



Financial Supervisory Commission, Taiwan
2022-2023 Annual Report





Financial Supervisory Commission 2022-2023 Annual Report

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Chairperson's Statement

2022 was a very challenging year for financial institutions and financial supervisory authorities. The Russia-Ukraine war, inflation, interest rate hikes, and changing pandemic conditions had deep and broad-ranging impacts on the global economy and financial markets, and they tested the resilience of financial institutions as well as their ability to respond to circumstances. Over the past year, the Financial Supervisory Commission (FSC) has continuously strengthened the risk-bearing capacity of financial institutions and increased the depth and breadth of financial services in order to establish financial markets characterized by stable resilience, sustainable governance, inclusivity, and diverse innovation. The important achievements of 2022 and what we intend to promote in 2023 are summarized as follows:

More resilient financial institutions and better financial cybersecurity

In a rapidly changing economic and financial environment, it is crucial that financial institutions have the ability to respond to shifting circumstances. The FSC continues to amend relevant legislation to improve their resilience. For example, we seek to help insurers to bolster their solvency and risk management capabilities, and have adopted supervisory measures targeted toward interest-sensitive insurance products; domestic banks have completed planning for climate scenario analyses, and will conduct their initial scenario analyses in 2023; financial institutions have strengthened their risk control in connection with real estate lending, and we have conducted numerous special financial examinations to guide financial institutions toward more safe and sound operations.

Cybersecurity is an important key to maintaining the operational resilience of financial institutions. The FSC launched the Financial Cyber Security Action Plan 2.0 and will continue working to upgrade various measures. In 2023, the FSC will act in line with the new Basel Capital Accord in amending capital adequacy requirements for banks, and will allow banks to apply to use the IRB approach to calculate capital charges, and will also study the possibility of using ICS and IFRS 17 transitional measures in order to gradually align with international practices.

Implement sustainable finance and corporate governance, cooperatively promote transition net zero emissions

Net zero by 2050 is a global trend and an important policy objective here in Taiwan. The FSC in 2022 launched the "Green Finance Action Plan 3.0," the "Sustainable Development Guidemap

for TWSE and TPEX Listed Companies," and the "Strategies for Transition by Securities and Futures Enterprises to Sustainable Development," and in 2023 launched the "2023 Sustainable Development Action Plan for TWSE and TPEX Listed Companies." Also in 2022 the FSC established the "Coalition of Movers and Shakers on Sustainable Finance" and formed the "Platform for Net Zero Emissions in the Financial Industry" in hopes of leading the way on this front and developing guidelines needed by the entire financial industry. The FSC has also worked with other central government agencies to jointly issue the Taiwan Sustainable Taxonomy, and in 2023 will expand the scope of the Taxonomy, will set up an ESG data integration platform and a sustainable finance website, and will announce the results of sustainable finance evaluations.

In the area of corporate governance, the FSC has issued regulations governing the convening of virtual shareholders meetings and has overseen the completion of a platform for virtual shareholders meetings. Also, the FSC has overseen amendments of corporate governance best-practice principles for financial holding companies and banks, which set out principles to be observed by a company and shareholders with controlling power in their communications with each other. In 2023 the FSC will further propose draft amendments to the "Banking Act" and the "Financial



Holding Company Act" which will add accountability provisions for major shareholders. The FSC in 2022 also formulated amendments to the "Securities and Exchange Act". Key points of the amendments include the following: (1) the reporting and disclosure threshold for large shareholdings has been lowered from 10% to 5%; (2) the function of audit committees has been strengthened. These amendments were promulgated on 10 May 2023, and the provision regarding a lower reporting and disclosure threshold will enter into force one year from the date of promulgation.

Establish greater financial inclusiveness, protect the interests of financial consumers

The FSC in 2022 amended the "Principles for Fair Treatment of Consumers by Financial Services Enterprises," adopted the "Friendly Service Principles," implemented the "Principles of Ethical Management," and improved the conduct of Treating Customers Fairly (TCF) assessments; launched the "Trust 2.0 Phase 2 Plan" to continue promoting trust services; relaxed the conditions for credit cooperatives to apply for the establishment of branch offices, thereby assisting credit cooperatives in deepening local development and serving rural residents; completed an amendment of the "Compulsory Automobile Liability Insurance Act" to make mini electric two-wheel vehicles subject to the provisions of that Act; oversaw an effort by the Financial Ombudsman Institution to launch multilingual services to facilitate the lodging of complaints by foreign migrant workers; and launched a platform for online purchases of micro whole life insurance and microinsurance. And in 2023 the FSC has increased the maximum insured amount of micro-whole-life insurance policies as well as the maximum number of in-force micro-whole-life insurance policies that a single party may hold. These changes were made to achieve inclusive finance.

To better protect the interests of underprivileged persons, the FSC urged financial services firms to amend their self-regulatory rules for fair treatment of elderly customers, urged insurers to improve underwriting procedures for disabled persons, required the Life and Non-life Insurance Associations to communicate with disabled people's groups, asked the ROC Bankers Association to prepare a document entitled "A Look at How Some Banks Have Served Persons with Cognitive Impairment or Possible Cognitive Impairment," and supervised an effort by the Life and Non-life Insurance Associations to formulate guidelines for the handling of claims by autistic patients for disability insurance benefits. In addition, to better guard against fraud, the

FSC continues to expand its awareness raising efforts, and has proposed an amendment to the "Securities Investment Trust and Consulting Act" that would add new provisions requiring any Internet platform operator to disclose the name of the actual entity on whose behalf they publish or broadcast an advertisement, and to withdraw advertising when the actual entity behind the advertising is not known. The amendment to the "Securities Investment Trust and Consulting Act" was promulgated on 28 June 2023. To improve investor protections, the FSC has undertaken amending the "Securities Investor and Futures Trader Protection Act" and intends to forward it in 2023 to the Executive Yuan for review.

Improve legislative system and infrastructure, more competitive capital markets

In the area of capital markets, big advances have been achieved in systems for listings, transactions, and clearing and settlements. The following changes have taken place: eased listing eligibility criteria for the Taiwan Innovation Board (TIB) and board switching deadlines, established a market-maker system, and adopted qualified investor requirements for the Taiwan Innovation Board (TIB) and the Pioneer Stock Board (PSB) in order to encourage listings by startups and increase market liquidity; established an over-the-counter trading system for sustainability-linked bonds (SLBs); Expanded the scope of the Futures Market Dynamic Price Banding Mechanism to include ETF options; the matching intervals for intraday odd-lot trading have been shortened from 3 minutes to 1 minute; a domestic investment fund asset custody platform has been established; and an OTC derivatives clearing system has been implemented. The completion of related infrastructure has helped to improve market efficiency and reduce costs.

In the face of changes in international financial markets in 2022, the FSC acted in a timely manner to stabilize our own stock markets. For employee stock warrants and new restricted employee shares, the deadline for issuance after registration has been extended from one year to two in order to afford enterprises greater flexibility in how they compensate employees; and the FSC has decided to allow for more flexible use of the funds in customer ledgers in order to facilitate greater capital efficiency. To enhance the effectiveness of audit oversight, the FSC will continue to exercise differentiated oversight of CPA firms, and will continue to promote the passage of legislation to govern fund-type real estate securitization products in order to enhance the competitiveness of Taiwan's asset management industry.

Encourage FinTech innovation, provide diverse financial services

To increase the breadth and quality of digital financial services, and to enhance the benefits of financial inclusion, the FSC and various financial self-regulatory organizations have established a FinTech Certification Mechanism to cultivate Taiwan's FinTech talent pool; the FSC held the FinTech Taipei Awards 2022 to demonstrate Taiwan's tremendous FinTech potential and how much can be achieved through cooperation; held the Fintech Taipei 2022 International Forum to create an world-class platform for FinTech development exchanges. In 2023 the FSC has launched the FinTech Development Roadmap 2.0 in order to continue promoting FinTech innovation; amended the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation" to spur digital transformation.

Also, to align with market development trends and the needs of the general public, the FSC in 2022 began to conduct regulatory sandbox experiments and business trials on theme of "digital identity verification and authorization." In 2023 the FSC will further launch "Green FinTech" activities. The FSC is also going to begin allowing FinTech firms to make use of data from the Joint Credit Information Center (JCIC) to facilitate the development of multiple financial service scenarios; will expand the use of MyData financial application services to enable consumers to apply more efficiently for financial services; will promote the adoption of electronic insurance policies and establish an electronic insurance policy passbook platform to make it easy for consumers to check and manage their policies.

Achieve closer international supervisory cooperation, expand international exchanges

Engagement by financial services firms in international business activities, and strong cross-border interconnections among financial markets, increase the importance of international supervisory cooperation. Participating in international organizations and international exchanges makes it easier for us to respond to various emerging issues and challenges. The FSC continues to establish cooperative ties with other supervisory authorities. In 2022 we signed an MoU for FinTech cooperation with the Israel Securities Authority, the Taiwan Futures Exchange (TAIFEX) was recognized by the European Securities and Markets Authority (ESMA) as a qualified central counterparty (QCCP), and the FSC became a signatory to the IOSCO APRC Supervisory MMoU. In 2023 the FSC signed an exchange of letters (EoL) on insurance supervision cooperation with the French Prudential Supervision and Resolution Authority (ACPR), signed an MoU with Canada's Ontario Securities Commission Related to the Supervision of Qualified Central Counterparties, and signed an MoU on information sharing with the New York State Department of Financial Services (NYDFS).

In addition, in 2022 the FSC took active part in supervisory colleges in countries around the world and used bilateral meetings and jointly hosted panel discussions to enhance supervisory cooperation. In 2023 the FSC was re-elected as board member of the International Forum of Independent Audit Regulators (IFIAR) and took part in the GFIN "Greenwashing TechSprint" hackathon, both of which will help to enhance our international exchanges and raise our international profile.

In the face of many different known and unknown threats that await, the FSC will continue to implement risk-based supervisory principles while fully communicating with all parties to bring about more diversified development of financial services. We also hope that financial institutions will strengthen their response capabilities and resilience in the areas of risk management, internal control, and corporate governance. We urge them to provide the public with steady and reliable services, to play their function as financial intermediaries to support industrial development, and to fulfill their corporate social responsibility to care for the needs of the underprivileged. Our financial institutions need to continue acting as a key force for the promotion of social stability.

