

# 金融展望月刊

## Financial Outlook Monthly

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Ministry of Justice Anti-Corruption Hotline 0800-286-586  
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- FSC adds Article 70-1 and Article 113-1 to the "Securities Investment Trust and Consulting Act"
- FSC issues an interpretive rule on Article 4, Paragraph 1, Subparagraph 10 of the "Regulations Governing Investments in Insurance-related Enterprises by Insurance Companies"
- Legislative Yuan passes the third reading of amendments to Articles 125-7 and 125-8 of the "Banking Act," Articles 174-3 and 174-4 of the "Securities and Exchange Act," and Articles 112-1 and 112-2 of the "Futures Trading Act"

### Policy and Law

#### *FSC adds Article 70-1 and Article 113-1 to the "Securities Investment Trust and Consulting Act"*

The Office of the President announced on 28 June 2023 that Article 70-1 and Article 113-1 had been added to the "Securities Investment Trust and Consulting Act." The newly added articles: (a) set out the types of advertising activities that are prohibited for entities that are neither securities investment trust enterprises (SITE) nor securities investment consulting enterprises (SICE); (b) require any Internet platform operator to disclose the name of the actual entity on whose behalf they publish or broadcast an advertisement; and (c) prohibit Internet platform operators from publishing or broadcasting illegal advertisements, and if an operator is not aware that an advertisement is illegal until it has already begun publishing or broadcasting it, the operator must either discontinue the advertisement of its own accord or by the deadline imposed by judicial police authorities. The newly added articles also set out express provisions governing joint and several liability for compensation, as well as provisions governing administrative dispositions.

#### *FSC issues an interpretive rule on Article 4, Paragraph 1, Subparagraph 10 of the "Regulations Governing Investments in Insurance-related Enterprises by Insurance Companies"*

To coordinate with the efforts to promote the FinTech Development Roadmap Policy, while simultaneously taking steps to address the shortage of FinTech professionals and urging insurance enterprises to actively hire more FinTech personnel or enhance the FinTech capabilities of current employees, the FSC issued an interpretive rule on Article 4, Paragraph 1, Subparagraph 10 of the "Regulations Governing Investments in Insurance-related Enterprises by Insurance Companies" on 29 May 2023. The interpretive rule specifies that when an insurer applies for permission to invest in a FinTech firm, it must submit explanatory documents detailing whether personnel at the insurer and the prospective investee firm have obtained (or have plans to obtain) FinTech skills certification.

#### *Legislative Yuan passes the third reading of amendments to Articles 125-7 and 125-8 of the "Banking Act," Articles 174-3 and 174-4 of the "Securities and Exchange Act," and Articles 112-1 and 112-2 of the "Futures Trading Act"*

Critical national infrastructure is crucial for ensuring national and social stability and the security of people's lives and property. To strengthen the protection regulations and prevent the occurrence of harmful behavior, the Executive Yuan has worked with related government agencies to build consensus on legislative amendments. On 30 May 2023, the Legislative Yuan passed the third readings of amendments to Articles 125-7 and 125-8 of the "Banking Act," Articles 174-3 and 174-4 of the "Securities and Exchange Act," and Articles 112-1 and 112-2 of the "Futures Trading Act."

If a financial information service enterprise that engaged in inter-financial institution funds

transfer and settlement, a securities exchange, an over-the-counter securities market, a central securities depository, a futures exchange, or a futures clearing house is physically or virtually destroyed or infringed by other people and when the normal functioning of those organizations' core information and communication systems equipment is threatened, it will seriously affect the stability of financial and securities markets, and the order of futures markets. As ordinary criminal law provisions are insufficient to effectively achieve the purposes of protection and deterrence, the amendments to the "Banking Act," the "Securities and Exchange Act," and the "Futures Trading Act" have specified criminal penalty provisions to enhance sanctions by increasing criminal punishment.

Type of incursion	Basic infraction		Severity of the penalty	Relevant newly added provisions
Physical	<ul style="list-style-type: none"> <li>•Theft</li> <li>•Destruction</li> <li>•Other illegal act</li> </ul>		Punishable by imprisonment for 1 to 7 years and a fine of up to NT\$10 million.	Article 125-7 of the "Banking Act" Article 174-3 of the "Securities and Exchange Act" Article 112-1 of the "Futures Trading Act"
Virtual	Intrusion Interference	Writing of computer program for specific purpose of said crime.		

