



# **2017 New Year Press Conference on FSC Recent Performance**

**January, 2017**

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## **I. Preface**

Since taking office, I have actively promoted the raising of FSC staff supervisory ability, provision of a positive space for growth for the financial industry and protection of investors and consumers, with the aim of providing a better environment for the growth of the financial market and financial industry. To implement the principle of “innovation, integrity, service” and thus achieve the policy target of promoting the development of the financial market, the FSC will focus both on management and development of the financial industry, and will continue to formulate policies that assist the industry upgrade and to promote economic and industrial development. To this end, the FSC will continue to carry out deregulation to help the financial industry and other industries grow. Regulations will also be strictly enforced to maintain the stability of the financial market and to protect the rights and interests of consumers, the aim being to allow financial industry operators to use their expertise and resources to help the real sector economy grow, boost overall economic growth and achieve a win-win situation.

## **II. Important achievements**

### **1. Implementing the Four Supports with Three Powers policy project to support the real sector economy with financial resources**

- (1) Encouraging banks to actively extend loans to enterprises in key innovative industries:

- (a) On September, 30, 2016, the FSC introduced the “Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries” to encourage domestic banks to actively extend loans to enterprises in key innovative industries under the precondition of undertaking proper risk control. The loans extended by domestic banks to enterprises in key innovative industries amounted to NT\$4.6 trillion (US\$ 141.5 billion) as of the end of September 2016 and are expected to increase by NT\$180 billion (US\$ 5.5 billion) in 2017.
- (b) On December, 15, 2016, the FSC amended the “Regulations of Investment Ceilings and Guidelines Governing Financial Holding Company’s Venture Capital Subsidiaries Investing in Non-financial Enterprises Not Listed on Taiwan Stock Exchange or Greta Securities Market”, relaxing the investment limit to NT\$150 million (US\$4.6 million) to encourage the willingness and capacity of financial holding company venture capital subsidiaries to invest in the innovative industries.
- (c) The FSC amended the regulations governing information service enterprises and financial technology enterprises regarded as other financial related enterprises and specified that bank investment in information service enterprises and financial technology enterprises with different business items from those which have been approved is regarded as

investment in entities engaging in different lines of business, the aim being to increase their competitiveness.

(2) Encouraging private participation in infrastructure projects:

(a) On August 31, 2016, the FSC amended the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises, allowing insurers to invest in limited partnership enterprises engaged in cultural and creative industries and the venture capital industry. In addition, the threshold for an insurer's investment in a venture capital corporation subject to subsequent review was raised to NT\$ 200 million (US\$ 6.2 million).

(b) On September, 22, 2016, the FSC amended "the Enforcement Rules of the Financial Asset Securitization Act", stipulating securitized monetary rights over income derived from the operation of an infrastructure project during its operation period obtained by a private institution according to a concession agreement is not subject to the requirement of a contract entered into between the Originator and the Obligor.

(c) On November 9, 2016, the FSC amended Article 146-5 of the Insurance Act, allowing insurers, or their representatives, to be board of directors or supervisors of invested entities engaging in domestic public infrastructure. However, the respective percentage of

board of directors, or supervisors cannot exceed one third of the board directors, or supervisors, of the invested entity.

- (3) Raising the limit on domestic OTC securities investment by banks: On December 22, 2016, “Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest” were amended, raising the limit on investment in domestic OTC securities by commercial banks to increase the efficiency of bank capital use.
- (4) Encouraging the financial industry to launch long-term care trusts for seniors: The FSC has introduced Rating Criteria and Incentive Measures about Asset Trusts Set Up for Senior Citizens and People with Disabilities by the Trust Industry, which will be effective for five years from 2016. As of the end of October, 2016, there were 3,895 beneficiaries of long-term care trusts and the total principal of trust assets amounted to NT\$ 2.86 billion (US\$ 88 million).
- (5) Encouraging development of asset management business:
  - (a) In order to encourage domestic and foreign asset management service providers and their groups to input more resources into the domestic market, the FSC has launched the Incentive Program for Boosting the Business of Investment Trust Enterprises and Incentive Program for Expanding Offshore Fund Operations in Taiwan. On September

22, 2016, the FSC approved incentives for two investment trust enterprises and six offshore funds enterprises according to related regulations. The measure should be able to facilitate the development of domestic asset management business.

- (b) On November 24, 2016, the FSC introduced amendments to the “Regulations Governing Securities Investment Trust Fund” in order to facilitate the issuance of “multi-asset funds” by SITEs. The amendment relaxed restrictions on fund investments, allowing SITEs to develop various investment strategies and introduce funds that satisfy investors’ financial management needs for retirement.
- (6) Encouraging financial companies to re-invest in innovative industries: In order to help innovative enterprises to develop their business and increase operating efficiency by working with the financial technology industry, securities firms and investment trust enterprises have been allowed to invest in domestic innovative companies with market potential. As of the end of October, 2016, 10 domestic securities firms had financed ten domestic venture capital subsidiaries through re-investments, which totaled about NT\$ 4.25 billion (US\$130.8 million). Venture capital subsidiaries of securities firms have invested about NT\$ 1.57 billion (US\$ 48.3 million) in domestic industries.

