

Promoting financial inclusion by Financial Supervisory Commission, Taiwan (FSC)

November, 2016

Promoting financial inclusion has long been one of the FSC's most important policy objectives. The FSC will continue working actively in the following 3 dimension and strive to bring its practices in line with global trends. We have one of the more inclusive financial systems and are pleased to share our experiences in order to ensure sound and sustainable development of the Asia-Pacific financial system.

I. Access to Financial Services

1. Encouraging financial institutions to establish presence in underserved areas

In accordance with the "Regulations Governing Domestic Branches of Financial Institutions", a financial institution may not apply for establishment of more than two branches every year, but if the planned location helps the balance of urban and rural development, it will not be subject to the limitation. From 2007 to 2016, the FSC has approved the setting up of 40 branches of domestic banks and credit cooperatives in underserved areas, including 26 domestic bank branches and 14 credit cooperative branches.

2. Helping industries obtain capital

To help SMEs obtain working capital, the FSC has been carrying out the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises" since July 2005. As

of the end of September 2016, loans extended to SMEs by domestic banks amounted to NT\$ 5,551.3 billion (US\$ 173.5 billion), up by NT\$ 3,184.7 billion (US\$ 99.5 billion) from the end of June 2005. Loans extended to SMEs by domestic banks accounted for 57.89% and 60.69% of total loans extended to all enterprises and private enterprises, respectively. This indicates that banks are giving much more attention to SMEs in the lending market. Furthermore, the FSC will continue to foster a favorable banking environment for SMEs.

3. Helping creative enterprises obtain capital

To help creative enterprises obtain working capital, the FSC has been implementing the "Program to Incentivize Lending by Domestic Banks to Creative Enterprises" since January 2014. As of the end of September 2016, loans extended to creative enterprises by domestic banks amounted to NT\$476.4 billion (US\$ 14.9 billion), up by NT\$294.7 billion (US\$ 9.2 billion) from the end of 2013, and have achieved the target NT\$360 billion (US\$ 11.3 billion).

4. Providing multiple fund raising channels for small and micro innovative companies

Taipei Exchange established the Incubation Board for Startup and Acceleration Firms (GISA) in January 2014. GISA is designed as a platform for small-sized non-public innovative companies with creative ideas, and offers entrepreneurship counseling and capital raising functions. As of October 31, 2016, 96 companies have raised capital NT\$233 million (US\$7.28 million) through the GISA platform. To provide

financing assistance for innovative and creative micro businesses, securities brokers meeting certain criteria can be authorized to offer equity crowdfunding services. As of October 31, 2016, the FSC has approved 7 licensed brokers to offer crowdfunding platform services. Among them, three are now in operation, and one has successfully helped two startups raise capital of NT\$12 million (US\$0.38 million).

5. Promoting microinsurance

With a view of strengthening protection for economically disadvantaged people and specific groups and fulfilling insurers' social responsibilities, since July 21, 2009, the FSC has allowed insurance companies to engage in microinsurance, including relaxing the qualifying requirements of the insured, expanding product types, increasing the upper limit of the sum insured and so on. As of the end of September 2016, the accumulated numbers of individuals covered by micro-insurance reached 340,000 and the total insured amount was more than NT\$115.1 billion (US\$3.6 billion). The social safety net has thus been strengthened.

6. Promoting Micro-whole-life insurance

In response to the trend of aging society and in order to widely implement basic insurance protection for the elderly, a resolution has been passed with respect to the developing of micro-whole-life insurance products by the life insurance industry to provide basic insurance protection for the elderly. The required product design of micro-whole-life insurance includes a life insurance master policy with an insured amount

of NT\$ 0.3 million (US\$ 9,375) and a personal accident insurance rider with an insured amount of NT\$ 20,000 (US\$ 625). The FSC expects insurers to adjust their underwriting guidance for these insurance products so as to encourage the willingness of the elderly to buy such products.

7. Promoting purchase of individual stock and ETFs by using Systematic Investment Plan (SIP) provided by securities firms
With the aims of helping investors make long-term, stable and less-risky investments in the stock market, enhance the convenience of small-amount investments and expand the business scope of securities firms, the FSC is encouraging securities firms to provide systematic investment plans for investors to purchase individual stock and ETFs at a fixed amount at a regular interval. In terms of trading platform, securities firms will choose to provide SIPs based either on “existing platforms for Taiwan stock (i.e omnibus trading account) or “building on the existing wealth management trust platform”. The SIPs will target long-term investments, while warrants, leveraging or inverse ETFs issued by securities investment trust and futures trust will be excluded. Securities firms shall set appropriate criteria for selecting these instruments. The FSC will make amendments to relevant regulations and coordinate Taiwan Stock Exchange, Taipei Exchange, Taiwan Depository & Clearing Corporation and Taiwan Securities Association to amend their relevant rules and carry out necessary IT system adjustment.

II. Usage of Financial Services

1. Providing friendly financial services

The FSC urges financial industries in Taiwan to provide people with disabilities with appropriate friendly services based on their individual demands.

- (a) Financial institutions should create barrier-free environments in their branches.
- (b) Financial institutions should provide wheelchair-accessible and voice-enabled ATMs.
- (c) Establish specific web pages on their websites to disclose public information related to barrier-free services.
- (d) People with disabilities are entitled to a fee reduction for ATM interbank withdrawals.
- (e) Provide interpretive services to assist those who have difficulties in reading, so as to help understand the contents of contracts.

2. Creating digital financial environment

In January 2015, the FSC allowed online application for 12 types of business including application for personal loan, credit card and the opening of trust accounts for existing customers. Moreover, the application process of electronic banking business has been greatly streamlined, in order to fulfill the needs of the public.

To streamline the procedures of account opening and trading for investors, the FSC has allowed securities firms and FCMs, to offer account opening and other services through electric media.