These amendments make a distinction between physical and virtual incursions and provide for varying degrees of punishment depending on the severity of the damage caused, which are more severe than those specified under ordinary criminal law. Where any of the aforementioned crimes are committed with the intent to harm national security or social stability, the crime is punishable by imprisonment for 3 to 10 years and a fine of up to NT\$50 million. If an offender disrupts stability in the financial or securities markets, or seriously affects the order in futures markets, the punishment can be increased by half.

### Legislative Yuan passes the third reading of amendments to "Securities and Exchange Act"

On 30 May 2023, the amendments to the "Securities and Exchange Act" passed their third reading at the Legislative Yuan. Key points of the amendments are as follows:

1. The filing of a lawsuit against the board of directors, the convening of shareholders' meetings, and board of directors acting as company representatives in transactions between themselves and the company are all matters of great importance to a company. They should be fully discussed and decided upon through the consensus of the audit committee, as expressly required by the amended provisions. (Articles 14-4 and 181-2)
2. If there is a legitimate reason why an audit committee meeting cannot be convened, to prevent this from affecting the company's operations, provisions have been added to require that any matters that were supposed to be sent to the audit committee for a resolution must instead be decided by a special resolution by all board of directors. However, when financial report matters are submitted to the board of directors, the independent directors must still issue

a consenting opinion to fulfill their duty as members of the audit committee. Also, related penalty provisions have been adopted to spur companies to fulfill their corporate governance-related administrative and managerial objectives. (Articles 14-5 and 178)

The passage of the aforementioned amendments will help to ensure that audit committees are able to effectively fulfill their oversight function, improve corporate governance, safeguard the rights and interests of shareholders, and facilitate smooth financial and business operations, which will in turn be very beneficial for securities markets.

### FSC to adopt four new measures to guard against illegal offshore funds

The FSC has repeatedly advocated through press release and various channels that the public should invest through legal channels, and has continued to promote financial literacy and awareness in collaboration with securities and futures-related peripherals.

Due to some members of the public have recently suffered losses after purchasing illegal offshore fund products, the FSC intends to implement four new measures to guard against illegal offshore funds. The hope is that investors will take full advantage of available resources to protect themselves prior to making any investments. The four new measures are the following:

1. The FSC is going to request the Taiwan Securities Association, the Chinese National Futures Association, and the Securities Investment Trust & Consulting Association to each establish an "investor alert" section on their respective websites. When one of these organizations receives a tip from an individual and a fact check confirms that the individual has indeed reported an unapproved offshore fund, or when the FSC or a peripheral discovers such a fund, the name of the fund will be disclosed on the aforementioned investor alert website sections.
2. When the FSC discovers that an individual has reported an illegal offshore fund and there is concrete evidence to back up the report, the matter will be immediately forwarded to the Ministry of Justice Investigation Bureau for investigation. Additionally, the FSC will meet in joint working session with the Ministry of Justice to collaborate on the case and assist law enforcement authorities in bringing the lawbreakers to justice as quickly as possible.
3. The FSC is planning to offer higher whistleblower rewards and coordinate with securities and futures industry associations to study and set up whistleblower reward systems to encourage the public to report illegal activities.
4. The FSC will request wealth managers at financial institutions to contribute to awareness raising campaigns by reminding customers who invest in offshore funds to do so only via legitimate fund distributors, and to avoid investing in funds or other financial products that have not been approved.

The FSC urges the public to deal with legitimate investment trust and consulting firms as well as fund distributors, to check on the legitimacy of offshore funds, and to select fund products that match their risk tolerance when making investments to protect their own interests.

In addition, individuals who discover illegal firms distributing financial products in Taiwan or engaging domestically in a type of financial business that requires a license may file a report via the 165 Anti-

Fraud Hotline. They may also report the matter to the FSC together with supporting evidence via the "FSC Feedback Mail" address (URL: <https://fscmail.fsc.gov.tw/pop30/mailboxhome>) or by telephone (FSC whistleblower hotline: 02-2737-3434; 8773-4136).

## International Activities

### *FSC Chairperson receives visit from Representative of the German Institute Taipei on 25 May 2022*

Dr. Jörg Polster, the Representative of the German Institute Taipei was warmly received by the FSC Vice Chairperson Jean Chiu on 25 May 2023. The two sides broadly exchanged views on financial issues such as banking supervision, and looked forward to further exchanges and cooperation.