## 2. Promoting green financing and investment in green energy industries

(1) Assisting the green energy industry obtain finance:

(a) On September, 30, 2016, the FSC introduced the “Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries”. As of the end of November 2016, the loans extended by domestic banks to enterprises in green energy industries amounted were as follows:

	2016/9/30	2016/10/31	2016/11/30
Loans extended by domestic banks to enterprises in the green energy industry	NT\$993.8 billion (US\$30.6 billion )	NT\$997.8 Billion (US\$30.7 billion )	NT\$1,016.9 Billion (US\$31.3 billion )

(b) Encouraging financial institutions to adopt Equator Principles (EPs) to consider environmental impacts in credit decision. As of the end of 2016, 87 financial institutions have adopted EPs around the world, and 2 domestic banks have signed EPs.

(c) In August, 2016, in coordination with the Ministry of Economic Affairs, the highest SME credit guarantee Loan to Value was increased from 80% to 90% which will help small scale green energy companies obtain finance.

(d) Encouraging financial institutions to actively provide budget interest subsidy to target businesses, and utilize the credit guarantee fund mechanism's



policy-based loans, special case credit guarantee and other incentive measures.

- (2) Guiding investment of insurance industry capital into green energy industry:
  - (a) According to Article 3-2 of the Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises, insurance companies are allowed to apply to invest in solar power and other public utilities facility projects. As of December, 2016, the FSC has approved investment by 4 insurance companies in 6 renewable energy power generation companies with the amount of NT\$ 4.57 billion (US\$140.62 million).
  - (b) On November 9, 2016, the President promulgated amendment of Article 146-5 of the Insurance Act, allowing insurer, or its representative, to be members of the board of director or supervisor of the invested entity engaging in domestic public infrastructure. However, the respective percentage of directors or supervisors cannot exceed one third of the total number of directors or supervisors of the invested entity. Insurers are also not allowed to appoint designees to act as managers of the invested entity.
- (3) Assisting green energy industry to enter into the capital market: If a company acquires an unequivocal opinion from its industry competent authority which certifies that the company applying for listing is a technology-based enterprise or a cultural and creative

enterprise, the company then is not subject to the criteria of minimum duration of corporate establishment and profitability.

- (4) Enhancing green finance talent nurturing: We are continuing to hold related courses through peripheral financial institutions to nurture green finance talent, to help the financial industry obtain information and understand the characteristics of the green energy industry to serve as the basis for assessing risk control. From 2013, the Taiwan Academy of Banking and Finance has, for example, held the Photovoltaic Financial Business Training Course. 350 people from banking, insurance leasing, securities investment consulting, SME credit guarantee and agricultural associations have completed training. Trainers are experts recommended by the MOEA. 1,600 people have also completed the Academy's green energy industry related courses.

### **3. Financial assistance work plan formulated in support of the New Southbound policy**

To support the New Southbound policy by providing financial assistance, integrate direct and indirect finance and meet enterprise capital requirements through various channels, the FSC strategy involves assisting domestic banks to obtain capital and establish overseas branches. The concrete methods include: 1. The Import/Export Bank of the ROC has increased the amount of finance, guarantees and insurance 2. Domestic banks are

encouraged to increase the credit granted to domestic enterprises and overseas Taiwan-owned businesses 3. Guidance is provided to Taiwan-owned businesses to help them use the domestic capital market to raise funds and 4. Domestic banks are being assisted to increase their presence in New Southbound policy target countries. Since May 20, 2016, 5 branches have been established in the target countries; at present, domestic banks have a total of 194 presence in this region, allowing them to provide close-up finance, guarantee, advice, and other financial services.

#### **4. Promoting the development of FinTech**

- (1) Establishing an online mutual fund platform: The FSC has approved the investment by Taiwan Depository & Clearing Corporation (TDCC), TPEX, Securities Investment Trust Enterprises (SITEs) and Securities Investment Consulting Enterprises (SICEs) in Fund Rich Securities Ltd. to establish an online mutual fund platform. The trading function of the platform started up on October 14, 2016. The aim of this platform is to provide investors with an electronic trading environment with fair charges and reliable security. By the end of 2016, 1,309 funds were available on the platform, 10,067 investors have opened accounts, and purchased funds worth NT\$1.51 billion (US\$0.05 billion).
- (2) Striving to double the ratio of E-payment within 5 years: In order to enhance the prevalence of electronic

payment, the FSC is striving to double the ratio of e-payment within 5 years from the present ratio of 26% to 52%. The FSC has adopted a 3-pronged approach, including establishing a favorable regulatory environment for e-payment industry, accelerating the integration of e-payment infrastructure and systems, and encouraging government agencies and medical institutions to provide e-payment services.