Chairperson

Tien-Mu Huang

FSC

Duties and Organization

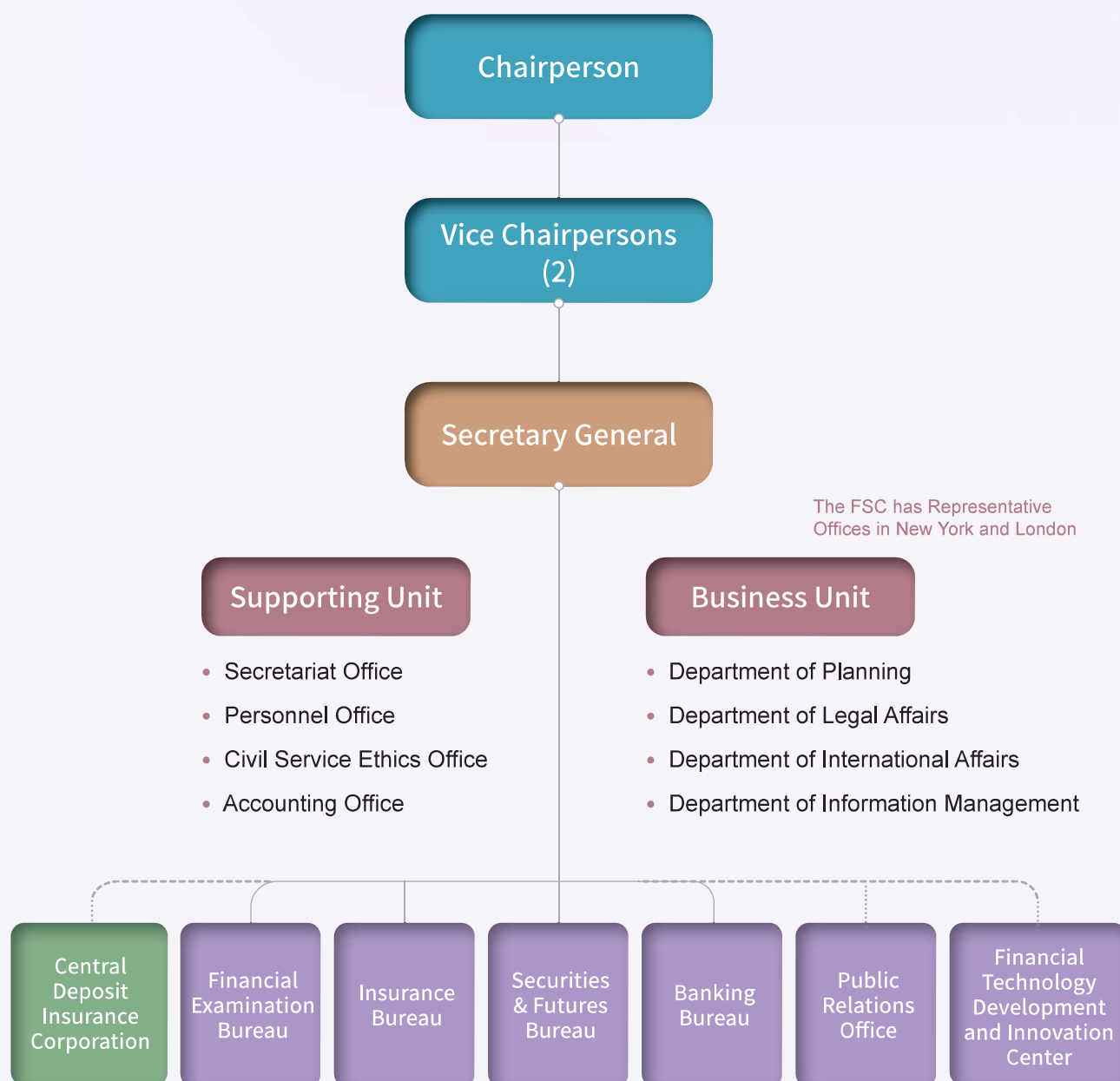
- › Organizational structure
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Duties and Organization

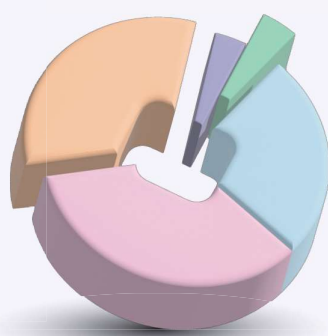
The FSC was established on 1 July 2004 as the competent authority with overall responsibility for supervising, regulating, and facilitating the development of financial markets and financial services in Taiwan, and for conducting financial examinations. The FSC seeks to ensure the sound operation of financial institutions, maintain financial stability, and promote the development of our financial markets.

❖ Organizational structure



❖ Personnel

| Age distribution at FSC headquarters and its bureaus |



29 and younger	5.5%
30 to 39	22.33%
40 to 49	31.57%
50 to 59	35.1%
60 or older	5.5%

(Average age: approx. 45.7 years)

| Educational background of staff at FSC headquarters and its bureaus |



PhD	1.87%
Master's degree	59.19%
Bachelor's degree	36.41%
Junior college	2.2%
High school	0.33%

FSC

Financial Market Overview and Important Policy Outcomes

- › Financial market overview
- › Improvement of financial resilience
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Financial Market Overview and Important Policy Outcomes

❖ Financial market overview

Figures for the pre-tax earnings of Taiwan's domestic financial service providers from 2018 through 2020 are presented in the table below. After pre-tax earnings posted explosive growth of NT\$936.3 billion in 2021, in 2022, the combined pre-tax earnings of the banking sector, insurance sector, and securities & futures sector (including securities and investment trust enterprises [SITEs]) came to approximately NT\$479.8 billion.

■ Pre-tax earnings for domestic financial service providers, 2018–2022

Unit: NT\$Bn

	2018	2019	2020	2021	2022
Financial holding companies (consolidated financial statements)	301.3	357.5	385.9	594.7	298
Banks (A)	377.7	407	370.8	385.6	432.1
Domestic banks	334.2	360.7	312.7	337	391.9
Taiwan branches of foreign banks	15	15.5	23.8	11	10.9
Taiwan branches of Mainland Chinese banks	4.1	3.8	5.1	6.2	5.6
Credit cooperatives	2.5	2.7	2.5	2.7	3.1
Bills finance companies	9.7	10.2	12.3	13.4	9.2
Chunghwa Post	12	14.1	14.4	15.3	11.4
Insurers (B)	97	170.7	223.1	411.1	-18.6
Life insurers	82.2	154.8	206.1	388.5	171.9
Non-life insurers	14.8	15.9	17	22.6	-190.5
Securities & Futures Firms (C)	46.2	57.1	81.9	139.6	66.3
Securities firms	33	43.7	66	119.5	47.1
Futures commission merchants	4.9	4.3	5	4.5	5.6
Investment trust firms	8.3	9.1	10.9	15.6	13.6
Total (A+B+C)	520.9	634.8	675.8	936.3	479.8

Note: In order to reflect non-calendar-year pre-tax earnings of securities firms, beginning from 2022 the FSC Annual Report has adjusted the basis for calculation of pre-tax earnings, and has applied the adjustments retroactively back to 2018.

❖ Improvement of financial resilience

Strengthen the solvency and risk control of the insurance industry.

- On 28 January 2022, the FSC amended the "Regulations Governing Foreign Investments by Insurance Companies," and added the rules that the insurer should meet the financial conditions when investing in private equity funds and other products to participate in subsequent capital injections.
- On 30 June 2022, the FSC issued reporting forms and form completion guidelines for the RBC measurement scheme for the insurance industry for the first half of 2022. The content of amendments included an adjusted interest risk capital charge methodology to strengthen the measurement of interest rate risk in the life insurance industry from one year to the whole period.
- On 30 December 2022, the FSC announced the amendment of the RBC measurement scheme for 2022 in order to reasonably reflect capital charges associated with investments in real estate and overseas insurance business.
- On 30 June 2022, the FSC amended the Directions to provide that extraordinary losses caused by earthquakes, typhoons, floods, communicable diseases, terrorist attacks, and credit and guarantee risks are allowed to be offset by the relevant loss reserves (which are classified as an insurance liability) reversal, thereby preventing the occurrence of catastrophes from having major impacts on Taiwan's non-life insurers.

To ensure the smooth alignment of the insurance industry with International Financial Reporting Standard 17 (referred to as IFRS 17) in 2016, the FSC has completed the goal for relevant regulatory adjustments and is actively studying the amendment of the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises."

The FSC oversaw an effort by the Taiwan Stock Exchange Corporation (TWSE) and the Taipei Exchange (TPEX) to formulate "Risk Management Best Practice Principles for TWSE/TPEX Listed Companies."

The FSC amended the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" on 27 September 2022 to promote the risk-based internal auditing system in the insurance industry.

The FSC announced the new contract policy reserve rates that apply to life insurance policies in various currencies from 1 December 2022. The new contract policy reserve rate with liability durations in NT Dollars, US Dollars, and Australian Dollars have been hiked by 0.25, 0.50, and 1.00 percentage points, respectively. The rates for euro-denominated and Renminbi-denominated policies have been kept unchanged.

The FSC has finalized the "Operational Planning for Conducting Climate Change Scenario Analysis in Domestic Banks" and requested domestic banks to conduct the initial scenario analysis based on the year-end 2022 balance sheet.

Conducted targeted examinations of real estate lending business, made the performance of financial institutions in complying with real estate lending legislation a key focus of financial examinations, and urged banks to establish mechanisms to prevent investors from ramping up real estate prices and seeking loans via dummy applicants.

Strengthened the implementation of targeted financial examinations in 2022, focusing on such matters as real estate lending, protection of the interests of vulnerable customers, anti-money laundering, overseas exposures, management of investee companies, and legal compliance and investment management by insurance enterprises.

Accepted the amended actuarial standards of practice guidelines for insurance products on 17 November 2022, to enhance regulatory measures for interest-rate-sensitive insurance.

Hosted 6 colloquiums in 2022 for internal auditors from different types of financial service firms to help financial institutions better understand the FSC's perspectives on supervision and audit practices.

❖ Promotion of sustainability and corporate governance

The FSC launched the "Green Finance Action Plan 3.0" on 26 September 2022, which aims to leverage the influence of the financial market and support sustainable development and net zero transitions.

The FSC promulgated the "Sustainable Development Guidemap for TWSE- and TPEx-Listed Companies" on 3 March 2022; all listed companies will complete GHG emissions inventory taking by 2027, and complete GHG emissions assurance by 2029. The FSC then published the amendment of the "Regulations Governing Information to be Published in Annual Reports of Public Companies" on 25 November 2022, requiring listed companies to disclose climate-related information starting from 2024.

The FSC announced "Transition Strategies of Sustainable Development for Securities and Futures Sectors" on 8 March 2022 to promote sustainability transition of the industries.

The FSC, the Environmental Protection Administration (EPA), and related government agencies jointly issued the "Taiwan Sustainable Taxonomy" on 8 December 2022, which serves as a reference for the financial industry and investors in screening investment targets and for companies moving toward sustainable transition.

Five financial holding companies with globally recognized good performance on ESG formed the "Coalition of Movers and Shakers on Sustainable Finance" in September 2022, aiming to drive the financial industry to take concrete decarbonization actions.



The FSC facilitated the establishment of the Financial Industry Net Zero Working Platform on 28 December 2022.

The FSC continues urging the Joint Credit Information Center (JCIC) to collaborate with other government agencies and collect information submitted by financial institutions to build an ESG data platform for inquiry and the use of financial institutions.

Encouraged financial services firms to use investment and financing activities to support industrial development.

- The FSC launched the "Program to Encourage Lending by Domestic Banks to Enterprises in the Six Core Strategic Industries" on 28 January 2022.
- The FSC launched the "Program to Encourage Insurers to Invest in the Six Core Strategic Industries, Public Infrastructure, Long-term Care Enterprises, and Sustainability Bonds" on 24 June 2022.
- The FSC launched the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises (Phase 17)" on 13 May 2022.
- The FSC issued an interpretive letter on 25 October 2022 to simplify the application procedures and to relax the investment caps for banks intending to invest in the Six Core Strategic Industries.
- Encouraged financial institutions to support the development of sustainable industries.
 - » The FSC launched the "Program to Encourage Lending by Domestic Banks to Enterprises in the Six Core Strategic Industries" on 28 January 2022, with loan targets including green electricity and renewable energy industries.
 - » Developed Taiwan's sustainable bond market.
 - » The FSC encourages insurers to invest in green industry.

- The FSC encouraged domestic banks to sign or follow the Equator Principles. By the end of 2022, 20 domestic banks and 1 financial holding company had signed the Equator Principles, making Taiwan the country with the largest number of financial institutions that have signed the Equator Principles. The ROC Bankers Association also amended its credit granting criteria to include important elements of the Equator Principles, including climate change, greenhouse gas emissions disclosure, etc.

Promoted the New Southbound Policy

- The FSC encouraged domestic banks to extend loans to domestic enterprises in target countries of the New Southbound Policy (NSP), launched the "Program to Incentivize Lending by Domestic Banks to Enterprises in Target Countries of the New Southbound Policy (NSP)," and helped domestic banks expand their presences in the NSP countries. As of the end of 2022, domestic banks had established 337 business locations in 11 NSP countries.
- The Export-Import Bank of the ROC provides an Overseas Investment Insurance Program for exporters to cover risks based on accounts receivable.