## Industry Updates

### *FSC approves establishment of representative office by the Higo Bank, Ltd. of Japan in Taiwan*

The FSC has approved an application from the Higo Bank, Ltd. of Japan to establish a representative office in Taiwan. Higo Bank is the fourth Japanese regional bank to receive FSC's approval to establish a representative office in Taiwan, following in the footsteps of the Bank of Fukuoka, Akita Bank, and Kagoshima Bank.

Taiwan and Japan have close economic, trade, investment, and financial relationship. Currently, Taiwanese banks have one subsidiary and nine branches in Japan, while Japanese banks have three branches in Taiwan. The representative office of Higo Bank in Taiwan will primarily engage in collection of commercial and market information, business liaison, and other non-business activities. The FSC welcomes eligible foreign banks to participate in Taiwan's financial markets, and looks forward to their contributions in fostering the development of bilateral financial, economic, and trade ties.

### *NPL Ratio for Domestic Banks as of the End of May 2023*

The total outstanding loans extended by the current 38 domestic banks increased by NT\$123.1 billion (US\$4 billion) as compared to the figure of previous month and amounted to NT\$37.29 trillion (US\$1,212 billion) at the end of May 2023. Meanwhile, the NPLs of these banks totaled at NT\$59.91 billion (US\$1.95 billion) which increased by NT\$416 million (US\$13.52 million) from NT\$59.5 billion (US\$1.93 billion) as of the end of the previous month. The average NPL ratio of the 38 banks remained at 0.16% compared to the previous month and the same month last year.

The coverage ratios of allowances for NPLs decreased by 2.31 percentage points and therefore declined to a figure of 836.67% from 838.98% of the previous month. The asset quality of domestic

banks continuously remained manageable according to the above figures as of the end of May 2023. 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 2023*

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.568 billion as of the end of May 2023, generating an NPL ratio of 0.1%, down by 0.01 percentage points from 0.11% at the end of April 2023. The NPL coverage ratio was 2,298.51%, up by 321.98 percentage points from 1,976.53% at the end of April 2023.

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

As of the end of May 2023, foreign investors in the year to date had bought around NT\$6,824.2 billion and sold around NT\$6,491.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$333 billion. In addition, foreign investors in the year to date had bought around NT\$1,315.2 billion and sold around NT\$1,324.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$9.1 billion. Meanwhile, mainland China investors had bought around NT\$0.516 billion and sold around NT\$0.567 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.051 billion; and mainland China investors had bought NT\$0.194 billion and sold around NT\$0.173 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$0.021 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 2023 stood at approximately US\$236.8 billion, up by around US\$7.4 billion from US\$229.4 billion at the end of April 2023. The figure for cumulative net inward remittances by mainland China investors was US\$0.033 billion, up by roughly US\$0.0004 billion from US\$0.0326 billion at the end of April 2023.

### *Sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2023*

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2023 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$69.672 billion, down by 59% from NT\$168.251 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$15.081 billion (around 22% of the total), down by 76% from NT\$62.005 billion year-on-year, and the sales of traditional insurance products totaled NT\$54.591 billion (around 78% of the total), down by 49% from NT\$106.246 billion year-on-year.

### *Profit/loss, net value and exchange gains/losses of the insurance industry in April 2023*

The pre-tax profit of all insurance enterprises at the end of April 2023 was NT\$-8.8 billion, down by NT\$192 billion or 104.8% compared to the previous year; the pre-tax profit of life insurance enterprises was NT\$-8.3 billion, down by NT\$184.9 billion or 104.7% compared to the previous year, while the pre-tax loss of non-life insurance enterprises was NT\$-0.5 billion, down by NT\$7.1 billion or 107.6% compared to the previous year.

The owners' equity of insurance enterprises at the end of April 2023 was NT\$1,984.8 billion, up by NT\$139.2 billion or 7.5% compared to the previous year; the owners' equity of life insurance enterprises was NT\$1,908.7 billion, up by NT\$209.5 billion or 12.3% compared

to the previous year, while the owners' equity of non-life insurance enterprises was NT\$76.1 billion, down by NT\$70.3 billion or 48%.