- (3) Creating a Digital Environment for Book Entry Activities: Investors will be able to conduct transfers of book-entry securities between different securities firms' branches in a virtual environment. In addition, a straight through processing (STP) information platform will be established by the TDCC to create an automated operation environment that prevents data loss.
- (4) The FSC has amended relevant regulations to allow securities firms, SITEs, SICEs and FCMs to invest in financial technology enterprises. By the end of Q3 2016, the securities and futures industry as well as the exchanges had invested NT\$510 million (US\$ 15.7 million) in financial technology enterprises, and devoted NT\$742 million (US\$ 22.8 million) to develop FinTech internally.
- (5) Promoting financial technology innovation and talent cultivation: The FSC requested the Taiwan Financial Services Roundtable to set up the "Financial Technology Development Fund", which has established the "FinTech Base". It has selected 25 innovative startups.

## **5. Strengthening the development of the capital market**

- (1) Developing a multi-layer capital market to assist in industries' development:
  - (a) By the end of 2016, 101 innovative companies raised capital amounting to NT\$ 236 million through the GISA platform. Furthermore, three of the GISA companies went public, two of them registered successfully on the Emerging Stock Board (ESB), and one successfully listed on TPEX.
  - (b) From the end of April 2015 to the end of 2016, the FSC approved applications from 7 licensed brokers to offer crowdfunding platform services. Among them, three are now in operation, and one has successfully helped two startups raise capital of NT\$12 million (US\$ 0.37 million).
  - (c) In order to support the development of real economy, and to broaden Taiwan's capital market, TWSE and TPEX has launched 6 roadshows in new southward countries (including Indonesia, Vietnam, Singapore, Malaysia, and Thailand) and visited 25 overseas Taiwanese companies since May 2016. As of the end of 2016, there were 93 primary TWSE/TPEX-listed companies, an increase of 12 over the previous year.
  - (d) The FSC has developed a multi-layer capital market providing multiple fund raising channels to assist innovative companies. As of the end of, 2016, there were 892 companies listed on TWSE, 732 on TPEX,

271 on ESM, and 77 on GISA.

- (2) Assisting innovative-featured enterprises to enter into the capital market:

The FSC has requested the TWSE and the TPEX to relax the criteria of listing. If a company acquires an unequivocal opinion from its industry competent authority which certifies that the company applying for listing is a technology-based enterprise or a cultural and creative enterprise, the company then is not subject to the criteria of minimum duration of corporate establishment and profitability. The measure allows promising innovative-featured industries to raise funds for growth and expands the overall size of our capital market as well. As of the end of 2016, the number of listed, innovative-featured enterprises is displayed in the table below:

	Number of Listed Companies				
	TWSE	TPEX	ESB	GISA	Total
cultural and creative	6	24	17	17	64
agribusiness	0	2	8	8	18
e-commerce and internet	13	8	3	5	29
biotech	24	75	56	17	169

- (3) Strengthening Corporate Governance

- (a) Releasing the “Stewardship Principles for Institutional Investors”: The FSC worked with the TWSE, the Taiwan Depository Clearing Corp., the Securities Investment Trust & Consulting

Association, and Taiwan Financial Services Roundtable to collectively launch the “Stewardship Principles for Institutional Investors” on June 30. As of the end of 2016, 31 Institutional Investors had endorsed the Principles.

(b) Expanding the range of companies subject to E-voting requirement: In order to make it easier for shareholders to exercise their voting rights, the FSC has gradually expanded the range of companies subject to electronic voting requirement. New IPO companies and listed companies with over 10,000 shareholders and over NT\$ 2 billion of paid-in capital are required to adopt electronic voting as one of the methods of exercising voting rights from Jan. 1, 2016. In 2016, 604 companies provided the option of electronic voting for their shareholder meetings.

(c) Taiwan made much progress in the Asian corporate governance ranking: The Asian Corporate Governance Association (ACGA) released its “CG Watch 2016” on Nov. 29, 2016. Among 11 Asia countries, Taiwan improved its ranking to no. 4 from no. 6 in 2014, representing the most significant progress among the 11 ranked Asian markets.

(4) Enhancing the public tender offer system

On Nov.18, 2016, the FSC introduced amendments to the “Regulations Governing Public Tender Offers for Securities of Public Companies” and “Regulations Governing Information to be Published in Public

Tender Offer Prospectuses” in order to enhance the public tender offer system.

The key amendments are as follows:

(i) The offeror shall provide a supporting document prepared by an independent third party (a financial consultant having the qualification of a securities underwriter or a CPA who certifies public company financial statement audits) to prove the offeror’s financial capacity to pay the purchase consideration of the tender offer or have a financial institution provide performance guarantee.

(ii)The time, manner and place for payment of the purchase consideration shall not be changed.

(iii)The regulation has increased duties of the board of directors and the review committee of the target company.

(iv)The regulation has increased the information disclosure requirements for public tender offers and the information is provided reference for the company's shareholders.