Strengthened disclosures of climate information and carbon inventories

- Climate disclosures by TWSE- and TPEx-listed companies:
 - » TWSE and TPEx amended the "Rules Governing the Preparation and Filing of Sustainability Reports" in September 2022, requiring listed companies to disclose TCFD climate-related information and industry-specific metrics based on the SASB standards.
 - » Revised the "Regulations Governing Information to be Published in Annual Reports of Public Companies" and "Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses" so that companies under certain conditions should disclose climate-related information.
- Climate-related disclosures by financial services firms:
 - » On 1 March 2022, the FSC announced the "Guidelines for an Insurer's Own Risk and Solvency Assessment Mechanism" and required insurers to address the methodology to identify and assess the climate change risk, as well as related measures.
 - » In October and December 2022, the FSC reviewed the practice manual on climate-related financial disclosures by the ROC Bankers Association, the Non-Life Insurance Association of the Republic of China, and the Life Insurance Association of the Republic of China. From 2023 onwards, the insurance companies disclose climate-related financial information by June 30 every year.
 - » The FSC adopted the "Corporate Governance Best-Practice Principles for Insurers" on 27 December 2022, to implement the goals of the board of directors' sustainable development responsibilities.
- On 23 June 2022, the FSC requested the ROC Bankers Association and ROC Bills Finance Association to inform their member institutions to cooperate in conducting carbon inventories in phases in line with the schedule of the "Sustainable Development Guidemap for TWSE and TPEx Listed Companies."

Prevented responsible persons from getting involved in conflicts of interest, established accountability systems, and revised the qualification conditions for chairman and directors.

- The FSC amended "Regulations Governing Responsible Persons and Associated Persons" (of Securities Firms, Futures Firms, and Securities Investment Trust and Consulting Enterprises) in October and December 2022. These amendments included the addition of professional qualification requirements for the chairperson of the board and imposed upon a board of directors the responsibility to effectively supervise the establishment and implementation of accountability for managerial officers. Furthermore, the scope of non-competition restrictions for responsible persons was expanded to include their affiliates.
- The FSC amended the "Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company" on 1 December 2022. The purpose of this amendment is to prevent a financial holding company from getting involved in conflicts of interest, and it facilitates the financial holding company to introduce directors with diverse professional backgrounds into the board.

Strengthened the powers, independence, and important agenda items of the board of directors,

- The FSC amended the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" on 5 August 2022, specifying the procedures of discharging of the chairman of the board of directors.
- To enhance the function of the board of directors, the TWSE published the illustrative examples of the exercise of powers by independent directors and audit committees and amended the "Corporate Governance Best Practice Principles" in September and December 2022.

On 29 June 2022 the FSC issued the "Guidance on Interpretation of Audit Quality Indicators (AQIs) by Audit Committees" and "Guidance on Preparation of Audit Quality Indicators (AQIs) by Audit Firms" to enhance the transparency on audit quality.

On 16 February 2022, the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" were amended, aiming to enhance the transparency of information disclosure in the management of information security risks.

Oversaw an effort by the TWSE to amend the revision of the 10 evaluation indicators of the best list of Stewardship Principle information disclosure by institutional investors on 28 June 2022; amended the Incentive Policy for Onshore Fund to expressly add to the matters that may be recognized by the FSC as "other substantial contributions" that a SITE has good performance in signing and implanting the Stewardship Principles, or integrates ESG considerations into internal control mechanisms such as investment processes and risk management and actively takes engagement action and other stewardship action, so as to promote the sustainable development of invested enterprises.

Amended the "Regulations Governing Information to be Published in Prospectuses by Securities Investment Trust Enterprises Offering Securities Investment Trust Funds" on 23 December 2022 to strengthen the prospectus for a fund of this type more comprehensively discloses its ESG investment policy.

The FSC registered amendments by the ROC Bankers Association to the "Corporate Governance Best Practice Principles for Financial Holding Companies" and "Corporate Governance Best Practice Principles for Banks," added principles for compliance when a company communicates and interacts with a shareholder with controlling power over the company, regulations for the exercise of powers by the chairman of the board of directors, as well as a provision for companies to establish a governance structure and unit to promote sustainable development.

❖ Development of Fintech & Regtech

FSC amends "Regulations for Establishment and Administration of Insurance Enterprises" in June 2022.

The FSC continues to focus on the business development requirements of internet-only banks. Under the premise of risk control, the FSC will allow internet-only banks to adopt a trial method for specific businesses.

The FSC announced the amendments to the Incentive Policy for Offshore Funds Development in Taiwan and the relevant Q&A on 22 November 2022 to list assessment items of developing ESG business assessment standards, and to assist to master agents or their established subsidiaries by offshore fund institutions.

The FinTech Co-creation Platform has established a two-stage Fintech capability certification mechanism, encompassing basic-level and professional-level proficiency. The FSC has also implemented an incentive scheme to encourage financial practitioners to obtain FinTech certification.

The first "Taipei FinTech Awards 2022" and the winner's award ceremony were held at "FinTech Taipei 2022" on 28 October 2022.

The FinTech Co-creation Platform drafted the "Operational Guidelines for Security Management of Financial FIDO (Fast IDentity Online) Mechanism Conducted by Financial Institutions." The FSC devised the Self-assessment Form for Financial FIDO Business Trial to expedite the review of relevant business trial cases.

Urged the Life Insurance Association and Taiwan Insurance Institute to establish an insurance passbook platform to provide the public with more convenient service of looking up their insurance policies.

The FSC continues to promote the dual-track mechanism of the "FinTech Innovative Experimentation" and the "Financial Business Trial," providing a safe trial environment for the development of FinTech. By the end of 2022, the FSC has received a total of 83 applications.

As of the end of 2022, the FSC has signed financial technology cooperation MoUs with five countries. A total of 203 regulatory clinics hosted by the FSC have been held at the FinTechSpace. The digital sandbox platform has attracted participation from 36 self-regulatory organizations and financial institutions to provide APIs.

"FinTech Taipei 2022" was held in October 2022.



Former Vice Premier Rong-Jin Shen and FSC Chairperson Tien-Mu Huang attended "FinTech Taipei 2022" on 28 October 2022.

Use of blockchain technology to improve claim services

- The FSC approved business trial of claim alliance 2.0 submitted by the Life Insurance Association to allow policyholders to use digital identity verification to replace handwritten signature in making a claim.
- Supervision and guidance on the Pilot Program of Property Insurance Blockchain Consortium to improve the operational efficiency of compulsory auto liability insurance claim processing and automobile physical damage insurance reimbursement operations for property insurance companies.

Adopted the "Regulations Governing Online Insurance Business and Online Insurance Services of Insurance Agent Companies and Insurance Broker Companies" to promote insurance agent companies and insurance broker companies to handle online insurance business and online insurance services.

The FSC oversaw an effort by the JCIC to launch the "Service for FinTech Firms to Use JCIC Data" on 31 March 2022.

Expand the use of MyData financial application services, and continue allowing financial institutions to make use of the MyData system; as of end-2022, 24 financial institutions were providing 59 online financial services.

On 29 September 2022 the FSC again eased restrictions on the types of products and services that insurers are allowed to sell online, and began allowing them to use a wider range of customer identity verification methods.

Issued an interpretive order regarding Article 13, paragraph 1, subparagraph 2 of the "Regulations Governing Identity Verification Mechanism and Transaction Amount Limits of Electronic Payment Institutions" on 2 September 2022 to simplify electronic payment institutions' customer due diligence procedures with respect to participating merchants.

Oversaw an effort by the ROC Bankers Association to complete the formulation of "Guidelines for Establishment by Domestic Banks of Mechanisms for Digitized Audits of Internal Audits" to help banks transition to digitized audits in their internal control operations.

The FSC promoted the second phase of Open Banking "Consumer Information Inquiry" to facilitate cross-sector collaboration between banks and third party service providers (TSPs).

❖ **Strengthening cybersecurity**

The FSC released the "Financial Cybersecurity Action Plan 2.0" on 27 December 2022.

Cultivating an organizational culture that emphasizes cybersecurity in financial institutions.

- In 2021, revisions to the implementation rules of internal audit and internal control systems were gradually completed across various sectors, requiring significant financial institutions to designate a Chief Information Security Officer (CISO) to oversee the promotion, coordination, and resource allocation of cybersecurity policies.
- Encouraging the appointment of directors or advisors with a background in cybersecurity or the establishment of cybersecurity advisory groups, incorporating professionals to participate in the operation of the board of directors, and fostering an organizational culture that prioritizes cybersecurity in institutions.

Continuously encouraging financial institutions to adopt international standards for information security management systems and business continuity management systems, and assessing the effectiveness through third-party independent organizations. As of 2022, 33 banks, 37 insurance companies, and 20 securities firms have obtained certification for international standard of information management system.

On 23 June 2021, the "Financial Cybersecurity Talent Competency Map" was released to systematically cultivate professionals in the field of financial cybersecurity.

In June 2022, the FSC oversaw an effort by the Financial Information Sharing and Analysis Center for Cybersecurity (F-ISAC) to adapt and develop a cybersecurity governance maturity assessment tool applicable to financial institutions that can be measured repeatedly. By the end of 2022, a total of 68 significant financial institutions have conducted relevant maturity assessments.

In 2022, the FSC has been supervising various financial industry associations to complete the enhancement and revision of cybersecurity-related self-regulatory rules. The key focus areas include secure operations for e-banking services, information system resilience, cybersecurity for emerging technologies, system protection benchmarks, and reference guidelines for supply chain risk management.

Conducting financial cybersecurity attack and defense drills and scenario exercises, including distributed denial-of-service (DDoS) attack and defense drills, cybersecurity training on network attacks and defense, and scenario exercises for responding to major cybersecurity incidents in 2022.

On 14 November 2022, the FSC amended the "Scope of Material Contingencies to be Reported by Financial Institutions, Required Procedures, and Other Compliance Matters." The amendment specifies financial institutions' reporting procedures to cyber incidents.

When the FSC allowed some employees to work remotely, it resulted in the FSC information system getting hacked. On 2 June 2022, the FSC requested the ROC Bankers Association, the Non-life Insurance Association, and the Life Insurance Association to inform financial institutions to strengthen cyber risk management and list it as a focus of internal audits.

The FSC supervises the Financial Information Sharing and Analysis Center (F-ISAC), which is operated by Financial Information Service Corporation Ltd. (FISC), and promotes a cybersecurity incident response support system to establish a resource-sharing mechanism for cybersecurity intelligence sharing and incident response capability.

❖ Enhancing the efficiency of the financial market

Activating trading market by improving efficiency and liquidity

- An amendment to the "Regulations Governing the Administration of Shareholder Services of Public Companies" was published on 4 March 2022, allowing public companies to convene virtual shareholders' meetings.
- The FSC oversaw an effort by TWSE and TPEX to amend the rules of the order of utilization and calculation method about the Clearing and Settlement Fund in July 2022, thereby strengthening the market risk management control mechanism.
- The FSC has overseen an effort by the TWSE and TPEX to increase the transaction information disclosure regarding the interval time of each matching process for the disposal of securities, in order to alert investors to the risk of significant price fluctuations.
- In order to attract small-capital investors, the FSC oversaw an effort by the TWSE and the TPEX to promote the securities market to shorten the matching interval of intraday odd-lot share trading from three minutes to one minute.

Encouraging financial innovation and the development of a diverse range of financial products

- The FSC oversaw an effort by the Taiwan Futures Exchange (TAIFEX) to launch the "central counterparty (CCP) clearing business of OTC derivatives" on 25 July 2022. Currently, 11 financial institutions are participating as clearing members.



Former Premier of Executive Yuan Tseng-Chang Su and FSC Chairperson Tien-Mu Huang attended the "Opening Ceremony of CCP clearing business of OTC derivatives."

- The FSC oversaw an effort by the TPEX to develop the mechanism for trading of Sustainability-Linked Bonds (SLBs) and began allowing trading of SLBs on the Sustainable Bond Market on 8 July 2022.



FSC Chairperson Tien-Mu Huang attended the "Sustainability-Linked Bond (SLB) Listing Ceremony" on 14 September 2022.

Attracting both domestic and foreign funds to enhance their visibility in international markets

- To avoid erroneous orders, fat-finger errors, and momentary intraday order book imbalances, which cause sudden and abnormal price fluctuations, the FSC oversaw an effort by the TAIEX to establish the Dynamic Price Banding Mechanism for the futures market. The mechanism began to apply to Electronics Sector Index Options, Finance and Insurance Sector Index Options, and ETF options in 2022.
- 2. The FSC oversaw an effort by the TAIEX to undertake after-hours trading of various commodities and formally included Yuanta/P-shares Taiwan Top 50 ETF futures in after-hours trading on 27 June 2022.
- To urge TWSE and TPEX to conduct research and review the regulations and supervisory mechanisms related to the disclosure of significant information, as well as to propose corresponding improvement measures, in order to enhance the transparency of TWSE- and TPEX-listed companies.
- To urge TWSE and TPEX to complete the construction of the Chinese and English "ezSearch" information website. Starting from 28 April 2022, it should provide a dual-language query interface to facilitate investors in accessing relevant information about TWSE- and TPEX-listed companies.

