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## Financial Outlook Monthly

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- FSC takes steps to spur bond market development
- FSC encourages insurers to invest in public infrastructure projects
- FSC holds meeting to explain "stored-value payment account mechanism"
- Trust enterprises okayed to execute orders from professional investors for purchase of Formosa Bonds

### Policy and law

#### *FSC takes steps to spur bond market development*

In order to spur increased activity in the market for Formosa Bonds and other foreign-currency bonds and meet the need of investors for a wider range of financial planning choices, the FSC on 27 August 2013 amended the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" and other regulations to ease certain regulatory restrictions. Key provisions include the following: (1) following the lead of some neighboring countries, compulsory ratings requirements for bond issues have been eliminated, which means that bond issuers are free to decide whether or not they wish to obtain a bond rating; (2) the authorities will now exercise multi-tier regulation of bond investors, and a foreign issuer issuing a foreign-currency bond that will only be sold to qualified institutional investors will not be required to obtain effective registration of the issue with the FSC, nor will it be required to obtain advance approval from the Central Bank (an advance filing for informational purposes will now be sufficient); and (3) for a domestic issuer that issues a straight corporate bond which will only be sold to qualified institutional investors, registration documentation requirements have been simplified, and the reasons for rejection of a registration as set out in Article 8 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" will not apply. These amendments are designed to shorten the length of time needed to execute a bond issue and lower the attendant costs, which will hopefully encourage more domestic and foreign companies to issue bonds in Taiwan.

#### *FSC encourages insurers to invest in public infrastructure projects*

At a Cabinet meeting on 15 August 2013, the FSC presented a report on the progress of recent efforts to encourage insurers to participate in public infrastructure projects. Key focal points of the report included the following: (a) the principles guiding insurers in their use of enterprise funds, and what their needs are; (b) public infrastructure investments that insurers have made thus far; (c) recent deregulatory measures adopted by the FSC; (d) efforts of the FSC to communicate with other Cabinet-level agencies; and (e) preliminary assessments by life insurers of the meeting held recently by the Ministry of Finance to encourage investments in public infrastructure projects. At the end of the meeting, the premier issued the following instructions: (1) The FSC and the Ministry of Finance have jointly established a mode for participation by insurers in BOT projects, which will mean more avenues for insurer participation in BOT projects and increased private-sector participation, therefore the FSC and the Ministry of Finance should act as quickly as possible to take care of related matters; (2) Government agencies should actively design financing modes that meet the needs of the providers of capital, so as to make them more interested in investing; (3) Many people in the social services and academic communities have misgivings about encouraging investment by life insurers or other financial services firms in long-term care, therefore the Ministry of Health and Welfare and the FSC should continue working to ease concerns; (4) The Ministry of Finance and the FSC should organize a public education campaign. The FSC will actively carry out follow-up work in accordance with the instructions of the premier in order to ease the government's fiscal burdens, afford insurers a wider range of investment options, create jobs, and support economic development.

#### *FSC holds meeting to explain "stored-value payment account mechanism"*

In order to facilitate the early launch of third-party payment and stored-value services, and to let banks and third-party payment service operators collaborate in the provision of stored-value services, the FSC on 9 August 2013 held a meeting to discuss the handling by banks of customers' online opening of stored-value payment accounts. Entities represented at the meeting included the: Council for Economic Planning and Development; Office of the Board of Science and Technology; Department of Consumer Protection, Executive Yuan; Ministry of Economic Affairs; Ministry of Justice; Central Bank; Joint Credit Information Center; Financial Information Service Corporation; nine network platform operators; and eight banks.