(5) Intensifying surveillance alert standards and reinforcing the advocacy of regulations to deter illegal trading: The FSC has directed the TWSE and TPEX to amend the rules of “Directions for Announcement or Notice of Attention to Trading Information and Dispositions”. The alert standard for short sales of borrowed securities is intended to prompt investors to take notice of securities which show aberrant patterns



in the trading volume of the sales of borrowed securities. The FSC also directed the TWSE and TPEX to hold 7 seminars in 2016.

## **6. Encouraging introduction of new financial products**

- (1) Allowed spot gold registered for OTC trading to serve as the underlying asset of call (put) warrants issued by an issuer; launched Dual-Currency ETF trading mechanism to provide investors more investment options; amended regulations to allow futures trust enterprises to issue leveraged and inverse futures ETFs.
- (2) As of 2016, the FSC has approved 2 in-kind health management insurance products, which provide a certain value of health examination regularly. Besides, in order to coordinate with COA's policy, the FSC encourages insurers to develop more kinds of agriculture insurance products. For example, the FSC kept "pear insurance" and "mango insurance" on file in November 2016. In addition, the FSC also encourages insurers to develop agricultural facility insurance to meet farmers' needs.
- (3) Promoting various mobile payment services, including TSM and HCE mobile credit cards, mobile bank cards, QR Code mobile payment service, and mPOS service, etc. As of the end of October, 2016, the total transaction amount was about NT\$ 2.02 billion (US\$0.06 billion). In addition, the FSC has announced that credit card issuing banks can apply to the FSC to conduct mobile payment business, such as Apple Pay, Android Pay and Samsung

Pay on September 29, 2016. As of December 6, 2016 the FSC had approved 5 banks to conduct the said business.

## **7. Increasing the types of insurance products and enhancing service performance**

- (1) Allowing insurers to engage in online sales of insurance: As of November, 2016, the FSC had approved 12 life insurers and 13 non-life insurers to engage in online insurance business, with total premium income reaching NT\$671 million (US\$20.6 million) and the number of policies around 70,400.
- (2) Allowing insurers to sell insurance products providing in-kind payment: As of November, 2016, the FSC had approved 5 insurance products providing in-kind payment and for sale in the market. The products provide services including health examination, overseas medical plane delivery and funeral arrangement services.

## **8. Assisting youth in finding employment**

The FSC and the Ministry of Education have jointly implemented the Industry-Academia Cooperative Internship Plan. Financial industry peripheral institutions survey listed companies, banks, securities, insurance and CPA firms to identify internship openings, then the Ministry of Education arranges for students with such a requirement to go to a firm for training through the relevant university. It is estimated that 10,806 internship places will be provided in 2017.

## **9. Promoting analysis and application of financial open data and big data**

- (1) As the end of 2016, 1,250 datasets had been made publicly available, reaching the target of opening 1,200 datasets before the end of 2016; the datasets have been viewed over 1,636,000 times (No.2 of all central government authorities) and downloaded over 251,000 times (No.4 of all central government authorities). Over 200 more datasets will be made available in 2017, taking the total publicly available to more than 1,450 datasets.
- (2) In 2016, the FSC and peripheral financial institutions promoted 14 applications of financial open data and big data, including “Establishment of the mortgage statistics inquiry system” (Joint Credit Information Center), “The Analysis of Investors’ Trading Behavior : Evidence from Taipei Exchange” (Taipei Exchange) and “Incidence Rate of Diabetes Mellitus Based on the National Health Insurance”(Taiwan Insurance Institute).

## **10. Enhancing financial supervision**

- (1) Strengthening Domestic Banks’ Resilience to Financial Instability: After the 2008 financial crisis, to further improve the banking system’s ability to bear economic and financial ups and downs, and promote the stable development of the financial market, international organizations such as the Basel Committee on Banking Supervision (BCBS) and Financial Stability Board (FSB) successively issued related reform documents. The

important measures that the FSC has adopted in line with international norms are as follows:

- (a) Capital Adequacy: To raise the level of capital quality and quantity of Taiwan's banks to meet the Basel III standard, from 2013 the FSC has, year by year, increased the statutory minimum Capital Adequacy Ratio. From 2019, the requirement for Common Equity Ratio, Tier 1 Capital Ratio and Capital Adequacy Ratio will be 7%, 8.5% and 10.5%, respectively. As of the end of Q3, 2016, domestic banks' average Common Equity ratio, Tier 1 Capital Ratio and Capital Adequacy Ratio were 10.44%, 10.80% and 13.25%, respectively, all higher than the statutory minimum for 2019.
- (b) Leverage Ratio: To improve the application of different risk-weighting when calculating and setting aside capital and to supplement the aforementioned risk-based minimum capital requirement, the FSC has adopted the BCBS standard and requires that Leverage Ratio (Tier1 Capital/total exposure) must be at least 3%. This requirement will be effective from 2018. As of the end of Q3, 2016, domestic banks' Leverage Ratios were all higher than the statutory minimum for 2018.
- (c) Liquidity Coverage Ratio: To enhance the short-term liquidity recovery ability of banks, the FSC and Central Bank introduced the Liquidity Coverage Ratio (high quality liquid assets/net outward cash flow amount within 30-day period) in 2015. From 2019, the Liquidity Coverage Ratio requirement will

be 100%. As of the end of Q3, 2016, domestic banks' Liquidity Coverage Ratios were all higher than the statutory minimum for 2016.

