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《Chinese version please refer to page 1》

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- Legislative Yuan passes amendment to "Compulsory Automobile Liability Insurance Act"
- State of FSC's promotion of friendly banking services
- FSC eases restrictions on scope of proprietary trading of foreign bonds by securities firms

Policy and Law

Legislative Yuan passes amendment to "Compulsory Automobile Liability Insurance Act"

The Legislative Yuan passed an amendment to the "Compulsory Automobile Liability Insurance Act" on 30 May 2022. The passage of this amendment will enable quick receipt of basic compulsory automobile liability insurance (CALI) benefits when someone suffers injury or death due to a traffic accident involving an electric bicycle. In addition, the aforementioned amendment will strengthen the compulsory nature of compulsory automobile liability insurance (CALI) enrollment to improve the CALI system and ensure its sustainability by: (a) expanding the scope of situations where failure to obtain CALI must be reported; and (b) revoking license plates when the owner of an uninsured automobile fails to obtain CALI within a prescribed time period. In addition, the FSC will contact the Ministry of Transportation and Communications as quickly as possible to set the date of implementation for the amended Act.

State of FSC's promotion of friendly banking services

To ensure that persons with disabilities have full, equal, reasonable, and convenient access to basic financial services, the FSC, making reference to suggestions put forward by organizations for the disabled, has recently made an effort to ensure that all banks will provide barrier-free financial services, and to further ensure that all the facilities and environments at their business locations will meet barrier-free standards.

The concrete measures of friendly banking services include the following: (1) strengthening communication between banks and groups for people with disabilities; (2) installation of barrier-free facilities and barrier-free ATMs; (3) provision of barrier-free webpages and barrier-free fund transfers to designated and non-designated accounts; (4) launch of barrier-free online banking; (5) establishment of barrier-free mobile payment services; (6) provision of simultaneous sign language translation services for the hearing impaired; (7) reduced service charges for interbank cash withdrawals via ATM; (8) disclosure of barrier-free information to the special "Barrier-Free Section" of the website of the Bankers Association of the Republic of China; and (9) training of employees in friendly treatment of persons with disabilities. Also, in order to build a corporate culture that properly emphasizes the importance of friendly financial services, the FSC published a letter on 12 May 2022 requiring banks to adopt the following measures:

1. Boards of directors attach due importance to policies, strategies, internal rules, and codes of conduct related to friendly services as well as the state of their implementation, and take concrete actions.
2. Banks establish internal oversight mechanisms, properly implement friendly financial services, and arrange for appropriate units or personnel to coordinate measures aimed at

providing friendly financial services.

3. Banks provide directors, responsible persons, and senior management with better training in the provision of friendly financial services.

In order to continue promoting social inclusion and equal opportunity for persons with disabilities, the FSC will continue overseeing banks to actively communicate and interact with groups for people with disabilities and understand their needs, and will continue reviewing and improving barrier-free financial services to ensure that persons with disabilities can enjoy access to equal, reasonable, and appropriate financial services.

FSC eases restrictions on scope of proprietary trading of foreign bonds by securities firms

To encourage the development of a diverse range of financial products, and to afford securities firms a broader scope of business operations, the FSC on 1 June 2022 issued an order that securities firms are further allowed to deal at their business premises in mortgage backed securities (MBSs) and collateralized debt obligations (CDOs) with counterparties that qualify as professional institutional investors and high-net-worth corporate investors as defined in Article 3, Paragraph 3 of the "Regulations Governing Offshore Structured Products."