Officials from the ROC Bankers Association (BAROC) gave presentations on their respective areas of expertise, including: the definition of the term



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"stored-value payment account"; the framework for cooperation between banks and third-party payment service operators (online transaction collection and payment services platform operators); the stored-value transaction process; review of online account opening applications; restrictions on account types and amounts; the payment and funds withdrawal process; and the signing of contracts for cooperation between platform operators and banks. Platform operators and bankers at the meeting actively shared their thoughts in a very friendly atmosphere, and most expressed support for, or had positive comments about, the effort to establish a stored-value payment account mechanism. Platform operators made a number of specific suggestions, including the following: get a pilot program up and running, then make adjustments as necessary; clearly define what constitutes third-party payment services; clarify the boundary between cooperation and competition among banks and platform operators; and draft a set of operating standards to govern bank performance guarantees and escrow services. The FSC and BAROC gave all these suggestions a positive hearing and provided appropriate explanations and responses.

In order to facilitate the launch of a stored-value payment account mechanism, the FSC by the end of August 2013 will finish necessary amendments of laws and regulations and complete review of a set of "Guidelines for the Handling by Banks of Customers' Online Opening of Stored-value Payment Accounts" drafted by BAROC. In addition, the FSC has also asked the ROC Bankers Association to amend related self-regulatory rules. It is expected that third-party payment service operators (online transaction collection and payment services platform operators) and banks will be able to collaborate in September 2013 in the provision of services. The FSC will also ask BAROC to continue monitoring efforts to launch a stored-value payment account mechanism, and to act in a timely manner to critically review the mechanism and making adjustments, paying simultaneous attention to the needs to protect consumers, fight money laundering, and facilitate the development of electronic commerce.

#### **Trust enterprises okayed to execute orders from professional investors for purchase of Formosa Bonds**

In order to meet the investment needs of trust enterprise customers that are professional investors, and to expand the scale of trust business, the FSC, acting under the authority of Article 10, subparagraph 13 of the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises," announced on 13 August 2013 that trust enterprises will now be allowed to execute orders from professional investors to use trust assets for the purchase of the following types of currency denominated bonds: (1) foreign currency denominated bank debentures issued domestically in accordance with the "Regulations Governing Issuance of Bank Debentures by Banks"; and (2) foreign currency denominated corporate bonds issued by public companies in accordance with the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers." This deregulatory measure will help trust enterprises serve the financial planning needs of ROC citizens, and will also spur increased activity in the market for Formosa Bonds.

#### **FSC pushes for improving the installment of barrier-free ATMs in public places**

To provide wheelchair users with more convenient financial services, the FSC in June 2012 asked banks to establish barrier-free ATMs at bus and train stations, hospitals, and other such public places, and the FSC continues calling on financial institutions to build barrier-free environments when they install new ATMs or relocate existing ones. As of the end of June 2013, among all the ATMs set up by banks and the post offices, 55% met wheelchair accessibility requirements, and the total number of wheelchair-accessible ATMs had risen by 56% from a year earlier. In addition, the FSC on 12 August 2013 invited financial institutions and other entities to a meeting that produced the following points of consensus: (1) financial institutions have been asked, when purchasing barrier-free ATMs, to not only consider the appropriateness of the specifications, but also to consult with wheelchair users about their experiences in using ATMs, and to conduct dry-run trials of ATMs prior to purchase, to make sure that they actually meet the needs of wheelchair users; (2) financial institutions that have installed ATMs at hospitals, train stations, airports, retail establishments, rapid transit stations, and other such public places should give the priority to replace existing ATMs with wheelchair-accessible versions, and should help modify the environment surrounding the ATMs to ensure accessibility; and (3) to make it easier for the visually impaired to make use of ATMs, the FSC asked the ROC Bankers Association to communicate with associations for the visually impaired to solicit ideas on how to make ATM locations more user-friendly.

In order to build a more user-friendly financial transactions environment, the FSC will continue coordinating and cooperating with organizations for the disabled, and will conduct periodic reviews to check how well financial institutions are responding to the needs of disabled persons.