(d) Net Stable Funding Ratio: To ensure banks hold sufficient long-term stable funding to meet business development needs, the FSC and the Central Bank are deliberating the setting of Net Stable Funding Ratio (Available Stable Funding/Required Stable Funding) with reference to the BCBS standard, and it is expected that it will be implemented in 2018 at the same time as implemented internationally.

(2) FSC Staff Overseas Talent Training Program formulated: To increase the professional knowledge and skills and supervisory ability of FSC staff, a training plan has been formulated as part of which outstanding staff will be sent overseas for training.

(3) Conducting Targeted Financial Examinations: The FSC has conducted 11 targeted examinations on screened business items by the end of November, 2016. These examinations targeted “small amount credit loan operations for banks”, “OBU bank account opening operations and truthfulness of financial statements”, “marketing operation of investment-linked insurance products”, “electronic commerce systems”, “crediting business for OBU”, “bank account opening operations, anti-money laundering and internal management”, “investment procedures for insurance companies”, “claim adjustment business for insurance companies”,

“business of insurance brokers and agents”, “index fund for securities investment trust companies”, “cooperative marketing between insurance companies and credit departments of farmers’ and fishermen’s associations”

- (4) Promoting the adoption of risk-based internal auditing systems: To improve capability of financial institutions in risk identification and evaluation and to allocate internal audit resources more efficiently, the FSC has been promoting the adoption of risk-based internal auditing systems. By the end of 2016, FEB had approved 3 banks to adopt risk-based internal auditing system starting from 2017.

## **11. Strengthening financial consumer protection**

- (1) Establishing the Financial Consumer Protection Supervision Meeting: To implement the financial consumer protection policy and strengthen the communication mechanism, the FSC has established the Financial Consumer Protection Supervision Meeting. The FSC, the Financial Ombudsman Institute and Securities and Futures Investors Protection Center put forward quarterly consumer protection work and examination analysis reports and the latest overseas financial consumer protection regulations, protection measures and systems. In line with the financial market development situation and main consumer protection issues, consumer protection measures are formulated to protect financial consumers and also allow suggestions for revision of

regulations to be put forward in a timely way.

- (2) The FOI has been actively involved in handling TRF financial disputes and disputes involving other complex, high-risk derivative products. The FOI has accepted applications for mediation since April 15, 2016. As of December 16, there are 74 applications for mediation.
- (3) Continuing to promote microinsurance: As of November 30, 2016, the accumulated number of individuals covered by microinsurance reached 351,000 with total insured amount more than NT\$ 120 billion. It is expected that more economically disadvantaged and specific groups of people can be taken care of and the social safety net can be strengthened.

## **12. Promoting international financial supervisory cooperation**

By the end of December 2016, the FSC had signed 53 MOUs with 37 countries or regions. In 2016, the FSC signed MOUs on banking supervision with the Superintendency of Banks of Panama and the Illinois Department of Financial and Professional Regulation, and an EOL on financial supervision with the Financial Services Authority of Indonesia (OJK).

## **13. Overall specific performance**

- (1) Profitability of financial industries continues growing:  
The net income before tax of overall financial industries from January to November in 2016 reached NT\$464.8 billion (US\$14.3 billion), which was up NT\$55 billion (US\$1.7 billion) compared to in 2013, a 13.4% increase.

- (2) The asset quality of domestic banks is resilient:
- (a) As of November, 2016, the average NPL ratio of domestic banks significantly fell to 0.29% compared to 11.76% in April, 2002.
  - (b) The coverage ratio of allowances for NPLs increased to 462% compared to 14.29% in April, 2002.
- (3) Financial support for industries:
- (a) Loans Continues Growing: As the end of November 2016, loans by financial institutions amounted to NT\$27.6 trillion (US\$0.85 trillion), an increase of NT\$450 billion (US\$13.8 billion) compared to the end of 2015, which supports the development of our industries overall.
  - (b) Program for Financial Support of Creative Industries: The FSC will continue promoting the “Program for Financial Support of Creative Industries” to facilitate the development of creative industries. As of the end of November, 2016, loans extended to creative industries by domestic banks amounted to NT\$469.2 billion (US\$14.4 billion), up by NT\$181.7 billion (US\$5.6 billion) at the end of 2013.
  - (c) Enhancing the financing of SMEs: loans extended to SMEs by domestic banks amounted to NT\$5,590 billion (US\$172 billion), as of the end of November, 2016, an increase of NT\$147.2 billion (US\$4.5 billion) compared to the end of 2015. The FSC will continue to promote “The Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises”



(d) Facilitating listed-companies financing from capital market: As of the end of 2016, the market capitalization of listed companies was NT\$30 trillion (US\$0.92 trillion). Through the issuance of common stock for cash and corporate bonds, every year the enterprises can obtain NT\$300-500 billion (US\$9.2-15.4billion) capital, which facilitates their development.

