

# 金融展望月刊

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\*The Chinese version rules if  
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Ministry of Justice Anti-Corruption Hotline 0800-286-586  
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- FSC issues "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platforms or Transactions"
- FSC issues 12 regulations authorized under the "Act Governing Electronic Payment Institutions"
- To enhance disclosures in offering documents, FSC proposes new supervisory principles for review of ESG fund disclosures
- Public companies are allowed to hold shareholders' meetings with assistance of video conferencing to support pandemic prevention efforts and facilitate the smooth holding of shareholders' meetings

### Policy and Law

#### *FSC issues "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platforms or Transactions"*

In order to implement the provisions of the "Money Laundering Control Act" as well as the international norms issued by the Financial Action Task Force (FATF), the FSC on 30 June 2021 issued the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platforms or Transactions," which entered into force on 1 July 2021. There are 18 articles in these new Regulations, which were mainly formulated by referring to the FATF Recommendations and considering external recommendations. The key points of the Regulations include: (a) these enterprises are required to conduct customer due diligence, record keeping, and reporting of cash transactions as well as reporting of suspicious transactions above a certain amount; and (b) such enterprises are required to establish an anti-money laundering internal control and audit system. In consideration of the fact that these enterprises are subject for the first time to the provisions of the "Money Laundering Control Act," for one full year after the issuance of the Regulations, the FSC will help the businesses to implement proper anti-money laundering operations.

FSC reminds the public that virtual currencies (virtual assets) are highly speculative digital "virtual products," and are not currencies. In addition, virtual currencies are not financial products approved for issuance by the FSC, so those who buy them don't benefit from existing investor protection mechanisms, and a virtual currency trading platform is not an institution approved by the FSC for establishment. Virtual currency markets lack transparency, which means they are susceptible to manipulation. Prices are very volatile, and the investment risks are high. Before engaging in a transaction, one must fully understand how the virtual currency works and carefully assess the risks so as to avoid being scammed or suffering investment losses.

#### *FSC issues 12 regulations authorized under the "Act Governing Electronic Payment Institutions"*

In coordination with a decision by Executive Yuan that the most recently amended version of the "Act Governing Electronic Payment Institutions" (hereinafter, the "Act") would enter into force from 1 July 2021, the FSC on 30 June 2021 issued or amended 12 regulations authorized under the Act. The amended and newly issued regulations also entered into force on 1 July 2021.

Entry into force on 1 July 2021 of the Act and its subordinate regulations has expanded the business scope of electronic payment institutions. Any electronic payment institution (including an existing electronic stored value card issuer) may now file the required documentation with the FSC to seek approval or registration to conduct any of various newly unrestricted lines of business (including core payment services as well as associated and

incidental services). The idea is to create a payments institutions-centric ecosystem, and to meet users' demand for convenient payment methods.

Article 4, Paragraph 4 of the Act provides as follows: "Non-electronic payment institutions may, with the approval of the competent authority, engage in foreign small-amount remittances services with migrant workers as defined in Article 46, Paragraph 1, Subparagraph 8 to Subparagraph 11 of the Employment Service Act." In addition to two institutions that are currently carrying out innovative experiments involving the provision of cross-border remittance services to migrant workers, other institutions that intend to conduct this line of business are allowed as of 1 July 2021 to apply to the FSC for permission in accordance with the "Regulation Governing Migrant Workers' Foreign Remittances Business." The purpose of this measure is to enable migrant workers in Taiwan to use lawful, secure, and transparent channels to remit their earnings back home, thus bringing about a higher degree of financial inclusion.

The implementation of the Act and its secondary legislation signifies completion of the effort to integrate Taiwan's legal framework for stored-value payment instruments. This will make payments more convenient and accelerate progress toward financial inclusion, and constitutes a major milestone for the development of Taiwan's payment services industry. As we navigate our way through the current pandemic and the eventual post-pandemic world, the Act and its secondary legislation provide an excellent environment for the development of non-cash and mobile payments, which reduce the spread of disease via the medium of banknotes and coins. People need safe, convenient payment methods during the pandemic, and this legislative action helps to meet that need.