The FSC oversaw an effort by TWSE to improve several regulations for the Taiwan Innovation Board from August to November, 2022, looking forward to attracting start-up companies and increasing market liquidity.**Supporting economic development by enhancing the function of the primary market.**

- The FSC issued a "Q&A for issuing new shares under a shelf registration" on 28 March 2022. Public companies are allowed to issue new shares under a shelf registration, which shortens the length of time it takes to obtain funding from the capital market.
- Relaxed the restrictions on emerging companies to issue foreign currency-denominated straight corporate bonds. Established disclosure regulations on prospectuses for ordinary corporate bonds sold to professional and non-professional investors.
- Relaxed restrictions on the tools which companies can use to reward employees, and asked companies to disclose related information in Annual Reports and Public Offering and Issuance Prospectuses, in order to improve companies' flexibility to issue these tools, make sure companies execute corporate governance according to the procedure, and strengthen information disclosure.

Enhancing the function of financial intermediaries and the competitiveness of financial institutions.

- The FSC approved domestic franchised FCMs to reinvest their funds in setting up domestic trading companies to engage in London Metal Exchange (LME) warehouse receipt-related business.
- On 28 December 2021, securities firms will be allowed to handle the short-term financing of in-transit delivery of TWSE- and TPEX-listed securities. Investors can borrow from securities firms as collateral for the receivable claims of securities sold.
- Allowed customer ledger of the securities firm's settlement account to purchase Taiwan government bonds or treasury bills, or transfer to other banks as time deposits any portion exceeding NT\$1 billion of the funds retained in time deposit in the customer ledger of that settlement account.

- On 29 December 2022, the FSC amended the "Regulations Governing Foreign Bank Branches And Representative Offices" to set a suitable increase of the credit extension and investment capacity of foreign banks' branches in Taiwan.

On 17 August 2022, the "Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" was amended to consolidate the management of proxies.

On 12 May 2022, the FSC issued a directive granting approval to the Taiwan Depository & Clearing Corporation (TDCC) to conduct lump-sum transfers of fund sums handled in centralized custody. In addition, the FSC also announced that it would oversee a project by the TDCC to plan out the establishment of a domestic fund asset custody platform, which will provide fund transfer services.

In 2022, the FSC instructed the TWSE to study how to enhance the communication mechanism of shareholders' meetings and to incorporate the following items into the corporate governance evaluation indicators: whether the important contents of shareholders' questions and the company's replies have been recorded in the AGM minutes, whether the shareholders' meeting has been live-streamed and whether the audio and video recordings have been uploaded after the shareholders' meeting.

❖ Financial inclusion and protection of interests

The owner of a mini electric two-wheel vehicle is required to apply for compulsory automobile liability insurance since the amendments to the "Compulsory Automobile Liability Insurance Act " was implemented on 30 November 2022. Furthermore, the amendments also extended the related measures about reporting uninsured owners and revoking licenses.

On 18 March 2022 we revised the types of ombudsman decisions for which a monetary award is subject to a certain cap. This cap was revised to NT\$1.2 million for certain products and services that appear on a positive list, regardless of line of business, or to NT\$120,000 for other products or services.

Stronger safeguards for the interests of financial consumers for the elderly and persons with disabilities

- The purpose of these amendments is to adopt stronger measures pertaining to insurance product design, solicitation, underwriting, training, and disclosures.
 - » Strengthened relevant measures to protect the rights and interests of customers over 65 years of age, include insurers' operations in insurance product design, solicitation, underwriting, and information disclosure.
 - » Amendment to several articles of "Regulations Governing Insurance Brokers" and "Regulations Governing Insurance Agents" dated 22 September 2022, stipulated insurance brokers and insurance agents should pass a two-hour course for the elderly every year, and strengthen relevant regulations on insurance rights of customers over 65 years old.

- » Accepted the amended self-regulatory rules filed by the Non-Life and Life Insurance Associations on 24 May 2022, adding that the insurance sales representatives should participate in 2 hours of training on fair treatment of customers over 65 years of age each year.
- Guided the Non-life and Life Insurance Associations to formulate guidelines for the claims of disability insurance benefits for autistic patients.
- Accepted the amended "Handling Principles for Underwriting by Insurance Enterprises of Policies for Persons with Physical and Mental Disabilities" filed by the Non-Life and Life Insurance Associations on 5 July 2022, and required the insurers to establish statistical data on the experience of underwriting policies of the disabled.
- To enhance protection for elderly financial consumers, the FSC recorded the self-regulatory rules set up and reported by financial industries' associations in 2022.
- Engage in Two-Way Communication with Disability Groups
 - » The FSC requested the Bankers Association to engage in regular communication with disabled persons' groups, focusing on issues such as friendly financial environments, barrier-free ATMs, online banking, mobile app services, credit cards, and account opening.
 - » Urged the Non-Life and Life Insurance Associations to hold forums to communicate with disabled persons' groups.
 - » On 18 October 2022, the FSC invited organizations for people with physical and mental disabilities, the Ministry of Health and Welfare, the Ministry of the Interior, the Bankers Association, and financial institutions to a meeting to discuss the rights of people with physical and mental disabilities to conduct on-site inspections of barrier-free facilities in financial institutions.
- The FSC requested the Bankers Association to complete an inventory of improved financial facilities and equipment by July 2022, and to establish a comprehensive search option and map, in order to enhance the friendliness and convenience of the overall accessible financial environment.

Promotion of friendly financial services for senior citizens and persons with disabilities

- Accepted the amended "Guidelines for Provision of Friendly Financial Services by Insurance Enterprises" on 31 March 2022, adding provisions requiring insurers to treat elderly customers in a friendly manner.
- On 12 May 2022, the FSC requested financial institutions to continue to make their financial services more friendly and to promote a top-down culture and allocation of resources, including the attention and specific actions of the Board of Directors, designating supervision at the level of deputy general manager, and designating dedicated departments to handle and strengthen financial friendly education and training for senior executives.

Improving financial institution measures for fair treatment of customers

- On 14 July 2022, the FSC announced the results of an assessment of the implementation of the Treating Customers Fairly Principles ("TCF Principles") by financial institutions in 2021, to encourage financial institutions to elevate their performance.



FSC held award ceremonies in 2022 to recognize banks, securities and futures brokers, insurers, respectively that have performed well in implementing the TCF Principles.

- On 12 May 2022, FSC revised the TCF Principles to enhance financial industries' culture that emphasizes ethical business practices.
- The FSC on 23 March 2022 registered an amendment of the "Self-Regulatory Rules for Fair Treatment by Banks of Elderly Customers" which had been filed by the Bankers Association to promote fair and reasonable treatment of elderly customers and prevent financial exploitation.

The FSC relaxed the conditions for credit cooperatives to apply for the establishment of new branches, increased the choice of the establishment of branches in areas lacking financial services, and promoted the balanced development of urban and rural financial services.

Registered an amendment of the "Self-Regulatory Rules for Product Marketing of Investment-Linked Insurance" on 21 October 2022, to strengthen the risk attribute assessment of the investment-linked insurance.

The FSC amended the maximum amount of non-guaranteed commercial paper operated by bills houses to protect investors' interests, reduce underwriting risks that bills houses are exposed to, and also to consider the short-term funding needs of issuers.

The FSC amended the "Regulations Governing Offshore Funds" on 28 December 2022 to add a new provision requiring that a master agent that handles the offering and sale of offshore funds in Taiwan may not represent more than five offshore fund institutions.

The FSC amended the "Regulations Governing the Issuance of Corporate Bonds by Financial Holding Companies" on 19 December 2022. This amendment can enable financial holding companies to utilize funds with greater flexibility and efficiency, and to protect the interests of investors.

The FSC acknowledged the proposal provided by the Bankers Association to strengthen the mechanism of credit card fraud prevention with OTP verification text messages.

Prompting the "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud"

- The FSC encouraged all domestic banks with service counters and Chunghwa Post (a total of 36 entities) to complete the establishment of the "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud," requiring these financial institutions to strengthen scam prevention inquiry over the counter.

- On 13 September 2022, the FSC hosted a "Launching Ceremony of Early Warning System for Offshore Accounts Suspected of Being Used for Fraud and High-level Forum for Financial Fraud Prevention" to strengthen cooperation between financial institutions and law enforcement agencies in order to effectively block the flow of funds suspected of involving fraud.



Minister without Portfolio Ping-Cheng Lo and the FSC Chairperson Tien-Mu Huang attended "Launching Ceremony of Early Warning System for Offshore Accounts Suspected of Being Used for Fraud and High-level Forum for Financial Fraud Prevention" Award Ceremony on 13 September 2022

Promotion of financial literacy

- The "Inter-ministerial Collaborative Meeting" mechanism has been added to the "Sixth Financial Literacy Program (2021-2023)" to promote joint financial literacy work involving different government agencies.
- During 2022 the FSC held a total of 495 activities as part of the 2022 Financial Literacy Campaign for the Campus and Community, attracting a total of over 42 thousand participants.
- The FSC continues to cooperate with the Ministry of Education on the "Finance Basic Education Promotion Cooperation Program," held several teacher-training camps, and held the 2022 Financial Fundamental Education Achievement Seminar and Teaching Action Program Selection Award Ceremony.

- In order to encourage the private sector to develop various financial education programs and to improve the learning outcomes and quality of financial education, and to achieve accessibility and usability from the standpoint of inclusive finance, the FSC held the "Activity to Select and Commend Excellent Teaching Plans and Outstanding Cases of Financial Education." The award ceremony was held on 4 August 2022.



FSC Chairperson Tien-Mu Huang attended the "Award Ceremony for the Activity to Select and Commend Excellent Teaching Plans and Outstanding Cases of Financial Education" on 4 August 2022.

- A financial education publicity of microfilm and print advertisement was launched by the FSC in December 2022 to establish the correct concept of consumer finance and financial and debt management.
- The "Anti-Financial Fraud Zone" was launched on the FSC website on 29 September 2022.

The 2021 results of the "Financial Inclusion Indicators for Taiwan" were published on 7 July 2022, and showed significant improvement. The FSC also adjusted the 2022 indicators on a rolling basis, adding new localized indicators such as the "Multilingual ATM Penetration Ratio," "Establishment of Bilingual Branches by Domestic Banks," and "Conduct of Financial Literacy Activities for New Immigrants, Women, and Other Groups."

The FSC supervised the establishment of the "Financial Explorer 62" museum of the Taiwan Academy of Banking and Finance. This museum opened on 16 December 2022.



FSC Chairperson Tien-Mu Huang attended the inauguration ceremony of the "Financial Explorer 62" museum on 16 December 2022.

Reducing the impact of the pandemic, provided financial assistance measures.

- The FSC instructed the Bankers Association to forward the personal debt relief measures to member banks, to provide relief for individuals who have repayment difficulties due to the epidemic. Loan payments and credit card payments have been deferred for 3 to 6 months and the deadline for application has been extended to the end of December 2023.
- The Bankers Association has written to banks requesting them to apply for a six-month extension of the loan principal due before 31 December 2023 for those enterprises that wish to continue their business and pay interest normally. In addition, other related relief measures will be extended until 30 June 2023. Besides, the application period for "Self-Regulatory Rules for Member Banks to Handle Corporate Debt Negotiation Cases Referred by the Ministry of Economic Affairs" will be extended to the end of December 2023.

❖ Expansion of trust functions and wealth management business

Promotion of the Trust 2.0 "Comprehensive Trust" Implementation Plan

- The FSC launched the Trust 2.0 Phase 2 Plan, which is scheduled to run from 1 September 2022 to 31 December 2024, to satisfy the needs of customers in different stages of life, and enhance the knowledge and understanding of trust services for the elderly and people with dementia and disabilities.
- The FSC held an award ceremony on 12 September 2022 to recognize banks that had done a superior job of carrying out "Evaluation and Reward Measures Regarding Trust Enterprise Implementation of the Trust 2.0 Plan."