As of the end of April 2023, the NT Dollar had depreciated by 0.10% against the US Dollar since the end of 2022, and the cumulative balance of the foreign exchange valuation reserve of life insurance enterprises was NT\$210 billion, down by NT\$18.9 billion compared to the end of 2022. 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 NT\$-109 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\$158.3 billion.

### **Outstanding bank loans and NPL rates: statistical analysis by gender**

Over the past five years, the outstanding balance of loans underwritten by banks has been on an upward trend. The outstanding balance of bank loans reached NT\$16.88 trillion in 2022, up by NT\$4.24 trillion from NT\$12.64 trillion in 2018. Breaking down these figures by gender, the balance of bank loans to men increased by NT\$2.59 trillion, while the balance of bank loans to women increased by NT\$1.65 trillion. Over the past five years, NPL ratios dropped from 0.21% to 0.11% for loans to men, and from 0.14% to 0.07% for loans to women.

## **Investor and Consumer Protection**

### **FSC encourages consumers to buy insurance online**

In response to the rapid progress of FinTech, the FSC continues to promote online insurance sales and services to provide the public with more convenient and higher-quality financial services. With these aims in mind, the FSC encourages consumers to purchase insurance through the websites or mobile apps of legitimate insurance companies, insurance brokerages, or cooperating business entities from other sectors.

Currently, consumers are able to purchase various types of insurance online, including auto insurance, motorcycle insurance, travel accident insurance, term life insurance, micro whole life insurance, microinsurance, and long-term care insurance. They can access the internet at any time to review coverage details, scope of coverage, policy provisions and other information. They can also assess their insurance protection needs to plan out the purchase of appropriate insurance products.

In addition, consumers can also go online to check the content of insurance policies, modify basic policyholder information, inform insurers of claim events, and access other insurance services.

FinTech is driving a diverse range of online financial service trends, and the FSC encourages consumers to take full advantage of online insurance purchasing options or services. These services free people from the constraints of time and space, allowing them to check insurance needs, select suitable insurance products to make up for any current lack of insurance coverage, and receive needed insurance services.

### **2023 Financial Literacy Campaign for the Campus and Community**

In the month of June 2023, the FSC held 32 activities at different locations, including Taipei Municipal Nan-Gang High School, as part of the 2023 Financial Literacy Campaign for the Campus and

Community, attracting 3,596 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 2022, a total of 7,846 events had been held and over 1.14 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 2023. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau. For more information, please contact us at (02) 8968-9710.

## **Major Enforcement Actions**

### **FSC imposes fine on CTBC Bank**

The FSC recently imposed a fine on CTBC Bank for improper handling of customer requests to raise the daily limit on Internet bank account transfers and the daily limit on ATM cash withdrawals. The improprieties revealed the bank's failures to confirm the reasonableness and authenticity of customer requests to raise such limits, properly manage employee behavior, and establish a proper internal control system. These failures are in violation of Article 45-1, Paragraph 1 of the "Banking Act" as well as Article 3 and Article 8, Paragraph 3 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," enacted in accordance with Article 45-1, Paragraph 1 of the "Banking Act." The FSC imposed an administrative fine of NT\$20 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.

### **FSC imposes fine on Taishin International Bank**

The FSC recently imposed a fine on Taishin International Bank after discovering that a former relationship manager at the bank had engaged in abnormal fund transactions with customers. These failures constituted violations of Article 45-1, Paragraph 1 of the "Banking Act" as well as Article 3 and Article 8 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," enacted in accordance with Article 45-1, Paragraph 1 of the "Banking Act." The FSC imposed an administrative fine of NT\$8 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.

### **FSC imposes fine on Mercuries Life Insurance Co.**

During a full-scope examination of Mercuries Life Insurance Co., the FSC discovered that the firm had violated insurance legislation in its handling of investments in inverse 1x ETF. With respect to its pre-investment assessments, decision-making procedures, execution management, and discussion of stop-loss measures, the company had not properly established control measures nor had it implemented its internal rules, thus revealing serious shortcomings in the company's internal control systems for funds utilization, risk management, and personnel management. These deficiencies constituted violations of Article 5, Paragraph 1, Subparagraphs 4, 5, and 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 handed Mercuries Life an administrative fine of NT\$4.8 million in accordance with Article 171-1, Paragraph 4 of the "Insurance Act."