#### **FSC tightens regulation of financial institutions following the sale of problematic assets**

In order to further lessen controversies over what happens following the sale of problematic assets, and to maintain an appropriate level of trust between debtors and financial institutions, the FSC on 31 July 2013 revised its rules regarding activities that take place following the sale of problematic assets. Problematic assets in corporate accounts have been made subject to the provisions of the revised rules, and financial institutions have been asked to adopt qualification requirements for buyers based on the provisions of the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation" ("Outsourcing Regulations"). The revised rules also prohibit buyers from engaging in improper dunning practices. Key points of the revisions include the following: (1) Problematic assets in corporate accounts have been made subject to the revised rules. Apart from certain exceptions, the rules require that problematic assets in corporate accounts be treated the same way as those in non-corporate accounts, i.e. an entity that has bought them is not allowed to re-sell them to a third party, and it must hire the original seller (or a debt collection agency designated or authorized thereby) to carry out debt collections; (2) A newly added provision requires that any financial institution intending to register with the Joint Credit Information Center a list of buyers who go into default, must first stipulate with the buyer that this may be done, and obtain the buyer's consent in writing, and before proceeding forward with such registration must first discharge its duty to provide notification as set out in Article 8 of the "Personal Information Protection Act."; (3) A newly added provision requires a financial institution that sells problematic assets to stipulate contractually that the buyer shall not engage in the various types of illicit debt collection practices set out in Article 14 of the aforementioned "Outsourcing Regulations"; (4) A newly added provision requires a financial institution to first confirm that the buyer is duly incorporated and has registered "purchase of the monetary claims of financial institutions" as one of its lines of business, and a financial institution is required to specify buyer qualification requirements (as set out in Article 13, subparagraph 2 to 6 of the aforementioned "Outsourcing Regulations") in its notice of tender.

#### **FSC okayes negotiated block trading in futures market**

In order to allow Taiwan's futures market handle large trades in a manner that better meet the needs of traders, and to bring our market more closely in line with international practices, the FSC on 20 August 2013 amended Article 6 of the "Futures Trading Law Enforcement Rules" to allow the establishment of a futures market negotiated block trading system. The purpose of this action is to attract more participants into Taiwan's futures market, increase the market's size, and make it more internationally competitive. In addition, the FSC has approved the Taiwan Futures Exchange (TAIFEX) to amend the "Operational Regulations for Block Trading", and 4 trading rules of applicable contracts, including "Taiwan Futures Exchange Corporation Trading Rules for Taiwan Stock Exchange Stock Index (TAIEX) Futures Contracts". The negotiated block trading will take effect on 2 December 2013.

#### **Deadline for filing by listed companies of internal control system statements moved up beginning from 2014**

Under Article 14-1 of the "Securities and Exchange Act," a company or enterprise must file an internal control system statement with the competent authority within three months of the close of each fiscal year, unless approval otherwise has been granted by the competent authority. Therefore, beginning from 2014, the deadline for filing by listed companies of their internal control system statements will be shortened to three months. Companies are urged to be aware of the change and to be sure and file on time. Also, in consideration of the fact that the deadline for filing by public companies not listed on the Taiwan Stock Exchange or GreTai Securities Market (including the GreTai's Emerging Stock Market) of their annual financial reports has been extended to four months after the end of the fiscal year, for the sake of consistent regulatory treatment, the FSC on 26 June 2013 adopted a rule that if a public company not listed on the Taiwan Stock Exchange or GreTai Securities Market (including the GreTai's Emerging Stock Market) is unable for legitimate reasons to announce and file its internal control system statement within three months after the end of each fiscal year, it may have the deadline extended to four months after the end of the fiscal year.

