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Ministry of Justice Anti-Corruption Hotline 0800-286-586
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- Legislative Yuan passes "Insurance Act" amendment
- FSC amends "Standards Governing the Establishment of Securities Firms," "Regulations Governing Securities Firms," and "Regulations Governing Responsible Persons and Associated Persons of Securities Firms"
- Securities firms get green light to broker cost-average trading in foreign securities

Policy and Law

Legislative Yuan passes "Insurance Act" amendment

Key points of this amendment to the "Insurance Act" are as follows:

1. Insurers are encouraged to invest in domestic industries, public utilities, 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. Also, a newly added provision allows insurers to invest in non-guaranteed commercial paper that meet certain conditions.
 - (2) The restriction on 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 eased. 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. It is also intended to strike a balance between the goals of promoting the public interest and supporting economic development.
2. 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. Improve and strengthen insurance supervisory legislation:
 - (1) A newly added provision authorizes the competent authority to adopt regulations governing the transfer or withdrawal of branch units.
 - (2) The amended Act requires the competent authority to discharge a responsible person who does not meet qualification requirements set by the competent authority, and when a responsible person of the insurance enterprise violates the restrictions on concurrent posts or prohibitions against 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.

FSC amends "Standards Governing the Establishment of Securities Firms," "Regulations Governing Securities Firms," and "Regulations Governing Responsible Persons and Associated Persons of Securities Firms"

To make regulatory adjustments that will help fintech firms smoothly exist fintech sandbox experiments and deploy their innovations in the market, thereby spurring further development of the fintech industry, and to adapt to new types of investment and trade activities brought about by fintech innovation, the FSC has been studying the possibility of: (a) allowing securities firms to act as brokers for trading or exchanging fund beneficial certificates; and (b) allowing a firm that has experimented in the fintech sandbox to apply for permission to convert into a securities firm (provided that it has been approved to conduct securities business). Accordingly, the FSC has amended the aforementioned Standards and Regulations. In addition, in preparation for the market maker system to be launched in late June 2021, the FSC has also amended the "Regulations Governing Securities Firms" to ease restrictions on the prices at which market makers (limited to securities dealers) may engage in short selling of borrowed securities. It is expected that these amendments can facilitate development of the fintech

industry and boost its competitiveness by: (a) expanding securities firms' scope of business and providing investors with a diverse range of investment channels; and (b) helping firms that have conducted fintech sandbox experiments to coordinate and develop their different lines of business. Also, the continual provision of reasonable bid and offer prices by market makers will increase stock market liquidity and strengthen overall market momentum, thus creating more active markets.

Securities firms get green light to broker cost-average trading in foreign securities

To provide investors with diverse and convenient trading methods as well as a wide range of financial product options, and to meet the need of retail investors to build global asset portfolios, the FSC on 4 May 2021 approved the Taiwan Securities Association's proposal to amend its "Rules Governing Securities Firms Accepting Orders to Trade Foreign Securities" to allow securities firms to broker cost-average trading in foreign securities. Investment strategies must in principle be mid- to long-term, and eligible securities will be limited to stocks and to ETFs that are not leveraged or inverse. Securities firms will set their own selection criteria. Transaction prices will be weighted average prices, as calculated on the basis of the total volume and total trading value of all cost-average trades brokered by securities firms on any given day, and securities firms will be required to disclose information related to cost-average trading in foreign securities (e.g. the markets where the trades took place, the types of assets traded, and transaction fees) either at their places of business or on the Internet.

FSC amends Article 3 and 6 of the "Regulations Governing the Applicable Scope of Special Circumstances for the Public Announcement and Filing of Financial Reports and Operational Status Reports by Public Companies"

To improve the supervision of primary-listed foreign issuers (hereinafter referred to as "KY companies"), and to improve the transparency and timeliness of listed companies' financial disclosures, the FSC has amended aforementioned regulations. Key points of the amendment are as follows:

1. In order to strengthen the supervision of KY companies, the amended provisions require KY companies to publish and file with the FSC second quarter financial reports audited by a certified public accountant, approved by the board of directors, and recognized by the supervisors within two months after the end of the second quarter of each fiscal year beginning from FY 2021.
2. In coordination with the timetable for implementation of the "Corporate Governance 3.0 – Sustainable Development Roadmap," listed companies with paid-in capital of NTD10 billion or more are required to publish and file annual financial reports within 75 days after the close of each fiscal year beginning from FY 2022.

