around NT\$3.7 billion and sold around NT\$5.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$1.6 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 November 2020 stood at approximately US\$204 billion, up by around US\$5.9 billion from US\$198.1 billion at the end of October 2020. The figure for cumulative net inward remittances by mainland China investors was US\$57 million, down by around US\$27 million from US\$84 million at the end of October 2020.

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

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of September 2020 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$376.778 billion, down by 5% from NT\$396.876

billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$101.267 billion (around 27% of the total), down by 21% from NT\$128.755 billion year-on-year, and the sales of traditional insurance products totaled NT\$275.511 billion (around 73% of the total), up by 3% from NT\$268.121 billion year-on-year.

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

The pre-tax profit of insurance enterprises at the end of October 2020 was NT\$222.4 billion; the pre-tax profit of life insurance enterprises was NT\$207.9 billion, an increase of NT\$34.1 billion, or 19.6%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$14.5 billion, up by NT\$0.4 billion or 2.8% compared with the same period in 2019.

Owners' equity of insurance enterprises at the end of October 2020 was NT\$2,273.6 billion; owners' equity of life insurance enterprises was NT\$2,136.1 billion, an increase of NT\$261.4 billion, or 13.9%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$137.5 billion, up by NT\$4.8 billion or 3.6% compared with the same period in 2019.

As of the end of October 2020, the NT Dollar had appreciated by 3.9% versus the US Dollar from the end of 2019, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$40.5 billion, down by NT\$14.1 billion from the end of 2019. 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\$236.4 billion. Over the same period, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$534.1 billion.

## **Investor and Consumer Protection**

### **FSC urges securities and futures industry SROs to take part in community service activities**

To ensure that financial institutions serve the public interest and show concern for society, the FSC has encouraged self-regulatory organizations (SROs) from the securities and futures industry to take active part in community service activities for many years. Charitable donations have increased annually over the past three years. Donations amounted to NT\$250 million in 2019, and donations called for in the 2020 budget come to NT\$360 million, an increase of 44%. The FSC will continue encouraging securities and futures industry SROs to serve the public interest, show concern for society, together hold up a protective umbrella for the benefit of the underprivileged, and take active part in community service activities designed to promote health and public welfare.

### **FSC continues improving social safety net by promoting micro-insurance and micro-whole-life insurance**

To enable the economically disadvantaged and people with special status to obtain basic insurance protections for lower premiums, and to meet the need of senior citizens for basic insurance protections in Taiwan's aged society, the FSC continues to promote micro-insurance and micro-whole-life insurance. As of end-September 2020, the accumulated number of people underwritten of micro-insurance had been written for 925,000 persons, and micro-insurance products were sold by 27 non-life and life insurers. Also, as of end-October 2020, 13 life insurers were selling micro-whole-life insurance policies. To encourage insurers to design and market micro-insurance and micro-whole-life insurance products, the FSC has: (a) increased the number of products subject to prior approval that insurers are allowed to submit for approval; (b) allowed various products previously subject to prior approval rules to be launched through the use-and-file method; (c) raised the cap on insurers' overseas investments; (d) lowered required contributions to the Life Insurance Guaranty Fund; and (e) given public commendation of insurance companies with outstanding performance in the business.

### **2021 School and Community Financial Literacy Campaign**

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 26 financial literacy events in December 2020 at schools and organizations, including Li Hsing Elementary School in Nantou County, attracting a total attendance of 1,533 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of December 2020, a total of 6,865 events had been held and over 1.06 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, senior citizens' groups, police, fire fighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2021. 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 E.Sun Commercial Bank**

The FSC recently imposed an administrative fine of NT\$20 million on E.Sun Commercial Bank after discovering that a former wealth manager at the bank had misappropriated customers' funds and engaged in abnormal fund transactions with customers. The improprieties were found to be in violations of Paragraph 1, Article 45-1 of the Banking Act, and the fine was imposed in accordance with Subparagraph 7, Article 129 of the same Act. The FSC also ordered the bank (pursuant to the provisions of Subparagraph 6, Paragraph 1, Article 61-1 of the Banking Act) to suspend the vice-president (surnamed Chang) in charge of the bank's wealth management division as well as the person (surnamed Chen) in charge of the bank's consumer banking division for three months.

