



行政院金融監督管理委員會  
Financial Supervisory Commission, Executive Yuan

# 2007 Year-end Press Conference

Financial Supervisory Commission, Executive Yuan

December 27, 2007



# Stabilizing Financial Markets, Developing New Prospects

## ◆ Achievements in 2007

- Stabilized the financial markets
- Enhanced the efficiency of financial markets
- Promoted financial internationalization
- Strengthened consumer and investor protection and financial education

## ◆ Policy Directions in 2008

- Integrate supervisory functions, eradicate supervisory arbitrage and provide diversified financing channels
- Enhance the international competitiveness of financial markets
- Promote credit risk control
- Expand the business scope of financial firms



## Achievements in 2007

### ◆ Stabilized the financial markets

- Placed 6 financial institutions under conservatorship, including Hualien Business Bank, Taitung Business Bank, Chinese Bank, China United Trust and Investment Co., Bowa International Commercial Bank and Great Chinese Bills Finance Co.
- Auctioned off Hualien Business Bank, Taitung Business Bank, China United Trust and Investment Co. and Chinese Bank.
- Required Entie Bank, Cosmos Bank and Ta Chong Commercial Bank to increase capital.
- Required Union Insurance, Kuo Hua Life Insurance, Singfor Life and Global Life to increase capital.



## Achievements in 2007

### ◆ More efficient financial markets

#### ➤ Strengthened legal system of the financial sector

- ❖ The FSC completed amendments to nine laws in 2007.

Deposit Insurance Act	Promulgated on Jan. 18, 2007
Act Governing Personal Property Secured Transactions	Promulgated on Jul. 11, 2007
Insurance Act	Promulgated on Jul. 18, 2007 Related regulations and supplementary measures totaled 33
Certified Public Accountant Act	Passed third reading by the Legislative Yuan on Dec. 7, 2007
Trust Company Act	Passed third reading by the Legislative Yuan on Dec. 21, 2007
Banking Bureau Organic Act, Securities and Futures Bureau Organic Act, Insurance Bureau Organic Act, Financial Examination Bureau Organic Act	Passed the third reading by the Legislative Yuan on Dec. 21, 2007

- ❖ Completed draft amendments to the Banking Act, Financial Holding Company Act, Finance Company Act, and Securities and Exchange Act, and has forwarded them to the Legislative Yuan for deliberations.



## Achievements in 2007

### ◆ The Deposit Insurance Act

- Expanded the size of the deposit insurance reserve; strengthened the Central Deposit Insurance Corporation's control of underwriting risks; imposed a special insurance premium scheme; established a bridge bank mechanism. These measures will speed up the process of dealing with failed financial institutions.

### ◆ Insurance Act

- Strengthened supervision of the financial status of insurers; raised the limit on foreign investments; expanded business scope for insurers; adjusted market exit procedures; strengthened the self-regulatory function of trade associations.



## Achievements in 2007

### ◆ Certified Public Accountant Act

- Provided for the establishment of legal-person CPA firms; introduced CPA professional liability insurance requirement; strengthened the independence and management of CPA firms. These measures will benefit the business environment of the CPA profession, improve the quality of financial information and safeguard investors.

### ◆ Trust Company Act

- Allowed securities firms, securities investment trust enterprises and securities investment consulting enterprises to conduct some types of trust business; strengthened business operation requirements to protect beneficiaries' rights; allowed for the competent authority to order troubled trust enterprises to transfer their trust contracts and trust assets to other trust enterprises appointed by the competent authority.



