

<b>FSC's 2018 Policy Achievements</b>	
<b>Major policy/measure</b>	<b>Progress/results</b>
<b>Promoting FinTech Development and Innovating Financial Services</b>	<ul style="list-style-type: none"> <li>● “The Financial Technology Development and Innovative Experimentation Act” was promulgated by the President on Jan. 31, 2018 and implemented on April 30, 2018. As of the end of Jan. 10, 2019, the FSC has received 6 applications.</li> <li>● The Taiwan Financial Service Roundtable (TFSR) established the FinTechSpace which was opened on Sep. 18, 2018. There are already 41 start-ups based in the FinTechSpace.</li> <li>● The TFSR and the Taiwan Academy of Banking and Finance (TABF) hosted the 1<sup>st</sup> FinTech expo, “FinTech Taipei 2018”, in Taiwan on Dec. 7 and 8, 2018. More than 30,000 visitors and 200 institutions participated in the event.</li> <li>● Announced amendments relating to internet-only bank establishment, and started to receive applications for setting up internet-only banks on Nov. 16, 2018.</li> <li>● Implementing various mobile payment services, including mobile credit cards, mobile bank cards, mobile electronic stored valued cards, online to offline (O2O) service of electronic payment institutions and mobile point of sale (mPOS) services, etc. As of the end of Nov., 2018, the total transaction amount was about NTD 58.98 billion (USD 1.92 billion).</li> <li>● Assisting financial institutions with their development of Robo-Advisor service. As of the end of Dec., 4 financial institutions had provided related advisory service and assets total about NTD 532 million.</li> <li>● Taiwan Depository and Clearing Corporation (TDCC) released an update to its e-passbook app, which integrates four main features, including access to portfolio information, access to transaction information on cloud system, customized push notifications and stock market information.</li> <li>● Encouraging insurers to develop online insurance business, including increasing types of personal insurance products that can be purchased online and the procedure of identifying customers, adding new online personal insurance service items and waiving the need for telephone interview when property insurance product policies are renewed, and raising the insured amount for travel insurance, etc.</li> <li>● Insurance agent companies and insurance broker companies that have worked with insurance companies to provide online insurance application service may provide online insurance service.</li> </ul>
<b>Promoting Financial Product Diversity and Supporting Physical Industries</b>	<ul style="list-style-type: none"> <li>● Carrying out the “Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries”. As of the end of Nov. 2018, loans extended to Key Innovative Industries by domestic banks amounted to NTD 5,091.6 billion, up by NTD 267.6 billion from the end of Dec. 2017.</li> <li>● Continuing to carry out a program to encourage lending by domestic banks to SMEs. As of the end of Nov. 2018, loans extended to SMEs by domestic banks amounted to NTD 6,374.6 billion. The amount was increased by NTD 272.1 billion as compared to the amount at the end of Dec. 2017.</li> <li>● Encouraging securities and futures enterprises to develop innovative products: allowing securities firms to issue ETN, increasing diversity of underlying instruments for warrants and launching new future products.</li> <li>● Encouraging insurance industry to design innovative and diversified</li> </ul>

	<p>products: introducing amendments to the “determination standards for new-type life insurance products”, accelerating the process of launching innovative insurance products, assisting the Council of Agriculture with the promotion of agricultural insurance, encouraging insurance companies to support government policy by developing more insurance products, engaging the Non-life Insurance Association and Taiwan Insurance Institute for establishment of the task force for implementation of the cyber security insurance project and increasing underwriting capacity of insurance companies.</p> <ul style="list-style-type: none"> <li>● As of the end of Dec., there were 928 domestic and foreign listed companies on the Taiwan Stock Exchange, 766 on Taipei Exchange, 256 on emerging stock market, and 90 on the Go Incubation Board for Startup and Acceleration.</li> <li>● Supervising the measures of Taiwan Stock Exchange and Taipei Exchange to improve the domestic capital market for fund raising activities: adding new industry type of e-commerce in the OTC market, laying down the criteria for listing of large companies without profit, shortening the listing review timeline from 8 weeks to 6 weeks and increasing flexibility in stock clearing and depository for technology enterprises and large companies without profit.