As of the end of September 2016, the FSC's achievement included (1) 59 securities firms accept customer orders online; (2) 33 securities firms accept electronic signing of risk disclosure statements; (3) 16 securities firms accept the signing of trading agreement documents electronically (such as securities lending, securities business money lending and credit trading); (4) 17 securities firms offer account opening service through electronic media to their customers; (5) 34 FCMs can accept customer orders online; (6) 6 FCMs can offer account opening service through electronic media to their customers; (7) The average percentage of electronic trading for FCMs and securities firms is 90.78% and 51.7%, respectively.

The FSC allowed conducting of online insurance business on August 26, 2014 so that consumer can purchase insurance services online. As of the end of September 2016, 11 life insurance firms and 13 non-life insurance firms have been approved to conduct online insurance business. In the future, the FSC will continue to review the related measures to expand the scope of insurance business conducted through Internet and provide more convenient services to consumers.

3. Developing electronic payment and mobile payment

E-commerce will increasingly enter the economic mainstream as time goes by. To facilitate sound management and development of electronic payment institutions, and provide secure and convenient fund transfer services, the FSC enacted specific regulations on May 3, 2015 in order to build up

consumer confidence in the use of electronic money transfer, to reduce the cost of small-value payments, and to create a more friendly business environment for small and individual businesses. The FSC had granted permission to 28 Electronic Payment Institutions as of the end of September 2016, among which there are 5 specialized electronic payment institutions and 23 institutions concurrently conducting electronic payment business. In order to further facilitate the development of the domestic e-commerce industry, the FSC has been actively studying possible measures to spur financial services firms to provide wide-ranging financial support to the e-commerce industry.

The FSC actively encourages financial institutions to expand their mobile payment business. At present, domestic mobile payment technology is considerably diversified and mature, and a comprehensive legal framework has been put in place. Domestic financial institutions actively apply new technology, and have launched services such as mobile credit cards, mobile ATM cards, Quick Response Code (QR Code) mobile payment services and Mobile Point of Sale (mPOS) services, etc. As of the end of September 2016, total transactions associated with mobile payment services amounted to approximately NT\$ 1.85 billion (US\$ 58 million). In addition, the FSC has announced credit card issuing banks can apply to the FSC to conduct mobile payment business, such as Apple Pay, Android Pay and Samsung Pay on September 29, 2016. As of the end of October 2016, the FSC has approved the

conducting of this business by three banks. The FSC will continue to actively encourage financial institutions to handle various mobile payment services to promote the creation of a payment environment that is popular, safe and diverse.

4. Developing the mobile securities deposit statement and insurance purchaser by mobile device

The mobile securities deposit statement will be introduced in 1stQ of 2017. A single mobile securities deposit statement will allow account changes to be instantly grasped, as well as provide convenient expanded digital services such as listed company shareholders' meeting or stock dividend information. Over the long-term, it will reduce operating costs by reducing the need for counter staff to update passbooks manually and purchase and maintain passbook entry machines.

In order to enhance the service quality of the insurance industry and provide customers with convenient insurance services and protect their rights and interests, the FSC has approved the "Self-Regulatory Codes for Mobile Insurance by Insurance Industry" submitted by the Life Insurance Association. Insurance salespersons can take advantage of the popularity and convenience of mobile devices to help customers formulate insurance plans, and use widely-used and convenient tablet PC to allow the display mode to be adjusted for elderly or visually impaired customers. In addition, the exclusive APP developed by insurers can facilitate the online transmission of information or provision of customer services, shortening the underwriting process, reducing the frequency

of over-the-counter service and improving the convenience of the service because the follow-up services such as policy changes can also be provided through a tablet PC.

5. Promoting a fund trading platform

In response to FinTech innovation, the FSC approved the application to establish Fund Rich Securities Ltd by Taiwan Depository & Clearing Corporation, Taipei Exchange and other 34 asset management companies. Fund Rich Securities Ltd aims to operate a with wide selection of funds, fair cost, easy transaction and reliable security trading environment. The platform has been available for browsing since 31 August 2016 and officially online since 14 October 2016.

III. Quality of Financial Services

1. Enhancing financial literacy

The FSC launched “Financial Literacy Program” (in phase IV of the 3-year Program now) in 2006. The strategic action plan of phase IV seeks to expand the scope of financial literacy activities to cover more ages and groups. This will be achieved by implementing through different channels, and by integrating the resources of the FSC with self-regulatory organizations and associations in the banking, securities, and insurance industries.

Furthermore, as the Internet is one of the most important channels for receiving information in Taiwan, the FSC set up the MoneyWise website (URL: <http://moneywise.fsc.gov.tw>) as part of its Financial Literacy Campaign in 2009. As of the end of October 2016, the

website has attracted more than 7.96 million visits.

2. Promoting financial consumer protection

The FSC upholds the principle of a two-pronged supervisory approach; on the one hand moderately relaxing regulatory restrictions to facilitate the development of innovative services and further help the growth of financial industries and, on the other hand, stressing the importance of risk management to protect financial consumers' interests. To this end, laws protecting financial consumer have been established and an ombudsman body- the Financial Ombudsman Institution has been set up in January, 2012 to implement financial consumer protection policy.

On February 4, 2015, the Financial Consumer Protection Act (FCPA) was amended with the following main points: (1) Adding a class ombudsman mechanism to protect vulnerable customers; (2) Revoking the business license of and imposing a fine on financial services enterprises that commit serious violations of financial customers' right up to the profits gained; (3) Requiring that financial services enterprises remuneration systems and their complex, high-risk products be approved by the Board of Directors.

The FSC has formulated the Principles of Treating Customers Fairly (TCF Principles), which have been implemented and become the guideline for financial services enterprises.