FSC Chairperson Tien-Mu Huang attended an Award Ceremony on 12 September 2022 to recognize banks that had done a superior job of carrying out "Evaluation and Reward Measures Regarding Trust Enterprise Implementation of the Trust 2.0 Plan."

- Strengthening the risk control and rights protection of the pre-sale house trust mechanisms.
 - » The Trust Association has formulated enhancement measures of risk control and amended the "Directions for Pre-sale Housing 'Real Estate Development Trust' and 'Price Trust' Organized by Members of the Trust Association of the ROC" to add a provision about dealing with dispute payments.
 - » The Trust Association has outsourced and completed a "Study on the Actual Operations of the Real Estate Development Trust and Price Trust for Pre-sale Housing Contract Performance Guarantee Mechanisms." The FSC sent the recommendations proposed in the study to the Ministry of the Interior on 9 June 2022. It is expected to strengthen the management of construction companies and the responsibility of trustees to reduce transaction disputes.

- The Trust Association organized the first training courses of the "Family Trust Advisors" certification in July 2022.
- To formulate legal framework and taxation environment of family trusts, the FSC sent the recommendations proposed by the Trust Association to the Ministry of Justice and Ministry of Finance for their reference on 31 March 2022.
- The FSC sent a letter on 8 November 2022 to encourage financial institutions to set up employee benefit trusts, and to require that a financial holding company should include itself and its subsidiaries in the scope of implementation.

The FSC on 7 November 2022 amended the "Directions for the Conduct of Wealth Management Business by Securities Firms" and a set of related FAQs. The amendment allows securities firms to provide and execute various trust products under money and securities trusts according to the needs of their clients.

On 30 November 2022 the FSC amended the "Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises" and raised the threshold for trust enterprises' application for the concurrent discretionary investment business from NT\$10 million to NT\$15 million.

In order to upgrade the wealth management industry in Taiwan, the FSC issued the "Regulations Governing the Custody and Disposal of Clients' Equity-type Foreign Securities Obtained through Physical Delivery of Domestic Structured Products or Structured Notes by Banks" on 18 July 2022, and also issued the "Regulations on Banks' Trust Investments in Offshore Funds that do not have the Nature of a Securities Investment Trust Fund" on 15 August 2022.

The FSC agreed with the Trust Association's proposal to amend the "Real Estate Investment Trust (REIT) Plan Settlement Statement and Report Format," and requested the Trust Association to continue to study relevant regulations.

❖ International exchanges and cooperation

Signing of MoUs

- Signed a FinTech MoU with the Israeli Securities Regulatory Authority in July 2022.



- The FSC signed an MoU with the European Securities and Markets Authority (ESMA) related to Recognized Central Counterparties in October 2022. The ESMA recognized the TAIEX as a QCCP on 16 December 2022.
- The FSC signed the IOSCO APRC Supervisory MMoU at the IOSCO annual meeting in October 2022.

Participation in international conferences and activities in 2022

- The FSC participated in Deutsche Bank Supervisory Conference calls held by the European Central Bank in February and August.
- The FSC, the Central Bank, and the Bank of France (BDF) held a videoconference call on climate change issues.
- The FSC, as a member of the IFIAR board, attended board meetings and plenary meetings in April.
- The FSC attended the IAIS Committee Meetings and Global Seminar in June.
- The FSC attended the 109th OECD IPPC meeting in June.
- The FSC participated in the DBS Bank Supervisory College Webinar held by the Monetary Authority of Singapore (MAS) in June.
- The FSC participated in the online meeting of HSBC Bank Global Supervisory College, organized by the UK Prudential Regulation Authority (PRA), in July.
- The FSC participated in the online meeting of Standard Chartered Bank Global Supervisory College, organized by the UK Prudential Regulation Authority (PRA), in July.

- The FSC attended the 17th Asian Forum of Insurance Regulators (AFIR) Annual Meeting and Conference (AMC), the 6th General Meeting of Members, and the 5th Asia-Pacific High-Level Meeting (HLM) on Insurance Supervision in September.



Vice Chairperson Tsuey-Ling Hsiao attended the 17th Asian Forum of Insurance Regulators (AFIR) Annual Meeting and Conference (AMC), the 6th General Meeting of Members, and the 5th Asia-Pacific High-Level Meeting (HLM) on Insurance Supervision on 5-7 September 2022.

- The FSC participated in the online meeting of UBS Bank Global Supervisory College, organized by the Swiss Financial Market Supervisory Authority (FINMA), in September.
- Attended the 14th Taiwan-India economic affairs conference in September.
- Attended the 13th Taiwan-Korea economic affairs conference in October.
- Participated in the 47th IOSCO annual meeting in October.
- Attended an OECD international conference in October.
- Attended the Singapore FinTech Festival and an Microsoft Asian financial services authorities roundtable conference in November.
- The FSC attended the IAIS Committee Meetings, Annual General Meeting (AGM) and Annual Conference in November.
- Attended first round of talks under the US-Taiwan Initiative on 21st-Century Trade in November.
- The FSC participated in the 2022 Deutsche Bank APAC Supervisory College Conference held by the European Central Bank (ECB) in November.
- The FSC attended annual meeting of PCAOB in November.
- The FSC participated in the 22nd Annual Meeting of International Conference of Banking Supervisors (ICBS) in November (online).
- The FSC attended the 110th OECD IPPC meeting in December.

Important exchange activities with other countries in 2022

- The FSC and JFSA (Financial Services Agency, Japan) jointly held the 7th JFSA-FSC Bilateral Meeting in January.
- The FSC held the Taiwan-Poland FinTech online seminar in August.
- The FSC actively participated in the activities of the Global Financial Innovation Network (GFIN), as well as its Cross-border Testing Workstream and RegTech & SupTech Workstream, and attended the 4th annual GFIN conference in November.
- Participation in APEC meetings
 - » Dispatched personnel to attend APEC finance ministerial meetings, including the APEC Finance and Central Bank Deputies' Meeting in March, the Senior Officials' Meeting (SOM) in June, and the Finance Ministers' Meeting in October.
 - » The FSC took part in APEC meetings as speakers, including the APEC Digital Financial Inclusion Seminar in July, the 'APEC Sustainable Innovation Financial Support Seminar' in September, and the APEC online seminar "Building an Enabling Environment for Fintech: Towards Thriving FinTech Ecosystems that Support a More Prosperous, Inclusive, and Sustainable Recovery" in September.

❖ Drafting important financial legislation and promoting other important measures

The FSC worked with National Chengchi University and National Sun Yat-sen University to assist with them in establishing their respective schools of international banking and finance in 2022. The two schools began recruiting students in the spring of 2022.

FSC Vice Chairperson Jean Chiu attended ceremonies on 4 March and 9 May 2022 to mark the launch of the School of Banking and Finance at National Sun Yat-sen University and the College of Global Banking and Finance at National Chengchi University



FSC keeps working on "Simplification, Integration and Modernization of FSC Regulations," and in 2022 completed reviewing 2,825 of its regulations issued between 1992 and 1999. Meanwhile, FSC continues its efforts in "Deregulation Launched to Eliminate Investment Obstacles" launched by the National Development Council, and by the end of 2022 FSC completed 330 deregulatory actions.

On 22 December 2022, the "Regulations Governing Futures Commission Merchants" were amended to improve FCM's financial flexibility, capital utilization efficiency, and the timeliness of financial information disclosures.

To increase the flexibility of fund allocation for domestic juridical persons, the FSC amended the "Regulations Governing Domestic Juridical Persons Opening Accounts for the Purpose of Handling Loan-related Receipts and Disbursements in Offshore Banking Units" on 14 March 2022.

The FSC promulgated the "Regulations Governing the Custody and Disposal of Clients' Equity-type Foreign Securities Obtained through Physical Delivery of Domestic Structured Products or Structured Notes by Banks" on 18 July 2022 to provide clients of banks with integrated investment and transaction management services and improve the banks' R&D capabilities for financial products.

The FSC amended the "Regulations Governing Establishment of Internal Control Systems by Public Companies" on 15 December 2022 to require that the ARDF Statements of Assurance Engagements Standards apply to the type of auditor's opinion, the format, and the content required in the audit reports prepared by CPAs retained to conduct audits of companies' internal control systems to align with international norms.

On 31 March 2022, the specifications for calculating Contract Service Margin (CSM) and profit testing indicators for the filings of life insurance products were revised to assist with product structure transformation.

To enhance financial reporting transparency, taking into account the current domestic implementation of IFRSs, the FSC specified the definitions of the terms "accounting estimates" and "material," and strengthened its supervision over accounting changes and profit distributions. Furthermore, in accordance with the aforementioned amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," the FSC amended the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" on 29 December 2022.

The FSC on 18 April 2022 amended the "Regulations Governing Public Disclosure by the Financial Supervisory Commission of Material Enforcement Actions for Violations of Financial Legislation" to increase the penalty for a single legal violation to NT\$3 million.

The FSC has asked 25 domestic enterprises handling virtual currency platforms or transactions (VASPs) to comply with the "Money Laundering Control Act" and relevant regulations, and implement AML/CFT work in 2022.

To enhance the self-discipline of auditors, the FSC oversaw an effort by the CPA association to amend nine bulletins of professional ethics norms in line with international standards in 2022.

Encouraging domestic banks to set up bilingual branches

- By visiting pilot bilingual bank branches, the FSC intends to prompt banks to set up bilingual branches continuously to promote the internationalization of Taiwan's financial services environment.



On 21 September 2022, FSC Chairperson Tien-Mu Huang, in the company of Ming-hsin Kung, Chairperson of the National Development Council (NDC) and Chia-Chi Hsiao, Director-General of the National Treasury Administration, visited two pilot bilingual branches — the Chengde Branch of Far Eastern International Bank and the Songjiang Branch of the Bank of Taiwan.



- As of the end of 2022, 23 domestic banks had set up 827 bilingual branches, bringing the total number to 387 branches and achieving a growth rate of 88% since the end of 2021.

FSC

Current Initiatives and Future Prospects

- › Improving financial stability and resilience
- › Building a sound sustainability ecosystem
- › Providing one-stop financial shopping
- › Creating an inclusive financial environment
- › New digital financial services environment
- › Building a secure cyber defense network
- › Safeguarding consumer interests, improve financial literacy
- › Developing modernized supervisor mechanisms



Current Initiatives and Future Prospects

❖ Improving financial stability and resilience

The FSC published regulations on implementing the Basel III reforms in Taiwan.

- The FSC published a draft amendment of "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets" in April 2023. Currently, domestic banks are conducting quantitative impact study based on the draft regulation.
- After the publication of the final version of the amendment of "Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets" in the third quarter of 2023, the FSC will open the applications for IRB method.

The FSC will continue to supervise the TWSE and the TPEX in establishing sustainability information internal control guidelines for listed companies, with an expected completion in the fourth quarter of 2023.

Pushing insurance sector to smooth transition toward IFRS 17 in 2026.

- To regulate the method to set aside various reserves beginning from 2026.
 - » "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" is expected to be amended by the end of 2023. The amendments are to regulate the method to set aside various reserves while adopting the IFRS17.
 - » The FSC plans to amend the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance" and "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance" in the fourth quarter of 2023. The revised "Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises" are expected to be released in the third quarter of 2023.
- The FSC will amend "Standards for the Levy Rates of Life and Non-life Insurance Guaranty Fund" in the second quarter of 2023, which includes a new indicator to testify the duration.
- The FSC expects to amend the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" in the third quarter of 2023. Additionally, the FSC will issue guidelines regarding the definition of insurance industry funds after aligning with IFRS 17.
- In line with the adoption of IFRS 17 for insurance liability valuation, the fair value will be calculated based on the current information, and it is expected that the relevant instructions for calculating the policy value after adopting IFRS 17 will be issued in the third quarter of 2023, which will serve as a basis for insurance product design.
- On 14 April 2023, the FSC eased restrictions on terms of issuing bonds with capital characteristics by insurers and issued an interpretive rule on the definition of funds to enhance the fundraising channels and flexibility of the insurers.
- The FSC assists insurance companies in establishing IFRS 17 related information systems and supervises the Taiwan Insurance Institute to assist the industry.