</li> <li>● Implementing measures for helping Taiwanese enterprises with utilization of the domestic capital market. As of the end of Dec., Taiwan Stock Exchange and Taipei Exchange had sent delegations to New Southbound Policy-target countries to give 11 presentations for investor attraction and visited 52 Taiwanese companies in these countries.</li> <li>● Imposing review mechanism and shareholding limitations for direct investments by Mainland China investors in primary exchange-listed and primary OTC-listed companies.</li> <li>● Relaxing regulatory limits for investments in mainland China by executives with R.O.C nationality of primary exchange-listed and OTC-listed foreign companies and foreign companies on the emerging stock market.</li> <li>● Relaxing requirements on qualifications of issuers of foreign plain vanilla bonds denominated in NTD.</li> <li>● Promoting the development of domestic green bond market. As of the end of Dec., there were 23 listed bonds and the total amount of issuance reached about NTD 53.9 billion.</li> </ul>
<p><b>Deregulation to Increase Financial Industry Competitiveness</b></p>	<ul style="list-style-type: none"> <li>● Integrating orders on the interpretations of Article 72-2 of the Banking Act over the years and review of regulations governing “loans extended for residential and business construction” specified in the article.</li> <li>● Amending “Regulations for Facilitation of Domestic Financial Bond Market”, “Regulations Governing Off-Premises Automatic Teller Machines of Financial Institutions”, regulation related to credit cooperative, the statutory interpretation that offshore investment instruments that domestic REIT funds and “Regulations Governing the Security of Electronic Stored Value Cards”; issuing an interpretative order regarding “the Act Governing Electronic Payment Institutions”, amending “Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions” and “Rules Governing the Business of Electronic Stored Value Card Issuers”; and setting “Regulations Governing Issuance of NTD Bank Debentures by Foreign Bank Branches”.</li> <li>● Policy incentives to promote the merger of financial institutions: streamlining the M&amp;A process for eligible financial holding companies or banks by</li> </ul>

	<p>lowering the initial investment threshold.</p> <ul style="list-style-type: none"> <li>● Introducing amendments of “Regulations Governing Securities Investment Trust Funds”, continuing to deregulate regulations governing investment trust funds, review and amendments of the “Incentive Policy for Onshore Funds” and the “Incentive Policy for Offshore Funds Development in Taiwan”, giving investment trust enterprises more flexibility in their operation model, amending of the “Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises”, and expanding the business scope of securities investment consulting enterprises.</li> <li>● Adjusting the ceiling on the ratio of offshore fund’s securities investment in Mainland China’s securities market in response to MSCI ‘s inclusion of China A shares in a related index.</li> <li>● Strengthening the risk control of foreign investment of the insurance industry.”</li> </ul>
<p><b>Optimizing Corporate Governance</b></p>	<ul style="list-style-type: none"> <li>● Announcement of the 3-year New Corporate Governance roadmap (2018~2020) in April.</li> <li>● Improving the composition and professionalism of board of directors of financial institutions.</li> <li>● Improving information disclosure quality and amendments of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and related orders.</li> </ul>
<p><b>Strengthening Financial Supervision</b></p>	<ul style="list-style-type: none"> <li>● Strengthening protection of whistle blowers, setting the requirements for financial institutions to set up a unit specifically for information security and incorporating internal reporting mechanism and information and communications security management into their internal control system.</li> <li>● Like the international community, the insurance industry of Taiwan adopted IFRS 9 “Financial Instruments” on Jan. 1, 2018 and IFRS 16 “Leases” on Jan. 1, 2019.</li> <li>● Changing the formula for calculation of adjusted net capital and risk-based capital for reasonable reflection of an insurance company’s operational risk level.</li> <li>● Introducing the applicable interest rates of policy reserve for new life insurance contracts denominated in NTD, USD, AUD, EUR and RMB.