### **To enhance disclosures in offering documents, FSC proposes new supervisory principles for review of ESG fund disclosures**

On 2 July 2021, the FSC announced a disclosure rule for ESG funds issued by Securities Investment Trust Enterprises (SITEs) to strengthen the integrity of the prospectus on ESG investment funds. The key points of the aforementioned supervisory principles for review of ESG fund disclosures are as follows:

1. When a SITE offers an ESG fund, the issuance plan, prospectus, and other such documentation must disclose at least the following: ESG investment objectives and measurement standards; investment strategies and methods; investment ratios and allocations; performance indicators; exclusion criteria; risk warnings; participation in stewardship; and regular disclosures.
2. An existing ESG fund whose prospectus does not make all of the aforementioned disclosures must correct the deficiency within six months of the date of issuance of the review principles.
3. For an existing non-ESG fund whose prospectus has an "Investment Strategy and Features" section that already includes references to "sustainability" and "corporate social responsibility," or whose investment strategies or asset allocations take ESG concepts into consideration, if a proposal is made to rename the fund as an ESG fund, the SITE may do so without convening a beneficiaries meeting as long as the name change would not change the product positioning or basic investment strategy of the fund. However, the SITE must file an attorney's opinion affirming that the proposed name change would not have any material impact on the interests of the beneficiaries, and apply with the FSC for approval to amend the trust agreement. The SITE must also publicly announce and inform beneficiaries of the change 30 days before the amended trust agreement enters into force.

### **Public companies are allowed to hold shareholders' meetings with assistance of video conferencing to support pandemic prevention efforts and facilitate the smooth holding of shareholders' meetings**

After obtaining approval from the Central Epidemic Command

Center (CECC), the FSC on 29 June amended the "Measures for public companies to postpone shareholders meetings for pandemic prevention." Key points of the amendments are as follows:

1. From 16 to 31 August 2021, public companies (hereinafter, "companies") meeting certain conditions will be allowed to hold physical shareholders' meetings with assistance of video conferencing. In holding such meetings, companies shall comply with the following requirements:
  - (1) A shareholder wishing to attend a shareholders' meeting of a Taiwanese public company by video conference will be required to register such attendance with the company in advance, and to agree to waive their voting power in respect of any extemporary motion or any amendment to the contents of an original proposal at the shareholders' meeting, and to agree to forego participation at the physical shareholders' meeting.
  - (2) Virtual attendance must be administered using the platform provided by the Taiwan Depository & Clearing Corporation (TDCC). Companies that choose to hold shareholders' meeting with the assistance of video conferencing should follow the TDCC's guidelines for implementation of physical shareholders' meetings with assistance of video conferencing.
  - (3) Shareholders who have already voted electronically will not be allowed to participate by video conference in the shareholders' meeting.
2. The "companies meeting certain conditions," as referred to earlier, must meet the following conditions:
  - (1) There will not be any proposal for election of directors or supervisors at the general meeting of shareholders, or if there is a proposal for election of directors or supervisors, the number of candidates does not exceed the number of seats to be filled.
  - (2) There will not be any proposal for discharge of a director or supervisor at the general meeting.
  - (3) If the company's stock is neither listed nor traded over the counter, it must have outsourced its shareholder services to a professional shareholder services agency.
3. The number of people allowed in physical shareholders' meeting venues will be limited to less than 20 people in any indoor venue and less than 40 people at any outdoor venue.
4. Companies that convene physical shareholders' meetings must comply with the pandemic prevention measures and related guidelines issued by the CECC.

### **FSC adopts enhanced assistance measures designed to strengthen the continuing financial intermediation functions of domestic banks**

Since 2020, the COVID-19 pandemic has seriously affected financial stability in Taiwan and throughout the world. To encourage domestic banks to keep developing financial intermediary functions and supporting enterprises and individuals with funding needs, the FSC, after convening a video conference with six domestic systemically important banks (D-SIBs), has decided to defer the implementation of "Basel III: Finalizing post-crisis reforms" by one year, and the 2% additional internal capital requirement that D-SIBs must meet has also been postponed by one year, in order to ensure that domestic banks will be in a position to support real economic activity.

As of end-March 2021, the average common equity ratio, tier 1 capital ratio, and capital adequacy ratio of the domestic banks were 11.85%, 12.81%, and 14.77%, respectively, which shows that domestic banks have sufficient capital adequacy and sound risk bearing capabilities under the stress scenarios adopted for the supervisory stress test results in 2021. To balance the sound risk management of domestic banks and relief measures to support the economy, the FSC has adopted the aforementioned prudential supervision measures to lower banks' capital requirements and release internal resources that have enabled banks to respond to the pandemic, continue to support the needs of enterprises and individuals, and keep developing their financial intermediary functions. The FSC will continue to supervise the risk management of domestic banks, and maintain a resilient and well-functioning financial system.