FSC amends Article 8 of the "Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises" and Article 8 of the "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises"

For the sake of consistency in financial supervision, the FSC recently amended provisions in Article 8 of the "Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises" and Article 8 of the "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises", which govern the disclosure of information pertaining to insurers' implementation of corporate governance requirements, achievement of sustainability goals, improvement of cyber security management, and performance in the area of ethical corporate management. Principal amendments to the Regulations include the following:

1. Enhance information disclosure on corporate governance: Newly added provisions require an insurer to adopt a diversity policy of board of directors' members and to describe the company's diversity policy in its publicly filed statements and the state of that policy's implementation.
2. Enhance information disclosure regarding environment and society: In order to coordinate with international development trends and to achieve the goal of sustainable development, provisions referring to a company's "performance in fulfillment of its corporate social responsibility" have been amended as "performance in promoting sustainable development."
3. Enhance information disclosure regarding cyber security management: A company must describe its cyber security framework, policies, and concrete management programs, and must disclose losses suffered due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken.

4. Enhance information disclosure regarding implementation of ethical corporate management: A company must describe its policy and action plan for ethical corporate management, the state of its implementation of ethical business practices, and the operation of its whistleblower procedure.

FSC coordinates with amendment to Article 2 of "Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation" by revising an interpretive rule regarding Article 146-1, Paragraph 1, Subparagraph 6 of the "Insurance Act" and also amends Article 22 of "Regulations for Establishment, Transfer, or Withdraw Branch Units by Insurance Enterprises" and 12 other laws and regulations

To coordinate with an amendment to Article 2 of "Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation," and for the sake of consistency in financial supervision, the FSC recently revised Point 3, Subparagraph 3 of the interpretive rule regarding Article 146-1, Paragraph 1, Subparagraph 6 of the "Insurance Act" to: (a) require that, for an insurer to be eligible to invest in futures trust fund beneficiary certificate, it must have never been subject to a material sanction or penalty for any illegal use of funds; and (b) change the amount of administrative fines to NT\$3 million.

In addition, the FSC amended the definitions of material sanctions and penalties in Article 22 of the "Regulations for Establishment, Transfer, or Withdraw Branch Units by Insurance Enterprises" and 12 other related regulations to bring them in line with Article 2 of the "Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation."

TDCC launches e-voting platform for fund beneficiaries meetings

To provide fund beneficiaries with a wide variety of channels via which to take active part in fund beneficiaries meetings, the FSC earlier included the launch and optimization of an e-voting platform for fund beneficiaries meetings among the various projects designed to "boost the functions and competitiveness of financial intermediaries," which is Strategy 4 in the FSC's Capital Market Roadmap. To coordinate with this project, the Taiwan Depository & Clearing Corporation (TDCC) has completed the launch of an e-voting platform for securities investment trust fund beneficiaries meetings. Fund beneficiaries in ETFs and non-ETF funds will all be able to use this platform to exercise their voting rights.

The "Regulations Governing Securities Investment Trust Fund Beneficiaries Meetings" allow beneficiaries to exercise their voting rights in person, in writing, or by electronic submission, therefore when a securities investment trust enterprises (SITE) holds a fund beneficiaries meeting it may use the aforementioned electronic voting platform to provide investors with electronic voting as a means of exercising their voting rights. This would enable investors to attend such meetings without being subject to any limitations

related to time or location, and it would be more convenient.

In response to the arrival of the digital era and the COVID-19 pandemic, the FSC has asked the TDCC to continue optimizing the platform's functions, has asked the Securities Investment Trust and Consulting Association (SITCA) to set up its efforts to familiarize investors with their rights, has called upon SITEs to make electronic voting an available option when they hold fund beneficiaries meetings, and has encouraged investors to actively make use of electronic voting to exercise their voting rights. The use of electronic voting can help to prevent the spread of the pandemic while simultaneously upholding the rights of investors to participate in fund beneficiaries meetings.

International Activities

FSC and India-Taipei Association hold virtual meeting on 31 May 2022

FSC Chairperson Dr. Thomas Tien-Mu Huang met with Mr. Gourangalal Das and Rishikesh Swaminathan, the Director General and Deputy Director General of the India-Taipei Association, in a virtual meeting held on 31 May 2022. The two sides broadly exchanged views on issues related to Fintech cooperation and electronic payments.