(e) Assisting enterprises enter the capital market:

	Number of years				Accumulated amount			
	TWSE -listed	TPEX -listed	Emerging Stock	GISA	TWSE -listed	TPEX -listed	Emerging Stock	GISA
2014	21	33	79	61	854	685	284	61
2015	24	34	65	19	874	712	284	80
2016	24	36	66	19	892	732	271	99

(f) Issuance of international bonds (Formosa bond included) growing steadily: The issuance of bonds amounted to NT\$1,589.8 billion in 2016, increasing 42.56% compared to NT\$1,115.2 billion in 2015.

### **III. Key work focuses for 2017**

#### **1. Actively promoting the development of financial technology**

- (1) The Financial Technology Innovative and Experiment Regulation “Financial Sandbox” draft bill aims to establish a FinTech innovation mechanism and provide legal exemption and related management regulations within a certain scope and time period, to provide a safe environment for R&D and trial of Fintech by the financial services and related industries, while also paying attention to maintenance of financial market order and protecting consumer rights and interests. In January, 2017 related agencies and business operators were invited to discuss the aforementioned bill and it will be sent to the Executive Yuan for examination.
- (2) The FSC will encourage 5 financial institutions to be involved in distributed ledger technology R&D. Besides, financial industry, universities, research institutions, and financial peripheral institutions will be encouraged to make R&D efforts jointly with respect to applications of distributed ledger technology.
- (3) For the purpose of providing the infrastructure for the financial network application of authentication and identification, it is planned to introduce an identity module with FIDO standard using a mobile device, combined with certificates, to provide identification services so as to strengthen the security of accounts and transactions.
- (4) The FSC will provide multiple services, such as tutors,

regulatory consultation and network platforms. The FSC will also collaborate with startups and technology companies, and host interactive meetings and seminars seek the feedback from industry, for the purpose of promoting FinTech development and providing more convenient services to consumers.

## **2.Channeling long term capital into industries' development and public construction**

- (1) The FSC introduced “Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises” and “Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries.” If the economic growth rate reaches a positive growth as forecast by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, the FSC plans to increase the total amount of loans extended by domestic banks to enterprises in key innovative industries by NT\$ 180 billion (US\$5.5 billion) by the end of the year 2017.
- (2) The FSC has formulated the draft amendment to the Interpretation for Article 17 of the Real Estate Securitization Act. The amendment relaxes the 40% of the value of the fund’s trust property limit when a privately placed REIT fund invests in real estate or rights related to public construction.

## **3.Continuing to promote the development of green finance**

- (1) In line with the listing of the green energy technology

industry as a key industry for promotion by the government, the FSC is actively assisting companies in the industry obtain finance, enhancing the training of green finance talent and has built a multi-tier capital market (full, OTC, energy and GISA market listing, and crowd funding) to provide funding channels for enterprises of different sizes, to encourage the investment of domestic capital in the green energy industry to assist with the industry's development.

- (2) The FSC will continue to actively formulate other measures to promote the supporting of the green industry by the financial industry and will review related regulations as required.

#### **4. Broadening Capital Market Development**

- (1) A dozen securities related organizations are going to set up an innovation and start-up fund to provide start-up enterprises with capital. An innovation support network platform will also be created to integrate the capital market resources by matching start-up teams and listing companies.
- (2) The TWSE and the TPEX will launch 2 roadshows and visit at least 15 overseas Taiwanese Companies in new southbound countries in order to increase the diversification and internationalization of Taiwan's capital market, and to make our capital market more active with more investment choices.

## **5. Continuing to enhance the standard of corporate governance**

- (1) The FSC has requested TWSE to gather the information on international corporate social responsibility (CSR) index and sustainability indexes, for example the Dow Jones Sustainability Index and FTSE4Good Index, and incorporating the features of Taiwan's securities market, evaluate the feasibility of compiling a Taiwan CSR index. The TWSE plans to compile and publish the Taiwan CSR index in 2017 accordingly to encourage investors to invest in listed companies that put more efforts into CSR.
- (2) The FSC plans to expand the range of companies subject to e-voting requirement. All TWSE and TPEX listed companies will be required to use e-voting as one of the methods of exercising voting rights from 2018. As of the end 2016, there were 1,624 TWSE and TPEX listed companies (892 TWSE-listed companies, 732 TPEX -listed companies). It will be easier for shareholders to exercise their voting rights after the regulation's implementation.
- (3) The FSC has issued letters stating that all TWSE/TPEX Listed companies are required to appoint independent directors before 2017. Those companies with more than NT\$ 10 billion (US\$ 0.3 billion) of paid-in capital are required to establish audit committees before 2017, while others with more than NT\$ 2 billion (US\$ 0.06 billion) and under NT\$ 10 billion (US\$ 0.3 billion) of paid-in capital are required to establish audit committees before 2019.