## Achievements in 2007

- ▶ **Strengthened supervisory performance and established an early warning system**
  - ❖ **Enhanced conglomerate supervision; established stronger communications between Legislative Yuan, FSC and self-regulatory organizations for the handling of reorganization applications.**
  - ❖ **Enhanced investigations into illegal trading; increased the conviction rate; cooperated with judicial and investigative agencies; strengthened capital market supervision; maintained the fairness of trading markets.**
  - ❖ **Sought to recover the overseas assets of big NPL debtors. The Bankers Association has identified the Rebar Group, Tuntex Group, An Feng Group and Kuang San Group as top-priority cases.**
  - ❖ **Increased examination efficiency: implemented advance announcement of routine examinations; established a single window for accepting call reports; adopted a scale for different levels of examination frequency.**



# Achievements in 2007

## ◆ More efficient financial markets

### ➤ M&A deals among financial institutions

- ❖ Banks : 6 M&A deals (including 3 acquisitions by foreign institutions) have been completed, and HSBC has acquired Chinese Bank through open bidding.

item	Merger date	Acquiring Entity	Acquired Entity
1	2007.01.01	Cathay United Bank	Lucky Bank
2	2007.06.30	Standard Chartered Bank	Hsinchu International Bank
3	2007.07.01	Bank of Taiwan	Central Trust of China
4	2007.09.08	Chinatrust Commercial Bank	Hualien Business Bank
5	2007.09.22	ABN AMRO	Taitung Business Bank
6	2007.12.01	Citibank	Bank of Overseas Chinese
7	2007.12.21 <i>contract signed</i>	HSBC	Chinese Bank



## Achievements in 2007

### ◆ More efficient financial markets

#### ▶ M&A deals among financial institutions

- ❖ Approved the establishment of the Taiwan Financial Holding Company: Will have estimated total assets of USD158.8 billion and estimated rank 18<sup>th</sup> among Asian banks, 89<sup>th</sup> in the world.

- ❖ Securities and futures enterprises: Completed 1 merger deal in securities industry, 1 merger deal in futures industry, and 1 merger deal in investment trust industry.

(Fuhwa Securities merged with Yuanta Securities; Yuanta Futures merged with Fuhwa Futures; International Investment Trust merged with Mega International Investment Trust.)

- ❖ Insurance enterprises: Completed 2 merger deals.

(AIG General Insurance merged with AIU (Taiwan); China Life Insurance merged with Winterthur Life (Taiwan))



## Achievements in 2007

- ◆ **More efficient financial markets**
  - **Deregulation of business**
    - ❖ Simplified the registration of securities issues and shortened the waiting period before registrations take effect, thus facilitating fund raising.
    - ❖ Securities firms and institutional investors are now allowed to trade in any securities not specifically included on a negative list.
    - ❖ Domestic funds are now allowed to invest in H-shares and red-chip shares under the same percentage limit as offshore funds.



## Achievements in 2007

- ◆ **More efficient financial markets**
  - ▶ **Deregulation of business**
    - ❖ Allowed futures commission merchants to conduct securities business, futures trust enterprises and securities trust businesses to mutually conduct each other's business, and other Securities and Futures business to conduct futures management business.
    - ❖ Implemented a “flagship plan” to promote protection and annuity type products, thereby providing regulatory incentives to encourage insurers to design these two kinds of insurance products.



## Achievements in 2007

### ◆ Promoted internationalization

- ▶ Actively encouraged foreign capital to invest in our financial industry.
  - ❖ 9 foreign investors invested in or took over domestic banks.
    - Citibank acquired Bank of Overseas Chinese, ABN AMRO acquired Taitung Business Bank, Standard Chartered Bank acquired Hsinchu International Bank, and HSBC acquired Chinese Bank.
    - Cosmos Bank, Entie Bank and Ta Chong Bank took on foreign investors as principal shareholders.
    - UBS and Mizuho applied to set up two branches
  - ❖ Aviva International has joined forces with First Financial Holding to establish First-Aviva Life Insurance Co.



## Achievements in 2007

### ◆ Promoted financial internationalization

- **Internationalization of financial institutions: Encouraged financial institutions to set up overseas establishments and actively introduce foreign capital to invest in our financial industry.**

(California, Hong Kong, Vietnam and India)

Overseas establishments of domestic FIs in 2007				unit: number of establishments
FIs/Establishments	Subsidiaries	Branches	Representative offices	Total
Banks	0	14	4	18
Insurance companies	0	0	2	2

### ➤ Internationalized financial products

- ❖ **International bonds: two bond issues in foreign currencies**
- ❖ **Foreign currency insurance policies: allowed sale of traditional insurance denominated in foreign currencies.**



# Achievements in 2007

## ◆ Promoted financial internationalization

- Strengthened international cooperation on financial supervision
  - ❖ FSC entered into the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMOU) and met the requirements of Appendix B. This will automatically establish multilateral securities supervision cooperation with more than 50 countries in the world.
  - ❖ Completed MOU or EOL engagements for cross-sector or single-sector supervisory cooperation with financial authorities of the UK, Philippines, Australia, India, Jordan, Egypt and the State of New York.
- Securities and futures self-regulatory organizations signed 20 MOUs with their foreign peer organizations.