Industry Updates

FSC approves application by Chubb International Investments Ltd. to acquire Cigna Taiwan Life Assurance Co., Ltd.

The FSC recently approved an application by the UK firm Chubb International Investments Ltd. (Chubb UK) to acquire 100% ownership of Cigna Taiwan Life Assurance Co., Ltd. (Cigna Taiwan Life).

Chubb UK applied to the FSC in accordance with Article 139-1 of the "Insurance Act" to acquire 100% of the shares of Cigna Taiwan Life. The FSC conducted a review of Chubb UK and found that it was in conformance with regulatory requirements with respect to: safeguarding of the rights and interests of the policyholders and employees of Cigna Taiwan Life, source of funds, the professional abilities of the management team, commitment to long-term operation of Cigna Taiwan Life, and financial capacity. Also, Chubb UK has pledged that the rights and interests of Cigna Taiwan Life employees shall remain unchanged for a period of two years from the settlement date for the shares, and has further stated that it will send letters to existing policyholders to explain that all rights and obligations under existing policies and contracts will not be affected in any way, and that policyholders services will not be interrupted.

NPL Ratio for Domestic Banks as of the End of May 2022

The total outstanding loans extended by the current 39 domestic banks increased by NT\$207.5 billion (US\$7.14 billion) as compared to the figure of previous month and amounted to NT\$35.23 trillion (US\$1,212.1 billion) at the end of May 2022. Meanwhile, the NPLs of these banks totaled at NT\$57.48 billion (US\$1.98 billion) which

increased by NT\$0.32 billion (US\$0.01 billion) from NT\$57.16 billion (US\$1.97 billion) as of the end of the previous month. The average NPL ratio of the 39 banks remained at 0.16% compared to previous month, but was down by 0.05 percentage points compared to the same month last year.

The coverage ratio of allowances for NPLs stood at 811.41%. While the ratio slightly decreased by 3.26 percentage points from 814.67% of the previous month, it still remained stable at a higher level. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of May 2022. The FSC will request banks to undertake measures to improve asset quality and financial structure on an ongoing basis.

NPL situation of credit cooperatives at the end of May 2022

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.706 billion as of the end of May 2022, generating an NPL ratio of 0.13%, same as the end of April 2022. The NPL coverage ratio was 1,641.11%, down by 70 percentage points from 1,571.11% at the end of April 2022.

Net foreign and mainland China investment in listed shares

As of the end of May 2022, foreign investors in the year to date had bought around NT\$7.7291 trillion and sold around NT\$8.3713 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$642.2 billion. In addition, foreign investors in the year to date had bought around NT\$1.2554 trillion and sold around NT\$1.2865 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$31.1 billion. Meanwhile, mainland China investors had bought around NT\$1 billion and sold around NT\$1.7 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 NT\$0.1 billion and sold around NT\$0.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.2 billion. As for inward remittances by foreign and mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese, and foreign nationals at the end of May 2022 stood at approximately US\$225.9 billion, up by around US\$2.7 billion from US\$223.2 billion at the end of April 2022. The figure for cumulative net inward remittances by mainland China investors was US\$28.8 million, down by about US\$0.1 million from US\$28.9 million at the end of April 2022.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2022

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2022 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$168.251 billion, up by 1% from NT\$166.176 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$62.005 billion (around 37% of the total), down by 23% from NT\$81.005 billion year-on-year,

and the sales of traditional insurance products totaled NT\$106.246 billion (around 63% of the total), up by 25% from NT\$85.171 billion year-on-year.

Profit/loss, net value, exchange gains/losses, hedging gains and losses, and foreign exchange volatility reserves of insurance enterprises as of end-April 2022

The pre-tax profit of insurance enterprises at the end of April 2022 was NT\$183.2 billion, down by NT\$29.9 billion, or 14.0%, year-on-year. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$176.6 billion, down NT\$28.6 billion, or 13.9% year-on-year, while the pre-tax profit of non-life insurance enterprises was NT\$6.6 billion, down NT\$1.3 billion, or 16.5%, year-on-year.