#### **FSC adjusts protection fund allocation ratios for TAIEX futures contracts and other related products**

The "Securities Investor and Futures Trader Protection Act" authorizes the FSC to adjust the amounts or allocation ratios upon securities and derivatives transactions for the protection fund. Acting in accordance paragraph 1 (subparagraph 2) and paragraph 2 of Article of this Act, the FSC has adjusted the allocation ratios of futures commission merchant as follow: (1) NT\$0.35 for each futures consignment contract for Taiwan

Stock Exchange Stock Index Futures Contracts, Taiwan Stock Exchange Electronics Sector Index Futures Contracts, Taiwan Stock Exchange Banking and Insurance Sector Index Futures, Taiwan Stock Exchange Taiwan 50 Index Futures, Taiwan Stock Exchange NonFinance NonElectronics Sub-Index Futures Contracts, and GreTai Securities Market Capitalization Weighted Stock Index Futures Contracts.; and (2) NT\$0.22 for each futures consignment contract for Taiwan Stock Exchange Mini-TAIFEX Futures Contracts. This ruling by the FSC took effect on 1 April 2013.

### **FSC amends CPA training and professional development requirements**

In order to bring Taiwan more closely in line with international practices, and to simplify the calculation and recording of the number of hours spent by CPAs in ongoing professional development, the FSC on 6 August 2013 amended the "Regulations Governing CPA Pre-professional Training and Ongoing Professional Development." Key points of the amendments include the following: (1) Making reference to rules of the International Federation of Accountants governing hours spent by CPAs in ongoing professional development, the FSC has amended related provisions. Whereas hours were formerly calculated on a rolling basis over consecutive years, they are now calculated separately for each calendar year. Also, a CPA must now attend no fewer than 40 hours of training in a given calendar year, though this requirement may be reduced by half in the case of a CPA who is not involved in the auditing of any public company's financial report. In addition, the requirement regarding minimum hours of ongoing professional development do not apply to a CPA during the year in which he/she applies for the first time for a practice license; (2) The amended provisions governing the calculation of the number of hours spent in ongoing professional development entered into force from 1 January 2013.

### **FSC issues Directions for Disposing of Non-performing Loans by Insurance Enterprises**

To ensure that the sale of non-performing loans are treated the same way whether the seller is an insurer or another type of financial institution, and to strike a proper balance between protecting the interests of lenders versus maintaining a stable insurance market, the FSC on 31 July 2013 issued a set of "Directions for Disposing of Non-performing Loans by Insurance Enterprises" with an eye to spurring insurers to adopt stronger management and rules to govern their sale of non-performing loans, thereby ensuring the interests of lenders while bringing about more sound development of the insurance market. Key provisions include the following: (1) rather than selling non-performing loans, an insurer is expected in principle to attempt to recover on them; (2) an insurer is only allowed to sell non-performing loans to a legitimate business firm, and must stipulate that the buyer is not allowed to engage in improper dunning practices; (3) an insurer intending to sell non-performing loans is required in principle to do so through public tender, and in doing so must abide by the aforementioned Directions; and (4) an insurer that sells non-performing loans must incorporate the content of the Directions into its internal controls and internal audits, and must carry out internal audits and self audits in accordance with the provisions of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises."

### **FSC clarifies financial reporting deadline for publicly traded insurers**

Acting pursuant to Article 148-1, paragraph 2 of the "Insurance Act," the FSC on 15 August 2013 issued a rule requiring insurers that are public companies to file consolidated and parent-company-only financial reports—audited and attested by a CPA, passed by the board of directors, and recognized by the supervisors—within two months of the end of each half-year period, in accordance with Article 36 of the "Securities and Exchange Act."

## **International activities**

### **FSC attends 2nd meeting of 2013 IOSCO Committee on Credit Rating Agencies**

The FSC attended the 2nd meeting of 2013 IOSCO Committee on Credit Rating Agencies (SC6) on 10-11 July 2013 in Istanbul, Turkey. Tien-Mu Huang, Director-General of the FSC Securities and Futures Bureau, is the deputy chairman of C6. The meeting was attended by 22 representatives from 16 different jurisdictions, including the United States, the European Union, Japan, Hong Kong, and mainland China. During the meeting, the participants discussed code of conduct fundamentals for credit rating agencies. They also discussed measures to make credit rating agencies more transparent and spur increased market competition.