</li> <li>● In line with amendment of the Company Act, the FSC prohibited an insurance company from being the authorized convener of a special shareholders’ meeting held by its invested company for a proposal on the election of its director(s) and supervisor(s), by amending Subparagraph 5, Paragraph 3, Article 146-1 of the Insurance Act on Nov. 12, 2018.</li> <li>● Approving 10 domestic banks to adopt risk-based internal auditing system.</li> <li>● Hosting a conference about the internal auditing operation of the domestic banks’ foreign branches and strengthening the Supervision on the Foreign Branches of the Domestic Banks.</li> <li>● Conducting 17 targeted examinations in 2018. The examinations included the corporate governance of FHCs, the operations of anti-money laundering, counter-terrorism financing and non-proliferation of weapons for various types of financial institutions, information security on SWIFT system of the domestic banks and foreign bank branches in Taiwan, etc.</li> <li>● Periodically reviewing and updating of financial examination manuals, annual financial examination focus, implementation situation of financial examinations, primary examination findings of financial institutions and announcing the above information on the official website.</li> </ul>

	<ul style="list-style-type: none"> <li>● Strengthening information security of the financial industry and financial market: integrating information security management and supervision tools, imposing the requirement for financial institutions on establishment of a unit and officer specifically for information security activities, improving information security regulations, carrying out information security tests and exercises, enhancing information security checks and deploying joint-defense system created by financial and information security sectors.</li> </ul>
<b>Strengthening Consumer Protection and Implementing Financial Inclusion (including senior products and services)</b>	<ul style="list-style-type: none"> <li>● Setting up a working group specifically for financial service consumer protection, which presents analysis reports on activities and examinations for financial service consumers protection of the quarter and provides updates about the latest regulations and protection measures for financial service consumers in foreign countries.</li> <li>● Supervising over 40 events held by the Taiwan Financial Service Roundtable and related organizations for spreading a variety of financial knowledge during Taiwan financial week from Oct. 8 to 14, 2018.</li> <li>● Carrying out School and Community Financial Literacy Campaign. The FSC held a total of 553 financial literacy promotion activities in 2018. A total of 59,049 participants attended the events.</li> <li>● As of the end of Dec., 12 banks had provided reverse mortgage loans, accepted a total of 3,096 applications, and the total amount of approved loans reached NTD 16.948 billion.</li> <li>● Encouraging insurance companies to design and sell insurance products that cover specific incidents and elderly benefits with multiple approaches, including favorable preferential reserve interest rate markup and investment limits.</li> <li>● Introducing the amendments of the Directions for Sale of Investment-linked Insurance Products to enhance the protection mechanism for senior purchasers of investment-linked insurance products.</li> <li>● Amending the "Directions for Insurance Companies to Engage in Microinsurance Business", and expanding the coverage of microinsurance to member of a household of this target.</li> <li>● Establishing a certification platform for electronic compulsory automobile liability insurance card</li> </ul>
<b>Sound Development of the Capital Market</b>	<ul style="list-style-type: none"> <li>● Extending the effective period of lowered Securities Transaction Tax rate for stock day trading and expand the applicable scope of the lowered rate.</li> <li>● Announcing that the securities market will formally introduce continuous trading system on March 23, 2020.</li> <li>● Supervising dynamic price stabilization measures launched by Taiwan Futures Exchange for futures market and expanding applicable scope of the measure to all domestic stock index futures products.</li> </ul>