## **6.Facilitating sound insurance industry management**

- (1) There will be relevant regulation amendments regarding the differential management mechanism based on the insurance product mix comprehensive score. It's expected that the above-mentioned regulatory amendments will guide the insurance industry's products design to emphasize the importance of protection-based insurance and will promote sound operation of insurance companies.
- (2) The receiver Taiwan Insurance Guaranty Fund appointed a professional financial adviser to plan public auction of Chaoyang Life. Maintenance of the insurance contracts, protection of policyholders' interests and the principle of minimum processing costs will be high priority.

## **7.Continuing to strengthen financial industry competitiveness**

### **Banking industry**

- (1) In order to promote dematerialization of short-term bills in the primary market, and to respond to the major enterprises' needs with respect to registered commercial papers, the FSC has already drafted the amendment which is expected to allow the issuance of registration of commercial papers (dematerialization) so as to promote the efficiency of the money market and operational safety.
- (2) The FSC has taken global financial practices of customer due diligence for reference, such as in Singapore and Hong Kong, to draft amendments to the "Rules Governing Offshore Banking Branches" for the further strengthening customer identification and

verification procedures, as well as risk management for overseas clients.

#### Securities and futures industry

- (1) The FSC is going to revise “Securities Investment and Trust Act” and related regulations in order to improve the operating flexibility of securities investment trust enterprises, discretionary investment services and securities investment consulting business, and to enhance supervision over related personnel and business.
- (2) To strengthen the overall operational risk control systems of securities firms as well as supervisory efficiency, the FSC will study the application of comprehensive risk-based rating systems (based on the risk management rating system, integrated with risk factor monitoring system and capital adequacy auditing system to calculate the risk-based rating of securities firms) for risk-based supervision for securities firms.
- (3) Continuing to supervise the Securities and Futures Institute’s proper operation of the “Talent Training and Industry Development Fund”, in order to advocate asset management talent training, to promote investor education, boost industry development and to enhance investor protection.
- (4) In response to the prevalence of automatic wealth management system, such as robo-advisors, the FSC proposes to take measures to assist SITEs and SICEs to advance the efficiency of financial planning with the aid of FinTech.

- (5) TDCC will launch a mobile securities passbook service in the first quarter 2017. This service will keep investors abreast of their securities accounts and transactions, shareholders' meeting schedules and declaration of dividend information of listed corporations. TDCC will continue to upgrade Anti-Money Laundering checking system, and update its Anti-Money Laundering alert database to facilitate and fulfill financial institutions' KYC procedure.
- (6) Continuous expanding the business scope of securities firms, including promoting purchase of individual stock and ETFs by using Systematic Investment Plan (SIP) provided by securities firms, studying the feasibility of issuance of ETN by securities firms and studying the feasibility of securities firms conducting spot foreign exchange transactions against NTD.
- (7) To provide investors with better hedging channels, after taking into account the practices of major international markets, TAIEX plans to launch a night session after the regular trading session. The night session will allow trading through 5am the next morning. At the initial stage, products included in the night session will include products highly demanded by the market, TAIEX futures and options, products with market competitiveness, and USD/RMB FX futures and options. The earliest possible implementation date will be in May 2017.



## Insurance industry

- (1) Subject to the Electronic Signature Act and the Personal Data Protection Act, the FSC allows insurance intermediaries to perform electronic signatures and development of self-regulatory rules by associations of insurance intermediaries. It is expected that this measure will enhance efficiency.
- (2) The FSC will properly relax the related regulations on the allocation of the funds of insurers such as loosening the limits on some overseas investments and assist insurers to invest in infrastructure projects and the long-term care industry so as to enhance the efficiency of insurers' fund allocation.
- (3) The FSC will continue to supervise TREIF's rolling review of all affairs related to Taiwan Residential Earthquake Insurance Scheme, including its scope of coverage, loss adjustment and criteria and risk transferring mechanism, in order to strengthen the mechanism of residential earthquake insurance scheme, as well as urge TREIF to complete review and update the earthquake risk assessment model to increase the accuracy of risk assessment.
- (4) In order to align with the requirements of IFRS4-Phase II and IFRS9, the FSC will keep reviewing and strengthening the solvency supervision of insurance so as to enhance the liability reserves of life insurers, reviewing regulations of liability reserves, the Risk Based Capital system, the risk management mechanism

and Financial Reporting.

