

金融展望月刊

Financial Outlook Monthly

Publisher Wellington L. Koo

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G P N 2009305443

I S S N 1992-2507

*The Chinese version rules if
any contradiction in meaning
exists between the Chinese
version and English versionl.

April 2019

《Chinese version please refer to page 1》

No. 173

Ministry of Justice Anti-Corruption Hotline 0800-286-586
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- Banks are allowed to grant loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral
- Amendments to the Incentive Policy for Offshore Fund Development in Taiwan to encourage offshore fund institutions to expand their asset management business in Taiwan
- Amendments to the Incentive Policy for Onshore Fund to provide an incentive for securities investment trust enterprises to participate in the policy
- Amendments to the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies

Policy and Law

Banks are allowed to grant loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral

In order to provide the public with more financing resources, increase flexibility and liquidity of capital management of trustors (also beneficiaries) of non-discretionary money trust and convenience for trust customers to apply for loans at the same bank, on March 7, 2019, the FSC introduced the measure that allows banks to grant loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral under specific conditions, including (1) the trust customer is a professional investor; (2) the beneficiary rights are limited to those of trust arrangements whose trust assets are invested in highly liquid investment vehicles and investment vehicles traded in the secondary market; (3) the loan-to-value ratio shall not exceed 50%; (4) the regulatory loosening measure is effective for 3 years and the effective period may be extended, depending on results of implementation.

Amendments to the Incentive Policy for Offshore Fund Development in Taiwan to encourage offshore fund institutions to expand their asset management business in Taiwan

In order to increase the contribution of offshore fund institutions to the domestic asset management industry, the FSC announced the amendments to the aforementioned Policy on February 27, 2019 increasing the flexibility of preferential measures regarding the applicable ceiling on total amount of securities investments in Mainland China by an offshore fund. According to the amendment, an offshore fund institution can choose between two options for compliance with the ceiling requirement. One of the options is the existing provision, which the total amount of investments in securities in Mainland China by any offshore fund offered and sold in Taiwan shall not exceed 40% of the net asset value of the offshore fund during one year period after the offshore fund institution has obtained recognition under the Policy. The other option is that the total amount of investments in securities in Mainland China by a single fund shall not exceed the fixed ceiling of 40% permanently. The FSC also amended some indicators with regard to "increasing the scale of domestic assets under management" to encourage offshore funds to follow the policy.

Amendments to the Incentive Policy for Onshore Fund to provide an incentive for securities investment trust enterprises to participate in the policy

In order to encourage securities investment trust enterprises (“SITES”) to improve their personnel and techniques of asset management, increase their asset sizes and help them expand business on the international market, the FSC announced the amendments of the aforementioned Policy and FAQ on February 27, 2019. In addition to the existing preferential measures, the SITES meeting specific criteria set by the Policy are also entitled to two basic preferential measures. One is that the SITE is allowed to apply for issuance of securities investment trust funds that are not subject to the regulatory limits for the types, scope and percentage of their securities investment. The other is that the SITE can apply for issuance of ETF feeder funds which invest in the ETFs already managed by the SITE and are not subject to the ETFs with domestic component securities. The FSC also relaxed the requirements for several assessment indicators as an incentive for SITES to participate in the Policy.

Amendments to the Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies

In order to provide corporate groups with more flexibility in capital movement and utilization and help SMEs access more financial resources, the FSC introduced the amendments to the aforementioned Regulations on March 7, 2019 based on its review of external suggestions and practical needs of the industry. The key points of the amendments were as follows:

- 1.Short-term financing provided by a leasing enterprise that meets specific criteria by the FSC may exceed 40% of its net worth, but is still subject to the ceiling of 100% of its net worth.
- 2.The FSC relaxed the regulations for financing between different companies in a corporate group. A public company may receive loans granted by overseas companies in which the public company holds, directly or indirectly, 100% of the voting shares, and the loan is not subject to the restriction of “financing amount shall not exceed 40% of the lender's net worth” and “the durations of loans shall not exceed one year”.
- 3.For public companies that have set up audit committees, the formulation and amendment of operational procedure for lending and provision of guarantee and endorsement have to be approved by the audit committee.
- 4.Public companies that have independent director(s) are required to inform the supervisor(s) and the independent director(s) of any material violation with regard to lending, guarantee and endorsement activities with written notification. The rectification plans shall also be presented to the independent director(s).

Amendments to Article 36-3 of the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets

The FSC amended Article 36-3 of the aforementioned

Regulations on March 15, 2019 to enhance corporate governance and facilitate the effectiveness of the boards of directors of service enterprises in securities and futures market. The amendments stipulate that, after having considered the size, business nature, and other necessary situations of service enterprises, the competent authority shall require service enterprises to appoint a Corporate Governance Officer. Besides, according to business situation and management needs, such service enterprises may deploy a suitable number of qualified corporate governance personnel and appoint a Corporate Governance Officer.

Renaming and amendments to the Directions for Insurance Enterprises Engaging in Telemarketing Insurance Products

In order to facilitate legal compliance of insurance agent companies and insurance broker companies engaging in telemarketing insurance products and protect the rights and interests of financial consumers, the FSC announced the amendments to the aforementioned Directions and changed the title to “Directions for Insurance Enterprises, Insurance Agent Companies or Insurance Broker Companies Engaging in Telemarketing Insurance Products” on February 11, 2019. The amendments stipulate compliance matters on telemarketing activities for insurance agent companies and insurance broker companies. In addition, the telemarketing staff of insurance enterprises, insurance agent companies and insurance broker companies are required to stop their marketing activity immediately when consumers reject them, in order to respect the customer's right of rejection.