## **Industry updates**

### **Mega International Commercial Bank approved to change Canadian banking subsidiary to full-service branch**

The FSC on 30 July 2013 agreed to the plans of Mega International Commercial Bank to apply with the Canadian authorities to convert its Canadian banking subsidiary (Mega International Commercial Bank, Canada) into a full-service branch in order to help the branch gain increased business opportunities, improve its risk management, and reduce operating overhead. The following Taiwanese banks have now obtained FSC's approval to establish commercial representations in Canada: First Commercial Bank; Chinatrust Commercial Bank; and Mega International Commercial Bank. Among these banks, First Commercial Bank has set up a branch in Canada, while the other two have subsidiaries there.

### **Mega International Commercial Bank approved to apply for sub-branch at Phnom Penh International Airport**

The FSC on 1 August 2013 granted approval for Mega International Commercial Bank to apply with the Cambodian authorities to set up a Phnom Penh International Airport sub-branch under the bank's Phnom Penh branch to help the bank do increased business with Taiwan-invested firms and gain increased business opportunities. The following Taiwanese banks have now received approval from the FSC to establish branches in Cambodia: First Commercial Bank, Taiwan Cooperative Bank, Mega International Commercial Bank, Cathay United Bank, and E.Sun Commercial Bank.

### **Mega International Commercial Bank approved to apply for representative office in Rangoon**

The FSC on 18 July 2013 granted approval for Mega International Commercial Bank to apply with the authorities in Myanmar to set up a representative office in Rangoon. Having a representative office there should help the bank better understand the condition of the financial industry in Myanmar and identify opportunities for development there. The following Taiwanese banks have now obtained FSC's approval to establish representative offices in Myanmar: First Commercial Bank; E.Sun Commercial Bank; and Cathay United Bank. Of these, First Commercial Bank and E.Sun Commercial Bank have already received approval from the Myanmar authorities.

### **Taipei Fubon Bank approved to apply for representative office in San Francisco**

The FSC on 6 August 2013 granted approval for Taipei Fubon Bank to apply with the US authorities to establish a representative office in San Francisco. A total of 14 Taiwanese banks currently have commercial representations in the United States.

### **Kuo Hua Life conservatorship extended to 30 April 2015**

Kuo Hua Life Insurance on 30 March 2013 completed the sale of all its assets, liabilities, and business operations (except for retained assets and retained liabilities). However, the Taiwan Insurance Guaranty Fund (TIGF), as the conservator of Kuo Hua Life, needs to continue administering the undertakings, guarantees, pledges, and other matters set out in the purchase and assumption agreement between TIGF, Kuo Hua Life, and TransGlobe Life Insurance. In addition, TIGF must also deal with retained assets and retained liabilities, about which the purchase and assumption agreement is silent. Therefore, in order to facilitate the efforts of the conservator to wind up remaining conservatorship matters, the FSC has extended the conservatorship from 4 August 2013 to 30 April 2015. TIGF will continue acting as conservator.

### **NPL ratio at domestic banks at 0.45% as of July 2013**

The total outstanding loans of domestic banks stood at NT\$23,132.9 billion as of the end of July 2013, up by NT\$200.0 billion from the previous month, while their total NPLs were at NT\$103.0 billion, up by NT\$2.0 billion from the previous month's figure of NT\$101.0 billion and making for an average NPL ratio of 0.45%, up by 0.01 percentage points from the figure for the end of June 2013. All 39 of Taiwan's domestic banks had an NPL ratio of under 2.0%. Also, their NPL coverage ratio stood at 263.62% at the end of July 2013, up 2.79 percentage points from the figure of 260.83% for the end of the previous month.