### ***FSC amends "Enforcement Rules for the Compulsory Automobile Liability Insurance Act" and five other related regulations***

To implement the principle of "non-discrimination" as set out in the "UN Convention on the Rights of Persons with Disabilities," the FSC recently amended the "Enforcement Rules for the Compulsory Automobile Liability Insurance Act," the "Regulations for Underwriting and Claim Adjustment Procedures under Compulsory Automobile Liability Insurance," the "Payment Standards of the Compulsory Automobiles Liability Insurance," and the "Regulations Governing the Operation by Insurance Enterprises of Compulsory Automobile Liability Insurance" and, further, released circulars with respect to the "Scope of the Term 'Automobile' and the Types of Automobiles for Which a Compulsory Automobile Liability Insurance Contract is Required" as well as "Proof Documents Required to File Compulsory Auto Insurance Claims." Pursuant to this amendment, wherever the term "handicapped" was used in the aforementioned regulations, it has been revised to "disabled." In addition, a provision requiring drivers to furnish an insurance sticker has been deleted to further improve the compulsory automobile liability insurance system.

### ***FSC issues "Criteria for One-Year Group Insurance Rates and Calculation Methods for Various Reserve Funds"***

To coordinate with implementation from 1 July 2021 of the "2021 Taiwan Standard Ordinary Experience Mortality Table" as the standard to be used by life insurers in calculating levy rates for various reserve funds, the FSC recently issued the "Criteria for One-Year Group Insurance Rates and Calculation Methods for Various Reserve Funds." To coordinate with its issuance of these Criteria, with respect to the pricing incidence rate for the anticipated risk that is factored into "premium rates" and "premium used for policy reserve calculation", the FSC has revised provisions governing the experience mortality table.

## ***International Activities***

### ***FSC signs memorandum of understanding (MOU) with Texas Department of Banking***

The FSC and the Texas Department of Banking recently signed an MOU. It will serve as the basis for stronger supervisory cooperation between the two sides.

The FSC has signed similar supervisory cooperation MOUs with the state financial regulators of New York, California, Illinois, and Washington in past years. After signing the MOU with the Texas Department of Banking, the FSC has completed the engagement of MOUs with financial regulators in the US states where Taiwanese banks have established branches.

## ***Industry Updates***

### ***FSC grants KEB Hana Bank approval to establish Taiwan branch***

The FSC has approved the application of KEB Hana Bank for the establishment of a branch in Taiwan. KEB Hana Bank was established in 1971 and has more overseas branches than any other Korean bank. According to the rankings in The Banker as of the end of July 2020, KEB Hana Bank ranked 78th in the world in terms of total assets and its Tier 1 capital ranked 81st in the world. It meets the requirements of Article 2 of the "Regulations Governing Foreign Bank Branches and Representative Offices" for applicant banks to rank among the top five hundred banks in the world. KEB Hana Bank is the first Korean bank to establish a branch in Taiwan. The establishment of a Taipei branch of KEB Hana Bank

will promote the internationalization of Taiwan's financial markets, and will generate positive effects for bilateral trade and investments between Taiwan and Korea.

### ***FSC approves applications by All Win Co. preparatory office and PXPAY Co. to conduct e-payment services***

On 24 June 2021, the FSC approved applications by the All Win Co. preparatory office and PXPAY Co. to conduct e-payment services.

Article 10, Paragraph 1 of the "Act Governing Electronic Payment Institutions" provides that a party applying for approval to engage exclusively in e-payment business must provide the proper supporting documentation to the competent authority. After the All Win Co. preparatory office and PXPAY Co. did as required under Article 10, the FSC solicited the views of the Central Bank and approved the two applications. Taiwan currently has five firms that engage exclusively in e-payment business and 23 firms (including 18 banks, Chunghwa Post, and four electronic stored value card issuers) that conduct e-payment services as a sideline business.

In the wake of expansion of the business scope of e-payment institutions and the entry of new players into the e-payments market, the FSC, with an eye to the long-term development of the overall market, will continue urging e-payment institutions to properly implement risk management, legal compliance, and customer protection, thus improving the security and efficiency of the e-payments market.

### ***NPL Ratio for Domestic Banks as of the End of June 2021***

The total outstanding loans extended by the current 38 domestic banks increased by NT\$431.6 billion (US\$15.49 billion) as compared to the figure of previous month and amounted to NT\$32.81 trillion (US\$1,177.14 billion) at the end of June 2021. Meanwhile, the NPLs of these banks totaled at NT\$68.1 billion (US\$2.44 billion) which decreased by NT\$1.4 billion (US\$0.05 billion) from NT\$69.5 billion (US\$2.49 billion) as of the end of the previous month. The average NPL ratio of the 38 banks remained at 0.21% compared to previous month, but was down by 0.04 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 18.17 percentage points and therefore rose to a figure of 647.45% from 629.28% of the previous month.