<b>Implementing Financial Industry Money Laundering Prevention Work</b>	<ul style="list-style-type: none"> <li>● Continuing to amend AML/CFT regulations by reference to international protocols set by the FATF and enhance AML/CFT regulations related to domestic financial leasing enterprises and CPAs.</li> <li>● Completing each financial institution's residual rating of money laundering and terrorism financing, and the risk profiles of various financial industries as the basis of risk-based financial supervision.</li> <li>● Urging financial associations administered by the FSC to develop and draw up guidelines for comprehensive risk assessments for money laundering and terrorism financing or advise related referential practices.</li> <li>● Establishing the "AML/CFT Knowledge Base" platform to provide the examiners more complete information as reference, and to assist the financial institutions to better understand their AML/CFT obligations and risks.</li> </ul>

<p><b>Promoting International Meetings and International Exchange Activities</b></p>	<ul style="list-style-type: none"> <li>● Signing FinTech MOU, documents on cross-border cooperation for Fintech development and supervision, with Polish Financial Supervision Authority and Office of Arizona Attorney General and signing financial supervisory cooperation MOU with Vietnam.</li> <li>● Attending APG-related meetings, the 13<sup>th</sup> AFIR, IOSCO annual conference, International Association of Insurance Supervisors (IAIS) committee meeting and Annual Conference, the 20<sup>th</sup> International Conference for Banking Supervisors (ICBS), etc.</li> <li>● Holding 12<sup>th</sup> Taipei Corporate Governance Forum, 2018 Conference on ERM in the Insurance Industry, the fourth bilateral meeting with Japan Financial Services Agency, Fintech regulatory sandbox roundtable meeting, lecture on IAIS strategies and outlook and meeting on liaison between bank supervisory authorities of Hong Kong and Taiwan.</li> <li>● Backing the New Southbound Policy with financial support: as of the end of Dec., 2018, total outstanding balance of loans extended to receivers in targeted countries amounted to 956.866 billion, up 13.5% from 2017. From May 20, 2016 to the end of Dec. of 2018, there had been 26 new service locations in the target countries of New Southbound Policy. Currently, domestic banks have set 215 service locations in the region.</li> <li>● Successfully including financial investment of over 10% shareholding and prudential measures in the Taiwan-India bilateral investment agreement on Dec. 18, 2018, providing more protection to domestic investors.</li> </ul>
<p><b>Important Amendments to Regulations</b></p>	<ul style="list-style-type: none"> <li>● Banking Act: raising the maximum fine to NTD 50 million, introducing the regulations for the competent authority to set regulatory requirements for preventing involvement of a bank’s responsible person in matters that have conflict of interests, and providing legal basis for international supervisory cooperation conducted by the competent authority.</li> <li>● The Securities and Exchange Act: extending the transfer period of treasury shares to 5 years, introducing regulations that primary exchange-listed, primary OTC-listed companies and foreign companies on the emerging stock market may not impede, refuse, or evade the actions of the independent directors in the performance of their duties and the requirement of establishing remuneration committee, adding the supervisory measures of “improvement within a specified deadline” and “other necessary actions related to business or operation,” and raising the maximum administrative fine to NTD 4.8million.</li> <li>● The Futures Trading Act: providing legal basis for incorporating OTC-listed derivatives into the central clearing system, specifying the limitations on share transfer of Taiwan Futures Exchange and raising the maximum administrative fine to NTD 2.4 million.</li> <li>● Securities Investment Trust and Consulting Act: introducing amendments to some articles of the “Securities Investment Trust and Consulting Act”, which were promulgated by the president on Jan. 31, 2018.</li> <li>● The Certified Public Accountant Act: setting more strict requirements on passive qualifications of CPAs, removing the regulation that allow a CPA to replace pre-service training with practical training and reinforcing the requirement for a CPA to join Taiwan CPA association for their practice and the requirement for a co-location CPA firm to sign a co-location agreement.</li> <li>● The Insurance Act: establishing the “non-discrimination” principle specified in the Convention on the Rights of Persons with Disabilities, changing related expressions and terms and allowing insurance companies that invest in social welfare enterprises and comply with related requirements to assume the</li> </ul>

	positions of directors and supervisors in the aforementioned invested enterprises.
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