FSC amends Articles 5, 6, 7, and Attachment 1 of "Directions for Insurance Enterprises Engaging in Online Insurance Business"

To spur insurers to protect personal information more effectively, to support the government's COVID-19 vaccination program, to coordinate with its plan to launch an online platform for protection-type insurance products, and to allow insurers to conduct online sales for more lines of insurance, the FSC has recently amended Articles 5, 6, 7, and Attachment 1 of the abovementioned directions. Key points of the amended provisions are as follows:

1. Considering the fact that the conduct of online insurance sales and online insurance services involves large amount of personal information, the FSC added a new provision that requires each insurer to obtain certification for its Personal Information Management System (PIMS). To give insurers that conduct online insurance business a buffer period for making necessary adjustments, this requirement will take effect one year from the date of the amendment.
2. In view of the fact that insurers are already selling vaccination insurance products, the FSC added a new provision to specify that comprehensive insurance which covers vaccinations is classified as a non-life product that can be sold online. The purpose of this provision is to provide consumers insurance purchase channels that are more diverse and can facilitate quicker purchases.
3. The FSC added a new provision under which "health insurance policies covering critical illnesses that insurers are allowed to sell via an FSC-designated platform portal" are classified as life products that can be sold online.

Industry Updates

MyData platform officially launched facilitates financial services

The FSC and the National Development Council have been working together to incorporate the MyData platform into financial services. Now that the MyData platform has been launched, a consumer applying for a financial service can use it to download and use personalized data stored in government agencies. This enables the consumer to handle the application process more quickly and conveniently. Prior to 15 April the platform had been operating on a pilot basis, but on that date the platform was officially launched by the National Development Council. At that same time, all financial institutions (including securities, futures, and insurance enterprises) under the regulatory jurisdiction of the FSC received the green light to act via the platform to provide a more diverse range of financial services.

Once a consumer completes identity verification and data use authorization through the MyData platform, he or she can allow a bank one-time access to personal information in the possession of government agencies (the information includes such things as household registration data, property data, personal income data, and labor insurance status data). The bank then uses the information to process an application by the consumer for a credit card, a loan, or some other financial service. There is no need for the consumer to apply to multiple agencies for hardcopy versions of multiple types of information to provide to the bank. This means that financial services can be obtained more quickly and conveniently.

The following identity authentication methods are currently used with the MyData platform: citizen digital certificate; national health insurance card; and Taiwan FidO. To make it even more convenient for consumers to authenticate their identity, the platform will be further expanded to allow for the use of financial chip cards as well as both digital and physical financial certificates, which will bring even greater convenience and widespread use of the platform.

NPL Ratio for Domestic Banks as of the End of April 2021

The total outstanding loans extended by the current 38 domestic banks decreased by NT\$0.9 billion (US\$0.03 billion) as compared to the figure of previous month and amounted to NT\$32.07 trillion (US\$1,147.28 billion) at the end of April 2021. Meanwhile, the NPLs of these banks totaled at NT\$71.8 billion (US\$2.57 billion) which decreased by NT\$0.7 billion (US\$0.02 billion) from NT\$72.5 billion (US\$2.59 billion) as of the end of the previous month. With a slight decrease of 0.01 percentage point, the average NPL ratio of the 38 banks fell to 0.22% down from 0.23% at the end of previous month, and was down by 0.02 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 8.71 percentage points and therefore rose to a figure of 607.54% from 589.83% of the previous month.

NPL situation of credit cooperatives at the end of April 2021

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.556 billion as of the end of April 2021, generating an NPL ratio of 0.10%, down by 0.01 percentage points from the end of March 2021. The NPL coverage ratio was 1,923.63%, up by 27.73 percentage points from 1,895.90% at the end of March 2021.

Net foreign and mainland China investment in listed shares

As of the end of April 2021, foreign investors had bought around NT\$6,620.7 billion and sold around NT\$6,903.8 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$283.1 billion. In addition, foreign investors had bought around NT\$866.9 billion and sold around NT\$859.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$7.6 billion. Meanwhile, mainland China investors had bought around NT\$4.4 billion and sold around NT\$4.1 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of about NT\$300 million; and mainland China investors had bought around NT\$171 million and sold around NT\$343 million worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$172 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 2021 stood

at approximately US\$218.1 billion, up by around US\$5 billion from US\$213.1 billion at the end of March 2021. The figure for cumulative net inward remittances by mainland China investors was US\$67 million, up by around US\$30 million from US\$37 million at the end of March 2021.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2021

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2021 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$103.677 billion, up by 6% from NT\$97.998 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$51.569 billion (around 50% of the total), up by 96% from NT\$26.282 billion year-on-year, and the sales of traditional insurance products totaled NT\$52.108 billion (around 50% of the total), down by 27% from NT\$71.716 billion year-on-year.