### **FSC imposes sanctions on Taichung Commercial Bank**

The FSC recently imposed an administrative fine of NT\$4 million on Taichung Commercial Bank after discovering that a former wealth manager at the bank had misappropriated customers' funds and engaged in abnormal fund transactions with customers. The improprieties were found to be violations of Paragraph 1, Article 45-1 of the Banking Act, and the fine was imposed in accordance with Subparagraph 7, Article 129 of the same Act.

### **FSC imposes sanctions on BNP Paribas Cardif TCB Life Insurance and Taiwan Cooperative Bank**

The FSC on 24 November 2020 imposed an administrative fine of NT\$3 million on BNP Paribas Cardif TCB Life Insurance after discovering that the company, in its conduct of insurance business, had violated Paragraph 2, Article 148-3 of the "Insurance Act" in a manner that showed a likelihood of improper management. The amount of the fine was set in accordance with Paragraph 5, Article 171-1 of the "Insurance Act." In addition, the FSC issued the company four official reprimands in accordance with Paragraph 1, Article 149 of the same Act. The details of the violations are as follows:

1. Where a single bank employee has handled policy loans and the purchases of new insurance policies, during the process of making the policy loans and underwriting the insurance policies, the insurer has simply believed the bank employee's solicitation reports and the customer's statements that deposits, salary, or bonuses were the sources of funds used for the transactions, and failed to discover through investigation that the customer had actually used the proceeds of policy loans to pay the premiums. On four separate occasions, the customer had used a policy loan to then purchase an investment-linked policy, but the insurer failed to confirm that the customer was aware of the related risks, failed to properly evaluate the customer's needs or product suitability, and failed to properly require the solicitation channel and its employee to maintain legal compliance or establish related monitoring and control mechanisms.
2. In telemarketing products to persons with physical or mental disabilities, and in providing notifications of refusal to underwrite, where applicants had a Disabled Person Certificate or had a health problem (e.g. blindness in both eyes) that would qualify them to obtain a Disabled Person Certificate, the insurer has treated these facts as grounds for refusal to underwrite an application for products such as cancer insurance or life insurance, and failed to evaluate the possibility of using an alteration note to underwrite a policy while excluding certain types of coverage.
3. In exercising quality control on the solicitation practices of brokerage and agency channels, with respect to complaints that the sales agent who handled the signing of policy applications or that two or more sales agents jointly handled such signings, the insurer failed to clearly understand the appropriateness of the solicitation process or to carry out follow-up investigations. The insurer failed to properly look into complaints or carry out follow-up handling procedures. Also, the aforementioned solicitation disputes, poor management of solicitors, and poor legal compliance have not been factored by the insurer into its performance reviews.
4. In a number of areas, the insurer has shortcomings that could undermine the soundness of its business operations. Such problem areas include the following: the setting of insurance product commissions and bonuses; sales methods; solicitation and underwriting procedures for travel accident insurance; pre-launch product review mechanisms for investment-linked insurance policies, and post-sale periodic reviews of the investment instruments to which such policies are linked; and management of cybersecurity operations.

As for Taiwan Cooperative Bank, the FSC imposed an administrative fine of NT\$1.8 million in accordance with Subparagraph 2, Paragraph 1, Article 30-1 of the "Financial Consumer Protection Act" due to the following shortcomings: consumers used the proceeds of policy loans to buy investment-linked insurance policies; the same person was allowed to handle the policy loan and sell the insurance; and the accurate information regarding the source of funds for premium payments was not provided in insurance solicitation reports.