### **NPL ratio for credit cooperatives at 0.20% as of July 2013**

Total NPLs at Taiwan's 24 credit cooperatives stood at approximately NT\$754 million as of the end of July 2013, making for an NPL ratio of 0.20%, down by 0.03 percentage points from the figure for the end of June 2013. The NPL coverage ratio, in the meantime, was 801.70%, up by 90.02 percentage points from 711.68% at the end of June. Among Taiwan's 24 credit cooperatives, 23 had an NPL ratio of less than 1%.

## Net foreign investments in listed shares

As of the end of July 2013, foreign and mainland Chinese investors had bought NT\$2,990.6 billion and sold NT\$2,923.2 billion worth of shares on the Taiwan Stock Exchange for the year to date, making for a cumulative net inward investment of NT\$67.4 billion. Meanwhile for the GreTai Securities Market, foreign and mainland Chinese investors had purchased roughly NT\$140.2 billion and sold roughly NT\$123.5 billion making for a net inward investment of NT\$16.7 billion on the GreTai. In the meantime, the figure for cumulative (since the end of 1992) net inward remittances by offshore foreign institutional investors, mainland China investors, offshore overseas Chinese, and offshore foreign nationals in connection with investments made on the Taiwan Stock Exchange as of the end of July 2013 stood at approximately US\$169.746 billion, up some US\$2.768 billion from the US\$166.978 billion figure as of the end of June 2013.

## Investor and consumer protection

### FSC instructs banks to improve administration of dormant bank accounts

In order to better protect the interests of depositors, the FSC on 8 August 2013 issued a requirement for banks to exercise due care in the administration of dormant accounts. Key measures include the following: (1) Beginning from September 2013, banks will be required to notify a depositor before transferring funds to a dormant bank account; (2) An account opening contract must specify the terms as follows: (i) giving a notification to a depositor prior to the transfer of funds to a dormant account; (ii) describing how to make a notification; (iii) stating what sort of transaction restrictions will apply; (iv) interpreting the procedures for reactivating or closing out a dormant account, etc.. Also, the revision of new account opening contracts must be completed by the end of 2013; (3) When funds are transferred into a dormant account, the bank is not allowed to charge an account administration fee.

In addition, the FSC has asked the ROC Bankers Association to act as quickly as possible to develop streamlined procedures for the closure and reactivation of dormant accounts, and to revise dormant account reactivation procedures in the Procedural Checklist for Account Openings and Reactivation of Dormant Accounts.

### FSC reminds the general public to make early use of commercial insurance for retirement planning

With the rapid increase in the number of senior citizens in Taiwan, the economic security of this population segment has come to the fore as a very important issue. In addition to the government's launch of the National Pension and the Labor Pension systems, it is also crucial that individuals consider how to make use of commercial insurance to plan ahead for their retirement needs.

Key issues facing senior citizens include the following: deteriorating physical capacity; an expected increase in medical expenses; the possible expense of life in a nursing home; and the possible need for long-term care due to disease or accident. Members of the public are encouraged to purchase medical insurance, annuity insurance, and long-term care insurance to protect themselves. However, there are differences in the products sold by different insurers, so before signing an insurance contract one must carefully read the policy to understand benefit payment conditions as well as all contractual rights and responsibilities. One must consider the affordability of insurance premiums, and make sure that the policy one is considering buying will actually meet one's needs. In addition, after receiving an insurance policy one should carefully inspect the policy provisions, and if it turns out that the policy does not meet one's needs, there is still time during the free-look period (10 days, starting from the day next following receipt of the policy) to rescind the policy. Once an application to rescind has been filed with the insurer, the company is required to refund all premiums paid.

### FSC reminds consumers to review documents carefully before signing an insurance contract

In order to prevent moral hazard, the FSC reminds consumers that Article 105, paragraph 1 of the "Insurance Act" provides as follows: "A life insurance contract against death entered into by a third party without written consent of the insured and stipulation of the insured amount shall be void." In practice, this means that if the applicant and the insured are not the same person, the insured should either personally sign the fields for "insured party" on the application form, or have the signatures made by an agent that he/she has duly authorized in writing in accordance with Article 105, paragraph 1 of the "Insurance Act." Otherwise, death

benefits provided for in the policy shall be void.