Sales of spillover-effect insurance products and provision of in-kind benefits by life insurers in the first quarter of 2021

In the first quarter of 2021, the performance of life insurers in selling spillover-effect insurance products and providing in-kind benefits was as follows:

1. The FSC approved or accepted registrations of 68 spillover-effect insurance products from eight life insurance companies. In total, 118,427 new contracts for such products were sold in the first quarter of 2021, up by 428% from 22,444 from the same period in 2020. The first-year premium income was NT\$949.72 million, up by 219% from NT\$297.63 in the same period of 2020.
2. The FSC approved or accepted registrations of 22 in-kind payment insurance products from six life insurance companies. In total, 3,125 new contracts for such products were sold in the first quarter of 2021, down by 89% from 27,386 from the same period in 2020. The first-year premium income was NT\$21.18 million, up by 209% from NT\$6.85 million in the same period of 2020.

Profit/loss, net value and exchange gains/losses of the insurance industry as of end-March, 2021

The pre-tax profit of insurance enterprises at the end of March 2021 was NT\$177.3 billion. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$171.8 billion, increasing by NT\$108.5 billion, or 171.4% over the corresponding quarter, while the pre-tax profit of non-life insurance enterprises was NT\$5.5 billion, up by NT\$2.5 billion or 83.3%.

The owners' equity of all insurance enterprises at the end of March 2021 was NT\$2,545.5 billion, up by NT\$956.1 billion, or 60.2% over the corresponding quarter. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,395.2 billion, an increase of NT\$932.7 billion, or 63.8%, and the owners' equity of non-life insurance enterprises was NT\$150.3 billion, up by NT\$23.4 billion or 18.4%.

As of the end of March 2021, the NT Dollar had depreciated by 0.1% against the US Dollar since the end of 2020, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$52.6 billion, increasing by NT\$6.4 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 a negative NT\$61.3 billion. Over the same period of 2021, 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\$267.7 billion.

Investor and Consumer Protection

In response to higher pandemic alert level, FSC instructs financial institutions to tighten pandemic control measures

To coordinate with the decision by the Taiwan's Central Epidemic Command Center (or CECC) to elevate the pandemic alert level and impose tighter restrictions in order to guard against community transmissions, the FSC has instructed financial institutions to exercise more rigorous pandemic controls, and has reminded financial institutions to properly implement the following measures:

1. Continue requiring customers to wear masks when they enter any bank, securities firm, futures firm, insurance company, or credit cooperative, and make sure to properly take people's temperatures

and implement other epidemic control measures.

2. Support the CECC's raising of the pandemic alert level by observing all restrictions on the size of indoor and outdoor gatherings.
3. Any financial institution that adopts work from home measures, remote work arrangements, or offsite work arrangements is requested to strengthen its internal controls and properly implement remote work rules in accordance with the ROC Bankers Association's "Security Standards for Financial Institution Information Systems" and the ROC life and non-life insurance associations' respective self-regulatory rules for handling information security. Financial institutions are also asked to ensure the efficacy of their internal controls.
4. Each financial institution must frequently clean and disinfect office environments and business locations and tighten its epidemic control measures. If a confirmed COVID case occurs, an institution must immediately report it, ensure proper isolation, and carry out cleaning and disinfection.

The FSC announced that considering the cluster risk of in-person shareholders' meetings, all public companies (including TWSE listed, TPEX listed, emerging stock companies and foreign companies listed in Taiwan) shall suspend the convening of shareholders' meetings from 24 May to 30 June 2021. The above decision was taken in accordance with Article 7 of the "Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens" and Article 37, Paragraph 1, Subparagraph 6 and Paragraph 3 of the "Communicable Disease Control Act," and was approved by the CECC. The suspension is the result of inter-ministerial discussions and was adopted with reference to suggestions from members of the Finance Committee of the Legislative Yuan. Public companies shall postpone their shareholders' meetings to dates between July 1 and August 31.