### ***NPL situation of credit cooperatives at the end of June 2021***

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.494 billion as of the end of June 2021, generating an NPL ratio of 0.09%, down by 0.02 percentage points than that of the end of May 2021. The NPL coverage ratio was 2,182.86%, up by 284.16 percentage points from 1,898.7% at the end of May 2021.

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

As of the end of June 2021, foreign investors had bought around NT\$11,202.4 billion and sold around NT\$11,587.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$384.8 billion. In addition, foreign investors had bought around NT\$1,469.4 billion and sold around NT\$1,467.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$2.1 billion. Meanwhile, mainland China investors had bought around NT\$7.0 billion and sold around NT\$7.7 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.7 billion; and mainland China investors had bought around NT\$171 million and sold around NT\$502 million worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$331 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 June 2021 stood at approximately US\$219.4 billion, down by around US\$1.9 billion from US\$221.3 billion at the end of May 2021. The figure for cumulative net inward remittances by mainland China investors was US\$44.32 million, up by around US\$630,000 from US\$43.69 million at the end of May 2021.

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

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of April 2021 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$203.769 billion, up by 27% from NT\$160.29 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$97.797 billion (around 48% of the total), up by 133% from NT\$42.053 billion year-on-year, and the sales of traditional insurance products totaled NT\$105.972 billion (around 52% of the total), down by 10% from NT\$118.237 billion year-on-year.

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

The pre-tax profit of insurance enterprises at the end of May 2021 was NT\$231.3 billion. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$222 billion, up by NT\$134.5 billion, or 153.7% over the corresponding period, while the pre-tax profit of nonlife insurance enterprises was NT\$9.3 billion, up by NT\$2.9 billion or 45.3%.

The owners' equity of all insurance enterprises at the end of May 2021 was NT\$2,604.9 billion, up by NT\$594.5 billion, or 29.6% over the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,457.4 billion, an increase of NT\$577.9 billion, or 30.7%, and the owners' equity of nonlife insurance enterprises was NT\$147.5 billion, up by NT\$16.6 billion or 12.7%.

As of the end of May 2021, the NT Dollar had appreciated by 3% 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\$30.4 billion, down by NT\$15.8 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\$120.7 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\$337.2 billion.

## **Investor and Consumer Protection**

### **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 two financial literacy event in July 2021 at the Hualien Substation of National Education Radio, attracting a total of 425 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.

### **FSC reminds insurance policyholders to promptly notify insurer when contact information changes**

The FSC recently reminded insurance policyholders that whenever there has been any change to the address, telephone number, email address, or other contact information provided to the insurer, they need to promptly notify the insurer. If such notification is not provided, the insurer will rely on outdated contact information when it sends out payment reminders or other notifications, and the policyholder may fail to receive the information in a timely manner. It is also necessary to inform the insurer when there is any change to the contact information of a policy beneficiary to ensure that the beneficiary can be contacted following the occurrence of an insured event.

### **FSC reminds motorcycle owners to purchase compulsory automobile insurance**

The FSC recently reminded motorcycle owners to purchase compulsory automobile insurance, and to make sure the coverage doesn't lapse.

Statistics show that about 15% of motorcycles do not have compulsory coverage. To raise the take-up rate for this insurance, the FSC has instructed insurance companies that, 30 days prior to the expiration date of the policy period, the insurer shall notify the owner to renew the policy. To ensure that insurers are able to send the notifications to proper addresses, the FSC recently reminded insurance policyholders that whenever their domicile, residence, or business address have changed, they should promptly notify the insurer to update their contact information. Anyone needing further information about purchasing this type of insurance may telephone the ROC Non-life Insurance Association (0800-221-783) or contact an insurer that sells compulsory auto liability insurance.

## **Major Enforcement Actions**

### **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 that the company was not in compliance with its own internal rules governing accounting or its internal control procedures for general administrative matters. This clear violation of internal rules constituted a violation 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.

### **FSC imposes sanctions on Far Glory Life Insurance Co.**

The FSC discovered that Far Glory Life Insurance was handling its real estate investments in violation of Article 146-2, Paragraph 1 of the "Insurance Act," which requires that such real estate can be put to immediate and profitable use. The FSC required correction within a specified period, but the real estate had still not been put to immediate use after the specified period had elapsed, which constituted a violation of Article 146-2, Paragraph 1 of the "Insurance Act." The FSC, acting in accordance with Article 168, Paragraph 5, Subparagraph 3 and Article 172-2, Paragraph 1 of the "Insurance Act," imposed administrative fines totaling NT\$2 million upon Far Glory Life. In addition, the FSC also issued the company an official reprimand in accordance with Article 149, Paragraph 1 of the same Act.