## **8. Continuing to protect financial consumers**

- (1) The FSC will amend the Regulations Governing Offshore Structured Products with respect to the qualifications of professional investor to achieve the purpose of protecting financial consumers.
- (2) The FSC will review the effectiveness of the financial consumer protection policy and the necessity of amending the Financial Consumer Protection Act and will continue to supervise the FOI dealing with financial disputes, holding education and awareness programs and actively assisting with the handling of TRF financial disputes and disputes involving other complex high-risk derivative products.
- (3) The FSC will discuss “the standardized definitions of specific injury insurance product disease items and definitions” to set a consistent standard to follow. The purpose is to enable the consumer to understand and compare such products easily and to reduce insurance claims payment disputes arising from disease items and definitions.

## **9. Facilitating comprehensive financial supervision**

- (1) Establishing a Financial Information Sharing and Analysis Center to enhance the mechanism for dealing with information security contingencies and protecting information security in the financial markets; Moreover, meetings for coordination with the information centers of different government agencies will be held on a regular basis to strengthen

interagency information sharing and joint defense of information security.

(2) Strengthening governing Anti-Money Laundering:

(a) The FSC not only has been listing anti-money laundering and combating the financing of terrorism as annual examination focuses, but also has been screening high risk industries or institutions by conducting financial examinations based on the evaluation outcome of AML/CFT risk questionnaires sent to financial institutions by related bureaus to show supervisory efficiency.

(b) In response to the development of the digital financial business, the FSC will adjust inspection process and control points to new online financial services, and plans to conduct targeted examinations of financial institutions screened by contracted volumes and service items in 2017.

(c) In response to the AML/CFT mutual evaluation to be conducted by Asia Pacific Group (APG) in the 4th quarter of 2018, the FSC will prescribe regulations under the Anti-Money Laundering Act and Anti-Terrorism Financing Act to strengthen the relevant requirements and will keep calling for the board of directors of financial institutions to take measures to foster the culture of AML/CFT compliance, implement on-going training program and enhance the functions of the 3-lines of defense of internal control. Moreover, the FSC will continue

to urge the relevant associations to provide AML/CFT training programs and outreach activities to assist financial institutions establish an effective AML/CFT system.

(3) “Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” will be amended, focusing on the following:

(a) Enhancing report mechanisms: Related operational guidelines and procedural manuals of banks should include the major contingency handling mechanism; and the banks’ reporting mechanism for reporting to the Board when receiving the inspection results or inspection reports from both home and host regulatory authorities.

(b) Enhancing the function of the three-lines of defense for effective risk management and control: Strengthening the function of the compliance unit of head office; enhancing the designations and qualification of compliance officers; enhancing the scopes and depth of internal control reviewed by external auditors.

(4) Strengthening the legal compliance of overseas affiliates of financial holding companies and their banking subsidiaries, and actively interacting with overseas financial supervisors:

(a) Conducting consolidated supervision of banks with overseas branches in accordance with Basel Bank supervision principles.

- (b) Senior managers of important overseas subsidiaries should regularly report to the FSC, which will help us to understand the overseas affiliates' business and compliance, and evaluate the competence of overseas managers.
- (c) Implementing mechanisms for contact with overseas supervisors in accordance with the contents of information exchange and supervisory cooperation in MOU.
- (d) Strengthening supervisory cooperation and day-to-day contact by means of bilateral supervisory meetings and teleconferences with key countries.
- (5) Continuing promotion of the adoption of risk-based internal auditing systems: The FSC requests financial institutions to make the internal auditing annual plans and focus their auditing on business items with high risk. The FSC will also guide the screened banks based on size of assets, riskiness or other appropriate factors to apply for approval for adoption of risk-based internal auditing systems.
- (6) Strengthening the implementation of targeted financial examinations: In 2017, the FSC will not only continuously conduct targeted examinations on anti-money laundering, but also conduct targeted examinations on selected supervision issues of concern (e.g., regulatory compliance, supervision of head office to overseas branches, digital financial services, degree of improvement in examination findings). The FSC reviews

and analyzes the deficiencies found in targeted examinations to grasp common systematic issues and to adopt related measures accordingly.

**10. In order to facilitate the implementation of the Foreign Account Tax Compliance Act (FATCA), the FSC will continue to complete the signing of the Intergovernmental Agreement (IGA/ the Agreement) and bring it into force:** To implement FATCA, the FSC has discussed IGA with the U.S. since 2013. The Agreement was signed by TECRO and AIT on 22 December, 2016, and will be submitted to the Legislative Yuan for approval pursuant to the relevant procedures of the ROC Treaty Making Act.

#### **IV. Conclusion**

To create an environment conducive to financial industry operation, the FSC will, on the basis of financial discipline, continue with deregulation and opening up of business, with the aims of facilitating the conducting of financial business and increasing the profit ability of financial industry companies. In the future, to strengthen the competitiveness of the financial industry and allow institutions to develop soundly, the FSC will continue to promote financial business opening measures with the precondition of legal compliance and attaching importance to risk avoidance by institutions, to allow the financial industry to grow strong and boost industry and the economy overall.