FSC reminds the public of risks associated with virtual assets

Given recent sharp price volatility of Bitcoin and other virtual assets, and in light of occasional reports about the use of Blockchain technology and virtual assets to carry out scam activities, the FSC draws the attention of the public to the need for caution, as follows:

1. The Central Bank had, in collaboration with the FSC, issued a press release in 2013 which defined Bitcoin as a highly speculative digital "virtual asset" and not a currency. This definition is consistent with international views.
2. "Security Token Offerings" (STOs) are securities defined in the Securities and Exchange Act and must be conducted in compliance with the applicable provisions in the "Securities and Exchange Act." Other virtual assets such as Bitcoin are not financial products approved for issuance by the FSC and are thus not currencies (legal tender).
3. The prices of virtual assets fluctuate quickly and pose high investment risks. The public is advised to thoroughly study the business model before engaging in transactions in order to prevent fraud or investment losses from harming their interests.
4. Anti-money laundering for virtual assets (virtual currencies) can be classified based on the nature of the virtual assets, as follows:
 - (1) STOs: The FSC has requested operators of platforms for STO transactions to obtain a securities dealer license and comply with regulations on securities firms' operations for anti-money laundering and combating the financing of terrorism (AML/CFT).
 - (2) Virtual assets such as Bitcoin: Although such assets are not legal tender or financial products authorized by the competent authority to be sold, the "Money Laundering Control Act" of Taiwan includes "enterprises handling virtual currency platforms or transactions" within the scope of anti-money laundering control in response to their inherent money laundering risks.

The FSC urges investors to be alert for phishing scams

Recently, several cases revealed that the cyber attackers intended to send spoofed text messages to trick investors to login to the websites of fake securities firms so as to steal sensitive personal data. The FSC advises the investing public to be on heightened alert to such phishing scams and not to click on web links in text messages from unknown sources. Once any suspicious message is received, the FSC urges the investing public to first confirm authenticity by making a call to the securities firm or to the 165 Anti-Fraud Hotline. In addition, the Financial Information Sharing and Analysis Center (F-ISAC, <https://www.fisac.tw/home>) is in charge of the dissemination information on phishing scam cases to local financial institutions. The investing public is advised to visit the F-ISAC site for more information.

FSC approves vaccination products

The FSC has been encouraging insurers to develop a wide range of insurance products, and has recently approved a pair of new vaccination products ("Fubon Insurance Vaccine Protection Comprehensive Insurance" and "Chubb Post COVID-19 Vaccination Protection Comprehensive Insurance"). Hopefully, by protecting against vaccination risks, such products will make people more willing to get vaccinated. The FSC reminds the public that each vaccination insurance policy is unique in terms of its protections and benefit payment conditions, so consumers are urged to regularly check their needs and select a suitable insurance product that will protect them against vaccination risks.

2021 Financial Literacy Campaign for the Campus and Community

As part of the 2021 Financial Literacy Campaign for the Campus and Community, the FSC held 116 financial literacy events in May 2021 at schools and organizations, including the Changhua County Siansi Township Senior Citizens' Center, attracting a total attendance of 9,837 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 to promote the financial literacy campaign in 2021. Schools or community groups interested in the campaign are invited to register through the website of the Banking Bureau. For more information, please contact us at (02) 8968-9710 or (02) 8968-9711.

Major Enforcement Actions

FSC imposes fine on Citibank Taiwan Limited

The FSC conducted a targeted examination for "Anti-Money Laundering (AML), Counter Terrorism Financing (CFT), and Counter Proliferation Financing (CPF)" on Citibank Taiwan, as well as a full-scope examination. The AML/CFT deficiencies found in these examinations constituted violations of Article 45-1, paragraph 1 of the "Banking Act of the Republic of China", and the bank received an administrative fine of NT\$10 million in accordance with Article 129, subparagraph 7 of the same Act.

FSC imposes sanctions on Nan Shan Life Insurance

In the course of routine supervisory work, and as the result of a full-scope financial examination of Nan Shan Life Insurance Co., the FSC discovered the following deficiencies in the insurer's operations: (1) Controls intended to confirm the propriety of credit card payments failed to work properly, with the result that the insurer's salespeople illegally paid premiums with their own credit cards on behalf of clients. Moreover, the insurer failed to report the irregularities as major unexpected events, which shows that the insurer's reporting system has serious deficiencies. (2) Nan Shan also exercised poor risk control over investments, a sign of a problem with the company's internal controls before, during, and after investments. This seriously hindered sound conduct of investment management. (3) Nan Shan invested in real estate but then failed to use the property in a timely manner and with reasonable benefit, as is required by law. (4) In conducting insurance conservation work and handling complaints, Nan Shan failed to conduct proper due diligence, or failed to adopt comprehensive plans for improvement of controls. (5) In handling the sale of insurance to corporate clients, Nan Shan did not properly implement underwriting procedures or retain documentation from the underwriting process. (6) In handling systems development and program revisions, Nan Shan failed to abide by internal rules. (7) In hiring managers, Nan Shan failed to carry out careful evaluations. The aforementioned deficiencies were found to be violations of the "Insurance Act" and the "Money Laundering Control Act." The FSC, acting in accordance with Article 168, paragraph 5, subparagraph 3 and Article 171-1, paragraphs 4 and 5 of the "Insurance Act," imposed administrative fines totaling NT\$7.6 million upon Nan Shan Life. In addition, the FSC also issued the company six official reprimands in accordance with Article 149, paragraph 1 of the same Act.