The FSC supervises the TAIEX to promote NDF clearing products and expand the scope of the participant-to-client clearing services for the TWD-denominated IRS on 31 July 2023. Market participants can participate in clearing either as clearing members or as clients.

The FSC has requested domestic banks to conduct stress tests based on their balance sheets as of the end of 2022. The tests results are expected to be completed and submitted by the end of June 2023.

The FSC supervises the TAIEX to establish a mechanism for cancellation on disconnect in the Taiwan futures market, which is expected to be implemented after testing in the second quarter of 2023.

The FSC expects to amend "Regulations Governing Pre-sale Procedures for Insurance Products" in the third quarter of 2023 to include risk management personnel in the qualified signatories and define their responsibilities.

On 29 March 2023, the revised "Directions for the Review of Life Insurance Products" were issued to strengthen regulatory measures related to interest-sensitive insurance.

The FSC intends to issue an amendment to the "Directions for Encouraging the Public to Report Illegal Financial Activities by the Financial Supervisory Commission" in the second quarter of 2023 to encourage members of the public to report illegal financial activities.

The offshore exposures control mechanism, and the state of real estate lending risk control and legal compliance, have been identified as focal points of 2023 financial examinations.

The FSC will supervise the Taiwan Insurance Guarantee Fund to hold the 2023 Risk Management Trends Forum in fourth quarter of 2023, in order to raise the risk awareness in the insurance sector and strengthen risk management.

On 29 March 2023, the FSC revised regulations on product filing review, investment targets, and information disclosure were issued, and they will be implemented from 1 July 2023. These aim of the revision is to strengthen regulatory measures for investment-linked insurance products.

❖ Building a sound sustainability ecosystem

The FSC launched the "Sustainable Development Action Plan for TWSE- and TPEX-Listed Companies" on 28 March 2023, and requested the Non-Life and Life Insurance Associations to revise the "Code of Practice for Corporate Governance for the Insurance Companies" in the second quarter of 2023. Besides, the FSC plans to hold seminars on corporate governance in the insurance industry in the third quarter of 2023 to promote issues such as diversity and independence of directors.

The FSC is conducting sustainable finance evaluations of domestic financial institutions starting from the second quarter of 2023. The results of the first-year evaluations are expected to be announced by the end of 2023, and recognition or rewards will be given to outperforming financial institutions.

The FSC will build up the "Sustainable Finance Website" by the end of 2023, integrating

information such as statistics, regulations, products, evaluations, and exchange activities related to sustainable finance.

In 2022, the FSC urged the Joint Credit Information Center (JCIC) to work on connecting the ESG databases built by other government agencies and collecting information submitted by financial institutions for their future inquiries. The FSC will continue to urge the JCIC to collect and integrate data that financial institutions need to assess climate change risks by the end of 2023. The ESG data platform is expected to be set up for testing in the third quarter of 2023, which will enable the financial industry to assess and respond to physical or transition risks associated with climate change in a timely manner.

The FSC revised "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks" on 13 April 2023 to strengthen corporate governance and the mechanism for preventing conflicts of interest involving responsible persons.

The FSC amended the "Regulations Governing Issuance of NTD Bank Debentures by Foreign Bank Branches" on 26 April 2023. Relaxation of the regulations will help foreign bank branches in Taiwan provide credit and financing for sustainable activities.

Strengthening climate risk management and sustainability disclosures

- Promote securities firms, futures firms, and securities investment trust enterprises of a certain size or above to complete scenario analyses on fourth quarter of 2023 in line with scenario models or parameters set up according to climate change exemplars or guidelines by three securities and futures associations.
- The FSC will review the result of the standard version of the insurance sector's climate risk scenario analysis in the fourth quarter of 2023. Then, the FSC will present the analysis report on climate risk management in the insurance sector by the end of 2024.
- Promote compilation and publication of sustainability reports by securities and futures firms gradually according to their size from the third quarter of 2023.
- It is expected that the "Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises" and "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises" will be amended and released at the end of June 2023, with the addition of climate related information disclosure requirements.
- Domestic banks will conduct initial climate-related financial disclosures in the second quarter of 2023. Additionally, banks are required to complete scenario analysis based on the "Operational Planning for Conducting Climate Change Scenario Analysis in Domestic Banks" by the end of May 2023 and submit the results.

The FSC will evaluate the feasibility of modifying the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" by the end of 2023 to meet the trend of disclosing IFRS sustainability-related financial information.

The TDCC was instructed to launch an electronic dividend notification platform (the eNotice platform) in the second quarter of 2023, in order to enable TWSE/ TPEx-listed companies and emerging stock companies to send dividend distribution notices electronically.

❖ Providing one-stop financial shopping

The FSC has promoted the "Program to Encourage Lending by Domestic Banks to Enterprises in the Six Core Strategic Industries (Phase 2)" and the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises (Phase 17)" to encourage domestic banks to actively conduct lending under the risk-based principle.

The FSC has launched the "Program to Encourage Insurers to Invest in the Six Core Strategic Industries, Public Infrastructure, Long-term Care Enterprises, and Sustainability Bonds" on 24 June 2022 to encourage insurers to invest in domestic industries and major infrastructure projects.

The FSC has launched the Trust 2.0 Phase 2 Plan since 29 September 2022, and continued to promote trust enterprises to provide trust services that satisfy the needs of customers in different stages of life.

The FSC oversees an effort by TPEX to launch dual-currency trading system for ETFs to develop the foreign-currency ETF market. The system is scheduled to launch in the third quarter of 2023.

Provide more diversified investment objectives and services for high-asset customers.

- Allow private securities investment funds whose applicants are professional investment institutions or high-asset customers to invest in private equity funds in the third quarter of 2023.
- The FSC will amend the "Regulations Governing the Custody and Disposal of Clients' Equity-type Foreign Securities Obtained through Physical Delivery of Domestic Structured Products or Structured Notes by Banks" in the third quarter of 2023 to further relax relevant regulations.

The FSC discussed the approval of entrusted trading personnel of FCMs to refer foreign equity CFDs provided by leveraged traders, and supervised the TPEX to get the research completed by the end of 2022.

The FSC urges the Life Insurance Association to fine-tune functions of insurance passbook platform to provide the public with more convenient service of looking up their insurance policies.

The FSC requested the Non-Life Insurance Association to draft the "Travel Industry Liability Insurance Reference Terms," which was adopted by the FSC on 24 March 2023 and implemented on October 1 to facilitate the development of insurance products based on the applicable limit and strict liability compensation.

The FSC approved the application submitted by the Financial Information Service Co. (FISC) to add the "domestic shopping function" of the "inter-institutional electronic payment institutions platform" on 21 December 2022. This measure creates a good development environment for non-cash payment and electronic payment.

❖ Creating an inclusive financial environment

In the first quarter of 2023, the FSC asked the Bankers Association to complete the "Practical Reference Practices for Banking Services for Dementia or Suspected Dementia."

The FSC has asked the Trust Association to add information on the information technology industry or medical equipment suppliers to the existing Trust Enterprise Cross-Industry Alliance Partner Database in the third quarter of 2023, so as to promote cross-industry cooperation in the trust enterprises and provide friendly treatment to the elderly and people with dementia.

Actively promoting microinsurance and micro-whole-life insurance.

- Relaxed restrictions on the insured amounts and the maximum number of the micro-whole-life insurance policies that one person may hold. The maximum insured amount under the main contract of a traditional whole-life insurance policy has been increased to NT\$900,000.
- Continued to cooperate with local governments and central ministries to promote microinsurance and increase insurance coverage for the middle or low income household. It is expected to be completed in the third quarter of 2023.
- To encourage the insurance industry to actively promote microinsurance and micro-whole-life insurance, the commendation method for micro-insurance and micro-whole-life insurance was amended on 24 March 2023.

Enhancing friendly financial measures for persons with disabilities

- The FSC supervised the Bankers Association to explore the use of financial technology and other methods to assist persons with disabilities in accessing financial services more easily. This includes improving the convenience of opening accounts and incorporating these measures into the "Guidelines for Friendly Banking Services."
- Expect to register an amended version of the "Guidelines for Provision of Friendly Financial Services by Insurance Enterprises" in the third quarter of 2023, and the friendly financial measures in insurance industry will be refined.

Assessing financial institution performance in implementing the Treating Customers Fairly ("TCF") principles

- FSC announced TCF Principles assessment form for year 2024 on 5 January 2023, to promote financial industries to pay more attention to TCF Principles.
- For year 2023's assessment, it is estimated that FSC will announce the assessment results in third quarter of 2023.

Has urged the Non-Life and Life Insurance Associations to improve the statistical analysis of the reasons why insurers do not underwrite insurance for the disabled.

Has urged the Non-Life and Life Insurance Associations to hold forums to communicate with disabled persons' groups in 2023, which will be used as references for improving care for the disadvantaged and friendly financial services.

❖ New digital financial services environment

The "FinTech Development Roadmap 2.0" will be released in the third quarter of 2023.

At the end of 2023, according to the development trend of the insurance market, the FSC will re-evaluate the feasibility of allowing the establishment of internet-only insurance companies.

The FSC has prudently planned relevant self-regulatory rules and technical and information security standards for the third phase of Open Banking, which is expected to be completed in the fourth quarter of 2023 to complete the relevant technical and information security standards.

The FSC has asked the TDCC to take charge of this program by following up Open Banking's three phases. The first phase is to open public data query of the securities and futures industry, which may allow consumers to query one-stop public data through third-party service providers' apps, which are expected to be completed by the end of 2023.

The FSC will launch "Green FinTech" promotional events starting from 2023 and recruit cases involving seven topics, including payment, investment, ESG data collection and analysis, insurtech, lending, digital assets, and regtech in order to motivate the development of Taiwan financial innovation and green finance.

The "FinTech Taipei Forum 2023" will be held in the fourth quarter of 2023.

The "Operational Guidelines for Security Management of Financial FIDO Mechanism Conducted by Financial Institutions" formulated by the Financial FIDO Alliance will be released in the second quarter of 2023. The FSC will make adjustments based on the result of relevant business trial conducted by financial institutions on the rolling basis.

The FSC expects to release an amendment to the "Directions for Insurance Companies to Engage in Concluding Distance Insurance Contracts and Providing Insurance Services" in the second quarter of 2023, to allow the insurers to expand the use of video recording and audio-visual systems built by insurance agents and insurance brokers to handle distance insurance and services.

The FSC plans to amend and simplify the outsourcing application procedures, along with establishment of an effective management mechanism in the third quarter of 2023 so as to improve the quality and efficiency of financial service through outsourcing for financial institutions.

❖ Building a secure cyber defense network

In 2023, improving financial institutions' experience sharing and joint defense, the FSC will plan to require financial institutions above a certain e-transaction volume to appoint their CISO.

In 2023, the FSC continuously supervises financial associations to amend self-regulatory rules related to cybersecurity.

In 2023, the FSC plans to enhance core data vaulting mechanisms for financial institutions. In addition, the FSC continues to encourage financial institutions to add business continuity drills to their remote recovery drills.

In 2023, the FSC encourages financial institutions and subsidiary organizations to build security operation centers to assess the effectiveness of their cybersecurity and defense facilities. Furthermore, the FSC supports their plans to implement zero trust networks.

The FSC holds financial institutions' DDoS offensive and defensive exercises in the second quarter of 2023, cyber-defensive training in the third quarter of 2023, and cyber-defensive appraisals in fourth quarter of 2023.

The FSC continuously supervises the FISC in the ongoing operation of F-ISAC to enhance the operational effectiveness of cybersecurity joint defense.

❖ **Safeguarding consumer interests, improve financial literacy**

The Legislative Yuan has passed the draft amendments to Articles 14-4, 14-5 and 178 of the "Securities and Exchange Act," which are about the audit committee's terms of reference.

In the second quarter of 2023, the FSC discussed and amended the "Regulations on Internal Control Operations of Insurance Agent Companies and Insurance Broker Companies to Prevent Insurance Solicitors from Misappropriating Policyholders' Funds" to strengthen internal control operations and management of insurance solicitors' recruitment.