## Achievements in 2007

- ◆ **Strengthened consumer and investor protection and financial education**
  - **Implemented mechanism to prevent “false installments, true lending”**
    - ❖ **As of 1 July 2007, where a person takes out a consumer loan to purchase goods or services paid by installments, and the vendor is subsequently unable to provide the product or service, if the loan program was jointly administered by the vendor and a bank, the consumer can submit documentation and apply to the bank for suspension of remaining payment obligations.**



# Policy Directions in 2008

- ◆ Promote “integration of supervisory functions” to prevent regulatory arbitrage and provide diversified financing channels.

Bills	Expected benefits
Financial Services Act (special act)	Enable the FSC to take the first step toward functional supervision
Finance Company Act	Provide diversified financing channels
Amendment to Banking Act	Build prompt corrective action measures and a market-exit mechanism
Amendment to Financial Holding Company Act	Enable financial holding companies to reap synergies through cross-sector operations
Amendment to Securities and Exchange Act	<ul style="list-style-type: none"><li>•Integrate securities self-regulatory organizations</li><li>•Clarify the definition of insider trading</li></ul>



## Policy Directions in 2008

- ◆ **Promote the international competitiveness of financial markets**
  - **Encourage domestic banks to increase overseas investment**
  - **Strengthen the function of OBUs:**
    - ❖ **Allow OBUs to accept checking deposits denominated in foreign currencies (excluding Renminbi), thereby encouraging overseas Taiwanese businesses to use OBUs for their capital raising needs.**
    - ❖ **Adjust OBU loan limits, scope of qualified loan customers, and the requirements governing qualified collateral.**



## Policy Directions in 2008

- ◆ **Promote international competitiveness**
  - **Facilitate the integration of self-regulatory organizations in securities and futures markets**
    - ❖ **Two-phase approach: (1) Set up a holding company; (2) holding company lists on the Taiwan Stock Exchange (TSE) and establishes an integrated regulatory center.**
  - **Allow foreign enterprises to list directly on the TSE or GTSM**
    - ❖ **To increase the size of our securities markets, the TSE and GreTai Securities Market are exploring new listing rules for foreign enterprises, to be implemented in two phases:**
      - ✓ **Allow relatively new or small foreign enterprises to list on the GTSM Emerging Stock Market**
      - ✓ **Allow large overseas enterprises meeting certain requirements to list directly on the Taiwan Stock Exchange**



## Policy Directions in 2008

- ◆ **Promote credit risk control**
  - ▶ **Require financial institutions to enhance risk management and adopt a risk-based loan pricing mechanism, in order to secure the soundness of financial institutions**
  - ▶ **Require the Joint Credit Information Center to set up an “Information Platform on Real Estate Transactions and Appraisals”**



## Policy Directions in 2008

- ◆ **Expand the business scope of financial institutions**
  - **Non-life insurers will be allowed to offer health insurance from 2008**
  - **Allow insurers to provide insurance trust services, which will help beneficiaries who are not able to handle their own insurance matters.**
  - **Allow insurers to offer both discretionary and directed investment trust services to give customers more diversified product choices.**
  - **Set up a domestic USD commercial paper market to provide domestic enterprises with more ways to raise USD funding.**
  - **Allow the use of SBL sales for block trading and loosen restrictions on the pricing of paired trades.**



## Conclusion

- ◆ **In the future, the FSC will continue to endeavor to develop the financial services industry, maintain the stability and accountability of financial markets, and actively implement our policy measures and financial reforms.**



**End of Presentation**  
**Thank You !**