FSC imposes fine on DBS Bank (Taiwan) Ltd.

The FSC conducted a full-scope examination on DBS Bank (Taiwan), and found AML/CFT deficiencies that constituted violations of Article 45-1, paragraph 1 of the "Banking Act of the Republic of China", and the bank received an administrative fine of NT\$6 million in accordance with Article 129, subparagraph 7 of the same Act.

FSC imposes sanctions on Fuh Hwa Securities Investment Trust Co., Ltd., Capital Investment Trust Corp., and Uni-President Assets Management Corp.

The FSC recently discovered that the three above-named companies and related personnel in 2020 had used discretionary assets that they managed on behalf of the Bureau of Labor Funds to purchase shares in Far Eastern Department Stores Co., Ltd. but then failed to exercise the due care, diligence, and fidelity of good administrators, thus resulting in losses on the discretionary assets under their management and legal violations that were sufficient to affect the normal execution of their discretionary investment services. The FSC, acting in accordance with Article 103, subparagraph 3 of the "Securities Investment Trust and Consulting Act," ordered the three companies to refrain for three months from contracting with any new customers to provide discretionary investment services. Also, with respect to the companies' violations of Article 59, subparagraphs 2 and 8 of the same Act, the FSC handed each company administrative fines of NT\$3 million and NT\$1.5 million (total of NT\$4.5 million per company) in accordance with Article 111, subparagraph 4. Further acting in accordance with Article 104 of the same Act, the FSC ordered each of the three companies to dismiss or suspend the persons involved in the offenses.

FSC imposes administrative fine on Hotai Insurance and LAW Insurance Broker.

As the result of a financial examination, the FSC discovered the following deficiencies in the operations of Hotai Insurance and LAW Insurance Broker:

1. Hotai Insurance: The company paid improper fees as remuneration to LAW Insurance Broker. Besides, Hotai Insurance gave solicitors gift vouchers under the account of "indirect solicitation fees," in violation of the requirement that remuneration paid to solicitors must be classified as "direct solicitation fees." Hotai Insurance failed to establish or implement proper internal controls in several aspects, such as remuneration to counterparties, reimbursement, contract management and documentation and was fined NT\$4.2 million.
2. LAW Insurance Broker: The company took improper fees as additional remuneration from multiple insurance companies for a longer period of time, which was in violation of "Insurance Act" and "Regulations Governing Insurance Brokers," and was ordered to take corrective action within one month and fined NT\$1.7 million.

FSC imposes administrative fine on Fubon Life Insurance Co.

During a recent review of the methods used by Fubon Life Insurance to disburse payments for business promotion expenses and reimbursement, the FSC discovered the following deficiencies: (1) With respect to its business promotion expenses, Fubon Life had failed to establish a system for control, secondary review, and records retention, in violation of the company's own internal rules. (2) For expenses generated by business development activities, which are a type of business promotion activity, the company had failed to adopt expense approval standards, had failed to prepare itemized payment forms (making it impossible to confirm payment recipients and source of sales performance), did not obtain and retain payment receipts nor did it have the receipts sent to supervisors for secondary review, and had failed to establish a system for controlling and tracking matters still in progress. (3) The company's accounting unit, in reporting business development activity expense payments for review and approval, had failed to retain a trail of manual confirmations, and in performing the manual confirmation work the company had failed to add in other expense payments already reported for review and approval during the current month. These deficiencies constituted violations of Article 5, paragraph 1, subparagraph 8 of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises," which were issued by the FSC on the authority of Article 148-3, paragraph 1 of the "Insurance Act." The FSC, acting in accordance with Article 171-1, paragraph 4 of the "Insurance Act," handed Fubon Life an administrative fine of NT\$3 million.