Strengthening anti-scam education

- The FSC supervises the TAIFEX, futures association, and other peripheral organizations to strengthen education and publicity, produce a series of mass publicity through creative methods, hold various publicity activities, and vigorously promote advertising channels.
- The FSC urged banks to complete the process of adding warnings to passbooks before the end of March 2023, so as to implement the promotion of dummy account prevention.

Guided the Life Insurance Association to complete formulation of the "Template of the Foreign Exchange Risk Statement of the Foreign-Currency-Denominated Investment-Linked Insurance" on 13 February 2023.

Protection of financial consumers has been listed as a key focal point of financial examinations in 2023. The FSC is urging financial services firms to properly control the behavior of their financial advisors, help to prevent fraud, and ensure fair treatment of vulnerable customers.

Continuing research of medical experience statistics based on Taiwan's National Health Insurance Research Database (NHIRD) to support the development of insurance products.

Starting from the third quarter of 2023, the FSC will publish an annual report on financial education, showcasing both the qualitative and quantitative achievements of its financial education efforts.

On 2 January 2023, in collaboration with National Education Radio, the FSC launched a radio program called "Financial Knowledge Connoisseur."

The FSC will expand the activity for "Select and Commend Outstanding Promotion Cases of Financial Education" in the second quarter of 2023.

The FSC continues to cooperate with the Ministry of Education on the "Finance Basic Education Promotion Cooperation Program," and pursues initiatives to enhance financial education and financial literacy.

❖ **Developing modernized supervisor mechanisms**

In order to inject greater liquidity into the real estate securitization market, the FSC plans to revise the "Securities Investment Trust and Consulting Act" to allow REITs to be issued under a Fund Structure, and will formulate the necessary subsidiary regulations accordingly.

The FSC has studied to establish the differentiated supervision mechanism for each level of CPA firms, which would entail, for example, different frequencies of inspection, inclusion of the selected portions of financial reports in inspections, and more frequent audits for firms with poor audit quality.

The FSC proposes to adjust the legal framework governing corporate governance in domestic financial institutions and to revise the regulations concerning the major shareholder provisions in the "Banking Act" and the "Financial Holding Company Act."

The FSC continues implementing the "Project for the Streamlining, Integration, and Modernization of Legislation Under the Jurisdiction of the Financial Supervisory Commission," which is scheduled for partial completion in the fourth quarter of 2023.

The FSC has amended Articles 43-1 and 183 of the "Securities and Exchange Act" to lower the threshold for substantial shareholdings from 10% to 5% with a one-year buffer period. The amendment was promulgated by the President on 10 May 2023. It will come into effect on 10 May 2024.

Allow securities firms to conduct foreign margin purchases.

- The FSC will allow securities firms to conduct margin purchases, and plans to amend the regulations by the end of 2023.
- TWSE and TDCC will set up the risk management supervision information platform and back office custody service platform for foreign securities by the end of 2023.

Offshore foreign investors will be allowed to provide domestic securities as collateral for offshore investment activities from the third quarter of 2023.

To encourage securities investment trust enterprises (SITEs) to participate in this project, the FSC issued a directive on 12 May 2022, granting approval to the TDCC to conduct lump-sum transfers of fund sums handled in centralized custody. The service is expected to be launched in the second quarter of 2023.

On 24 March 2023, the FSC relaxed the types of domestic and foreign securities that an insurer may conduct repurchase transactions or reverse repurchase transactions and the conditions that should be met. Through this relaxation, the flexibility of the use of funds in the insurance industry will be improved.

To improve telephone interview operation of insurers, insurance agencies, and insurance brokerages, the FSC expects to amend the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises" and the "Directions for Sale of Investment-linked Insurance Products" in the second quarter of 2023, and the "Regulations Governing Insurance Brokers" and the "Regulations Governing Insurance Agents" in the third quarter of 2023.

FSC

Appendices



Appendices

❖ Senior FSC officials

Front row (left to right)

Counselor | Chun-Ming Kuo

Director-General of Insurance Bureau | Chiung-Hwa Shih

Director-General of Banking Bureau | Hsou-Yuan Chuang

Vice Chairperson | Tsuey-Ling Hsiao

Chairperson | Dr. Tien-Mu Huang

Vice Chairperson | Jean Chiu

Chief Secretary | Fu-Longe Tsai

Director-General of Securities and Futures Bureau | Chen-Shan Chang

Director-General of Financial Examination Bureau | Tzy-Hao Chang



Back row (left to right)

Director of Civil Service Ethics Office | Fan-Hui Chen

Director of Accounting Office | Teng-Wu Yang

Director of Secretariat Office | Chi-Fu Chang

Counselor | Kai-Yuan Chen

Director-General of Department of Legal Affairs | Tsui-Wen Hsu

Director-General of Department of Planning | Brenda Wu

Director-General of Department of International Affairs | Joe Lai

Director-General of Department of Information Management | Yuh-Tay Lin

Counselor | Li-Hui Wang

Director of Personnel Office | Chiu-Ya Hung



❖ Statistical overview of the financial industry

Banking industry

- Business overview

- » At the end of 2022, the total assets and net worth of the banking sector were NT\$77.9 trillion and NT\$4.8 trillion, including NT\$63.3 trillion and NT\$4.3 trillion, respectively, in domestic banks.
- » The profit before tax hit record highs:
 - The net interest income increased due to the continuing rise of the interest rates and the loans of the banking sector in 2022. The profit before tax of the banking sector was NT\$432.1 billion in 2022, which was the best in the past years and up by NT\$46.5 billion from 2021.
 - In addition, the return on assets (ROA) and return on equity (ROE) of domestic banks were 0.64% and 9.19% in 2022, which was up by 0.05 percentage points and 1.16 percentage points from 2021, respectively.
- » Loan balance increases due to the relief package:

The ministries and commissions are actively promoting relief and revitalization programs due to the impact of the epidemic, and thus the loan balance of domestic bank continued to climb, amounting to NT\$36.7 trillion at the end of 2022, with non performing loan (NPL) amounting to NT\$54.7 billion and the NPL ratio at 0.15%, while the NPL coverage ratio was 910.46%.



● Important indicators

Unit : firm : NT\$Bn

Item	2017	2018	2019	2020	2021	2022
Number of Banks						
Head Office	99	98	97	98	100	102
Domestic Banks	38	37	36	37	38	39
Local Branches of Foreign and Mainland Chinese Banks (1)	29	29	29	29	30	31
Credit Cooperatives	23	23	23	23	23	23
Bills Finance Companies	8	8	8	8	8	8
Postal Savings System	1	1	1	1	1	1
Credit Card Companies	4	4	4	4	4	4
Specialized Electronic Payment Institutions	9	9	9	9	9	11
Foreign Migrant Worker Remittance Companies	0	0	0	0	1	2
Branches						
Domestic Banks (2)	3,417	3,403	3,405	3,403	3,404	3,384
Local Branches of Foreign and Mainland Chinese Banks (3)	38	38	38	38	39	40
Credit Cooperatives	268	276	284	285	287	288
Bills Finance Companies	30	30	30	30	30	30
Postal Savings System (4)	1,307	1,298	1,298	1,300	1,299	1,298
Credit Card Companies	0	0	0	0	0	0
Specialized Electronic Payment Institutions	0	0	0	0	0	0
Foreign Migrant Worker Remittance Companies	0	0	0	0	0	0
Deposits of the Banking Sector (NT\$Bn)	39,216	40,432	42,842	46,908	50,451	54,830
Domestic Banks' Share (%)	95.42	95.80	95.30	95.50	96.42	95.47
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	2.88	2.53	3.06	2.91	2.00	3.02
Credit Cooperatives' Share (%)	1.69	1.67	1.64	1.59	1.58	1.51
Loans of the Banking Sector (NT\$Bn)	28,873	30,463	31,759	33,462	35,747	38,825
Domestic Banks' Share (%)	93.71	93.68	93.47	94.04	94.20	94.41
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	4.72	4.75	4.96	4.40	4.26	4.10
Credit Cooperatives' Share (%)	1.58	1.56	1.57	1.56	1.54	1.49
Non-performing Loans (NPLs)						
NPLs of Banking Sector (NT\$Bn)	75.4	69.1	64.2	70.2	59.7	55.1
NPLs of Domestic Banks (NT\$Bn)	74.7	68.4	63.6	69.2	58.7	54.7
NPLs Ratio of Banking Sector (%)	0.26	0.23	0.20	0.21	0.17	0.14
NPLs Ratio of Domestic Banks (%)	0.28	0.24	0.21	0.22	0.17	0.15
Coverage Ratio of Domestic Banks (%)	492.92	575.44	651.78	623.24	776.24	910.46
Domestic Bank Profitability						
Return on Equity (ROE) (%)	8.97	9.31	9.38	7.70	8.03	9.19
Return on Assets (ROA) (%)	0.67	0.70	0.72	0.59	0.59	0.64

Note: 1. The data exclude Agricultural Bank of Taiwan.

2. "Banking Sector" include domestic banks, local branches of foreign & mainland Chinese banks and credit cooperatives.

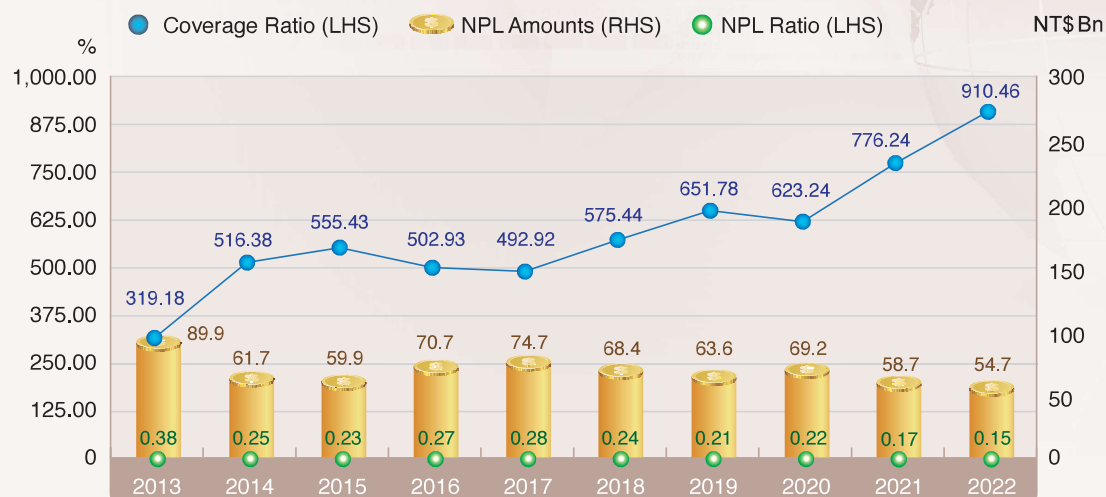
Remark: (1) The data refer to the total number of foreign banks in Taiwan and are included in the data of "Branches."

(2) The data exclude OBU and overseas branches.

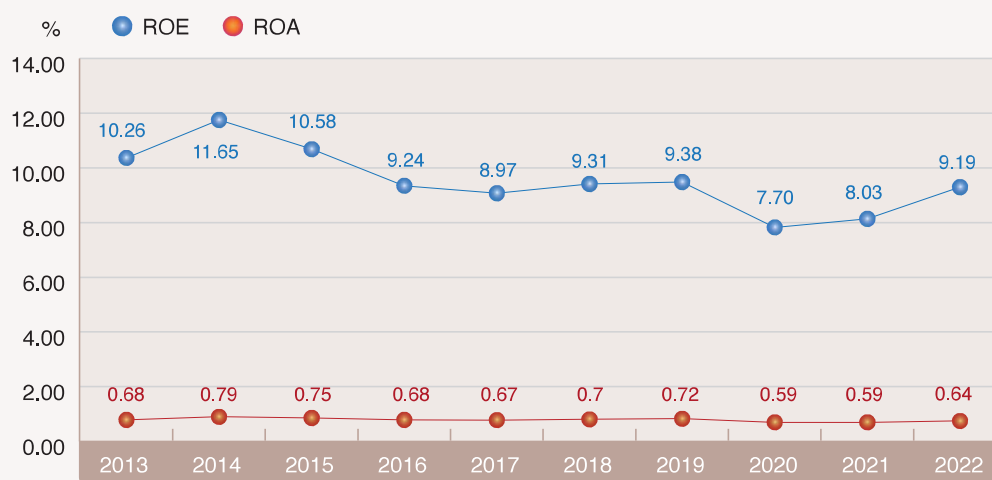
(3) The data refer to the total number of foreign banks Taiwan branches.