The owners' equity of all insurance enterprises at the end of April 2022 was NT\$1,845.6 billion, down by NT\$813.9 billion, or 30.6%, from the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$1,699.2 billion, a decrease of NT\$811.3 billion, or 32.3%, and the owners' equity of non-life insurance enterprises was NT\$146.4 billion, down by NT\$2.6 billion or 1.7%.

As of the end of April 2022, the NT Dollar had depreciated by 6.5% against the US Dollar since the end of 2021, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$150.3 billion, up by NT\$106.6 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 as of end-April 2022 was NT\$52.3 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\$482.5 billion.

Investor and Consumer Protection

FSC supports the "Enjoy while salute to the Mountains" and the "Learn while salute to the Seas" policies, and reminds general public to obtain proper insurance coverage before engaging in outdoor activities

The Executive Yuan launched its "Salute to the Mountains" and "Salute to the Seas" policies in 2019 and 2020 to encourage people to go out and enjoy Taiwan's mountains and seas, and these policies call for those who venture out into nature to protect themselves against the attendant risks by obtaining "comprehensive hiking insurance" and "comprehensive insurance for marine activities." In addition to covering the risk of ordinary personal injuries and travel accidents, these types of insurance also provide protection against risk of death, disablement, or healthcare cost losses resulting from specific events that could occur during participation in mountain hiking (e.g. hike-caused strokes, altitude sickness, and frostbite) or marine activities (e.g. decompression sickness, hypothermia, and marine bacterial infections). Also, when members of the public purchase comprehensive hiking insurance or comprehensive insurance for marine activities, they would also be well advised to consider whether they need to obtain insurance that covers the cost

of emergency rescue services, which would make their insurance coverage more complete.

To make it easier for consumers to purchase comprehensive hiking insurance and comprehensive insurance for marine activities, in addition to allowing for these two types of insurance to be purchased online, the FSC Insurance Bureau has set up a special "Hiking Insurance" section on its website, and on its "Risk Management & Insurance Education Outreach" portal site, the Insurance Bureau has posted consumer handbooks for hiking insurance and marine activities insurance to remind the public to beware of safety risks, take adequate safety precautions, and obtain appropriate insurance coverage before departing for the outdoors to guard against risks.

2022 Financial Literacy Campaign for the Campus and Community

In the month of June 2022, the FSC held 10 activities at different locations, including the Taiyuan Skill Training Institute of the Agency of Corrections, as part of the 2022 Financial Literacy Campaign for the Campus and Community, attracting 1,323 participants. The Financial Literacy Campaign is free of charge, and has struck a chord with many people since its inception in 2006. As of the end of 2021, a total of 7,351 events had been held and over 1.1 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 2022. 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.

Major Enforcement Actions

FSC imposes sanctions on Mega International Commercial Bank

A former employee of Mega International Commercial Bank misappropriated cash from ATM and customers' funds in a manner that revealed a failure to properly establish and sufficiently implement internal controls and constituted a violation of Article 45-1, Paragraph 1 of the "Banking Act." The FSC therefore imposed an administrative fine of NT\$4 million on Mega International Commercial Bank in accordance with Article 129, Subparagraph 7 of the same Act.

FSC imposes sanctions on Hua Nan Commercial Bank

The FSC recently discovered that a former employee of Hua Nan Commercial Bank had misappropriated customer deposits and tax payments in a manner that revealed a failure to properly establish and sufficiently implement internal controls and constituted a violation of Article 45-1, Paragraph 1 of the "Banking Act." The FSC therefore imposed an administrative fine of NT\$4 million on Mega International Commercial Bank in accordance with Article 129, Subparagraph 7 of the same Act.