In addition, an application includes sections for basic identifying information, disclosures, and declarations. The applicant is required to fill out the disclosures section truthfully, and if he/she makes any willful concealment, nondisclosure through his/her own fault, or misrepresentation, the insurance company is allowed under the provisions of Article 64 of the "Insurance Act" to rescind the contract without refunding paid premiums, so the FSC reminds consumers of the need to carefully check all the information they provide on an insurance application before signing it, so as to avoid disputes later on.

The FSC also urges insurance solicitors to provide clear and detailed explanations of products while they are soliciting as well as during the provision of after-sales service, and not to sign on behalf of an applicant or insured person just to save a bit of inconvenience, because if they are caught having done so, their insurer will void their solicitor's registration in accordance with Article 19, paragraph 1 of the "Regulations Governing the Supervision of Insurance Solicitors."

### 2013 School and Community Financial Literacy Campaign

In the month of August 2013, the FSC held a total of 7 activities around Taiwan (including Hsing Kuo High School in Tainan City) as part of its "2013 School and Community Financial Literacy Campaign." A total of 800 participants attended the events. To carry out these activities, outstanding professional instructors are dispatched to give entertaining and easily understood talks at schools and other groups. These activities have been very well received ever since the campaign was launched in 2006, so it will continue to be carried out in the future, with instructors dispatched as available on a "first come, first served" basis. Schools or community groups interested in the campaign are invited to register on the website of the FSC Banking Bureau.

## Major enforcement actions

### Singfor Life Insurance fined NT\$3.6 million

The FSC recently imposed an administrative fine of NT\$3.6 million upon Singfor Life Insurance after learning that the company had violated the "Insurance Act" by: (1) buying undeveloped land and failing to utilize within nine months of the purchase for a construction permit; and (2) failing to properly carry out internal assessments of such matters as the reasonableness of the purchase price, the integrity of the land, and the feasibility of post-purchase development and use. These shortcomings revealed that the company's internal controls had failed to effectively serve their proper function, and the situation was serious enough to prevent the company from operating in a safe and sound manner. In addition to the fine, the company was also issued an official reprimand and ordered not to invest real estate investments until after it had corrected its real estate investment deficiencies and obtained FSC recognition of the efficacy of the steps taken.

### KGI Securities fined NT\$2 million

The FSC recently handed an administrative fine of NT\$2 million to KGI Securities after it came to light that the company's securities dealing department had purchased, on a centralized securities exchange, securities issued by an interested party as set out in Article 45, paragraph 1 of the "Financial Holding Company Act," and before doing so had failed to report the matter to the board of directors for approval by a supermajority vote, in violation of the said Act.

### Chaoyang Life Insurance fined NT\$1.5 million

The FSC recently imposed an administrative fine of NT\$1.5 million upon Chaoyang Life Insurance after learning that the company had violated the "Insurance Act" by: (1) purchasing or assuming possession of real estate without doing a proper credit check on the property owner and the joint developer thereof, and without preparing a rental income plan, carrying out a rental market survey, or working out a tenant recruitment plan; (2) carrying out an analysis of anticipated investment returns without putting forward any supporting evidence to attest to the reasonableness of assumptions; and (3) accepting collateral for which the company was unable to obtain a construction permit within nine months, as required by FSC rules in effect at that time.

### Union Bank Insurance Brokerage fined NT\$1.2 million

The FSC recently handed an administrative fine of NT\$1.2 million to Union Bank Insurance Brokerage after finding that the company had violated the "Insurance Act" by brokering both life and non-life insurance without having qualified signatories sign off on applications. In addition to the fine, the FSC also issued two orders for prompt corrective action.