(4) The data exclude the postal agency.

| NPL Ratio & Amounts VS Coverage Ratio of Domestic Banks |



| Average ROE and ROA of Domestic Banks |



Securities and Futures Industry

● Business Overview

- » The pre-tax surplus was NT\$47.13 billion in 2022, decreased by NT\$72.37 billion in 2021. The main reason is that trading volumes and TAIEX decreased significantly in 2021, which contributed to the revenues down of securities brokerage business and securities dealing business.
- » The pre-tax profit of futures merchants in 2022 was 5.63 billion dollars, an increase of 1.16 billion dollars compared with 2021. The main reason is that the deposit interest rate has increased, increasing FCMS' deposit interest income.
- » The pre-audited profits of SITEs was NT\$13.57 billion in 2022, a decrease of NT\$68 million compared with 2021. The main reason is that the scale of asset management has decreased, resulting in a decrease in fund management fee income.

● Important Indicators

Unit : firm

Item	2017	2018	2019	2020	2021	2022
Number of Securities Services Providers						
Securities Firms	111	108	106	105	105	104
Branch of Securities Firms	883	871	853	848	849	849
Broker	74	72	71	70	70	68
Dealer	77	76	75	74	74	74
Underwriter	58	58	58	58	58	59
Securities Investment Trust Enterprises	39	39	39	39	39	38
Securities Investment Consulting Enterprises	84	82	84	85	86	86
Number of participating futures firms						
Futures firms	15	15	15	15	15	15
Concurrently-Operated Enterprises	28	26	26	26	26	25
Proprietary Traders	33	32	32	32	32	30
Brokers	28	26	26	26	26	26
Futures Advisory Enterprises	32	32	31	30	30	33
Managed Futures Enterprises	9	7	6	6	6	5
Introducing Brokers	48	47	47	44	43	42
Futures Trust Enterprises	10	10	8	8	9	9

Indicators of Securities & Futures Market

Unit : firm ; NT\$Bn

Highlight of Equity Issuance by Public Companies	2017	2018	2019	2020	2021	2022
TWSE listed companies	907	928	942	948	959	971
Capital issued	7,136	7,159	7,156	7,238	7,385	7,500
Market value	31,832	29,319	36,414	44,904	56,282	44,266
TPEX listed companies	744	766	775	782	788	808
Capital issued	722	739	747	742	761	742
Market value	3,317	2,827	3,434	4,352	5,735	4,424
Unlisted companies	658	672	677	708	747	785
Capital issued	1,605	1,509	1,484	1,376	1,458	1,400
Emerging-stock companies*	274	256	248	253	296	299
Capital issued	233	177	161	205	189	219
Market value	778	518	490	750	1,124	905

* The number and capital issued of unlisted companies includes emerging-stock companies.

Item	2017	2018	2019	2020	2021	2022
Highlights of securities transactions (NT\$Bn)						
Securities Trading Value on TWSE	25,799	32,162	29,057	49,183	95,517	59,574
Stocks	23,972	29,609	26,465	45,654	92,290	56,081
ETFs	1,232	1,834	2,081	2,839	2,455	2,938
Closed-end funds	0	0	0	0	0	0
Beneficiary securities	4.3	4.2	10	11.5	5.3	9.4
Warrants	584.5	712.6	497.1	509.2	681.2	531.2
TDRs	6.2	2.7	2.4	163.3	72.5	10.4
Convertible corporate bonds	0	0	0	0	0	0
Securities Trading Value on TPEX	53,725	56,891	53,285	53,263	49,874	45,199
Stocks	7,684	8,146	7,608	12,087	20,276	14,879
Warrants	226.5	211.7	145.4	154.6	177.4	133.7
Bonds (including outright and Repos)	45,815	48,218	44,677	40,604	29,171	29,957
Highlights of Taiwan Futures Market Trading** (Lots)						
Futures and Options	265,705,669	308,083,576	260,765,482	341,393,346	392,202,371	384,468,497
Futures	78,408,549	112,731,243	90,042,348	139,151,877	194,453,304	183,312,293
Options	187,297,120	195,352,333	170,723,134	202,241,469	197,749,067	201,156,204
Open interest of Futures and Options	1,568,135	872,723	941,097	987,019	1,074,402	952,888
Open interest of Futures	344,465	291,914	328,212	571,617	701,785	584,221
Open interest of Options	1,223,670	580,809	612,885	415,402	372,617	368,667
Net Foreign Investments in Listed Shares (NT\$Bn; %)						
Net Foreign Investments in Taiwan Stock Exchange (TWSE) Shares (NT\$Bn)	155	-355	244	-609	-450	-1,090
Trading Value Ratio of Foreign Investments in TWSE Shares (%)	25.93	26.19	27.66	27.65	24.40	32.63
Net Foreign Investments in Taipei Exchange (TPEX) Shares (NT\$Bn)	32.7	-13.4	25.9	9.2	-48.6	-52.9
Trading Value Ratio of Foreign Investments in TPEX Shares (%)	9.26	12.27	11.78	12.06	17.59	20.80

** According to Article 3 of the "Futures Trading Act," the term "futures trading" shall mean trading in futures contracts, option contracts, futures options contracts, leverage contracts, swap contracts, or other types of contracts, or any combination thereof, deriving from commodities, currencies, securities, interest rates, indices, or other interests, conducted under the regulations or practices set forth by domestic or foreign futures exchanges or other futures markets. The FSC adjusted the above futures trading statistics in its 2012 Annual Report and retroactively applied those same adjustments to 2006.

Insurance industry

- Business overview

- » In 2022, the total premiums of insurance industry were NT\$2.6 trillion, decreasing by NT\$622.9 billion compared to last year. The decline in premiums is due to the capital market volatility which affected by factors such as Russo-Ukrainian war, inflation, and rising interest rates. As a result, there is a weakened sales momentum for both traditional and investment link products.
- » In 2022, the pre-tax profit was -NT\$18.6 billion, decreasing by NT\$429.7 billion compared to last year. The reduction of pre-tax profit was mainly driven by Covid insurance claims. Additionally, due to factors such as rising interest rates and a decline in the stock market, the net investment income of insurance industry decreased by NT\$217 billion compared to last year.
- » In 2022, the total assets of the insurance industry increased to NT\$34.1 trillion, increasing by NT\$279.5 billion compared to last year.
- » In 2022, the claims of P&C insurance industry were NT\$299.6 billion, increasing by NT\$204.6 billion compared to last year, the claims of life insurance industry were NT\$2.2 trillion, increasing by NT\$251.2 billion compared to last year.

• Important indicators

Unit : firm : NT\$Bn : %

Item	2017	2018	2019	2020	2021	2022
No. of insurers (based on no. of issued business licenses)	54	55	54	53	53	52
Domestic non-life insurers (incl. cooperatives)	17	17	17	17	17	17
Domestic life insurers	23	23	23	23	23	23
Foreign non-life insurers	6	7	7	6	6	6
Foreign life insurers	5	5	4	4	4	3
Domestic & foreign reinsurers	3	3	3	3	3	3
Overseas branches of domestic insurers	22	20	20	19	19	20
Non-life insurers	9	8	8	7	7	8
Life insurers	13	12	12	12	12	12
Taiwan contact offices of foreign insurers	9	8	8	7	7	7
Non-life insurers	4	3	3	3	3	3
Life insurers	0	0	0	0	0	0
Reinsurers	5	5	5	4	4	4
Total assets of all financial institutions (NT\$ Bn)	73,876	78,237	82,870	88,560	93,706	99,718
Total assets of all insurers	24,811	26,671	29,832	32,164	33,797	34,077
Total assets of all non-life insurers	348.2	353.5	384.5	411.4	455.1	452.9
Total assets of all life insurers	24,462.4	26,317.5	29,477.3	31,752.2	33,342.1	33,623.8
Total assets of insurers as share of total assets of all financial institutions (%)	33.58	34.09	36.00	36.32	36.07	34.17
Total assets of non-life insurers as share of total assets of all financial institutions (%)	0.47	0.45	0.46	0.46	0.49	0.45
Total assets of life insurers as share of total assets of all financial institutions (%)	33.11	33.64	35.53	35.85	35.58	33.72
Total premium income as share of GNI (Note 1) (%)	19.41	19.57	18.80	16.46	14.40	11.01
Premium income (NT\$ Bn)	3,576.9	3,677.2	3,643.8	3,352.1	3,178.5	2,555.6
Premium income of non-life insurers (NT\$ Bn)	156.7	165.6	177.1	188.1	207.4	221.2
Premium income of life insurers (NT\$ Bn)	3,420.2	3,511.6	3,466.7	3,164	2,971.1	2,334.4
Premium income of non-life vs. life insurers	1:21.82	1:21.20	1:19.57	1:16.82	1:14.32	1:10.55
Annual increase in premium income of non-life insurers (%)	7.36	5.68	6.96	6.20	10.28	6.63
Annual increase in premium income of life insurers (%)	9.16	2.67	-1.28	-8.73	-6.1	-21.43
Annual increase in premium income of foreign non-life insurers (%)	15.59	12.80	12.98	12.80	12.55	9.61
Annual increase in premium income of foreign life insurers (%) (Note 2)	3.10	3.5	3.51	2.85	4.66	3.87
Non-life insurance market concentration ratio (%)	62.17	61.37	61.41	61.34	61.31	61.51
Life insurance market concentration ratio (%)	69.40	66.22	67.29	68.21	64.60	63.85

Item	2017	2018	2019	2020	2021	2022
Insurance losses (NT\$Bn)	1,743.5	1,956.1	2,030.1	1,962.9	2,013.1	2,468.9
Insurance losses on non-life insurers	88.4	80.3	88.0	89.9	95	299.6
Insurance losses on life insurers	1,655.1	1,875.8	1,942.1	1,873	1,918.1	2,169.3
Insurance density (NT\$)	151,750	155,886	154,379	142,271	135,981	109,848
Non-life insurance density	6,648	7,021	7,505	7,984	8,875	9,508
Life insurance density	145,102	148,865	146,874	134,287	127,106	100,340
Insurance penetration (%)	20.51	20.68	19.28	16.97	14.68	11.25
Non-life insurance penetration (%)	0.90	0.93	0.94	0.95	0.96	0.97
Life insurance penetration (%)	19.61	19.75	18.34	16.02	13.72	10.28
New life insurance contracts (1,000 contracts)	46,072	50,868	60,471	49,574	44,598	43,034
Insured amount of new life insurance contracts (NT\$Bn)	50,276.2	47,601.7	49,263.1	30,675.3	25,351.6	27,404.8
Life insurance contracts in force (individuals) (1,000 contracts)	51,003	51,822	53,181	53,799	53,913	53,779
Insured amount of life insurance contracts in force (individuals) (NT\$Bn)	39,384.7	41,636.9	43,518.5	43,973.6	45,144.8	45,982.9
Take-up rate for life & annuity insurance (%)	246.04	249.45	256.09	260.49	264.81	266.08
Prevalence ratio of life & annuity insurance (%)	293.25	307.24	303.7	294.32	279.49	273.22
Avg. dividend interest rate on life insurance (%)	1.08	1.08	1.08	0.88	0.81	1.13

Note 1: Taiwan's Directorate-General of Budget, Accounting and Statistics (DGBAS) switched in 2014 from the term Gross National Product (GNP) to Gross National Income (GNI) for the purpose of international comparison. In coordination with this switch, the item in this table that formerly read "Total premium income as share of GNP" has been reworded to read "Total premium income as share of GNI," and the annual data have been revised accordingly (2014 GNI is a DGBAS estimate).

2: The term "insurance market concentration ratio" is an indicator of the combined premium income of the five largest non-life (or life) insurance enterprises as a percentage the total premium income of the non-life (life) insurance industry as a whole.



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