Amendments to the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies

Considering the capacity of smaller insurance agent companies and insurance broker companies to cover their legal compliance costs, the FSC announced the amendments to the aforementioned Regulations on March 4, 2019 to meet the principle of proportionality of supervision and align with Paragraph 3 of Article 165 of the Insurance Act which was amended on January 16, 2019. The amendments included that insurance agent companies and insurance broker companies that are public companies or those with annual operating revenue of more than NT\$300 million shall establish internal control and audit systems as well as business solicitation system and procedures in the following year.

Amendments to the Regulations Governing the Supervision of Insurance Solicitors

The FSC announced the amendments to the aforementioned Regulations on March 18, 2019 to meet practical needs. The key points of the amendments were as follows:

- 1.According to Article 6 of the Regulations, when an insurance solicitor's registration is revoked because he/she has failed to attend training or failed retraining, the solicitor shall retake the qualification examination. Because that Article can make sure that the solicitor has required

professional knowledge about insurance, Article 7 of the Regulations that prohibited a solicitor from registration or cancelled his/her registration if his/her registration has been revoked due to the aforementioned failure for less than a year is removed.

2. New regulation is introduced to allow an insurance company to inquire about registration information of its business solicitors.
3. Given that whether a business solicitor may or may not register under another insurance company or insurance agent company not engaged in the same type of insurance business of his/her company should be governed by a service agreement between the solicitor and his/her company and not stipulated by law, the FSC removed the provision that requires the solicitor to obtain his/her company's permission to register under another company.
4. To clear up doubts, the text of "Have otherwise acted in a manner that violates laws and regulations or damages the image of the insurance business." in Subparagraph 18 of Paragraph 1 of Article 19 of the Regulations is changed to "Other misconduct using the identity of a (insurance) business solicitor."

International Activities

Regional Representative of Banque de France was received by FSC Vice Chairman

Mr. David KARMOUNI, Regional Representative, Banque de France, was received by the FSC Vice Chairman Tien-Mu Huang on March 19, 2019. The two sides broadly exchanged views on major issues such as performance of financial institutions and Fintech development in Taiwan.

Industry Updates

FSC agreed Taiwan Cooperative Bank to establish a branch in Vientiane, Laos and a Tuol Kouk sub-branch under its Phnom Penh branch in Cambodia

On February 22, 2019, the FSC agreed Taiwan Cooperative Bank ("TCB") to apply to the relevant authorities in Laos and Cambodia to establish a Vientiane branch and a Tuol Kouk sub-branch under its Phnom Penh branch, respectively. TCB plans to grasp business opportunities of financial market in Southeast Asia, to provide financial services to Taiwanese enterprises, local enterprises and individuals and, through cooperating with local banks, to obtain financial business opportunities and accumulate operating experience for the gradual expansion of the bank's Asia-Pacific financial service locations and to enhance its regional financial service network.

FSC approved the application by Amundi Securities Investment Trust Co., Ltd. to merge with Amundi Securities Investment Consulting Co., Ltd.

On March 5, 2019, the FSC approved the application by Amundi Securities Investment Trust Co., Ltd. to merge with Amundi Securities Investment Consulting Co., Ltd. Both companies are wholly-owned subsidiaries of Amundi Asset Management. The companies will be consolidated using the merger

method to enhance competitiveness, operating scale and synergy. The extant company after the merger will be Amundi Securities Investment Trust Co., Ltd.

FSC announced the list of insurance companies rewarded for outstanding performance in promoting the Program to Increase Insurance Protection and for handling microinsurance business and investing in the 5+2 innovative industries and public construction

The FSC announced the list of 18 insurers rewarded for outstanding performance in promoting the Program to Increase Insurance Protection and handling microinsurance business during July to December 2018: Bank Taiwan Life Insurance, PCA Life Assurance, Cathay Life Insurance, China Life Insurance, Nanshan Life Insurance, Shin Kong Life Insurance, Mercuries Life Insurance, Allianz Taiwan Life Insurance, First Life Insurance, BNP Paribas TCB Life, Prudential Life Insurance Co. of Taiwan, Transglobe Life Insurance, Yuanta Life Insurance, AIA Life Insurance, Cardif Assurance Vie, Taiwan Branch, Chubb Life Insurance, Taiwan Life Insurance and Fubon Life Insurance.

3 insurers were rewarded for outstanding performance with regard to investing in domestic public construction and the 5+2 innovative industries: Cathay Life Insurance, Fubon Life Insurance and Taiwan Life Insurance.

NPL ratio for domestic banks at 0.25% as of the end of February 2019

The total outstanding loans of domestic banks stood at NT\$28.8074 trillion as of the end of February 2019, down by NT\$32.6 billion from the previous month while their total NPLs were NT\$72.8 billion, up by NT\$2.4 billion from the previous month's figure of NT\$70.4 billion. The average NPL ratio was 0.25% up by 0.01 percentage points from the figure of 0.24% at the end of previous month, but down by 0.04% on the same period last year (2018).

The average NPL coverage ratio of domestic banks stood at 553.12% at the end of February 2019, down by 16.44 percentage points from the figure of 569.56% at the end of the previous month.

NPL ratio for credit cooperatives at 0.13% as of the end of February 2019

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.61 billion as of the end of February 2019, generating an NPL ratio of 0.13%, up by 0.02 percentage points from 0.11% at the end of January 2019. The NPL coverage ratio was 1,554.66%, down by 178.07 percentage points from 1,732.73% at the end of January 2019.

Net foreign and Mainland China investment in listed shares

As of the end of February 2019, foreign investors had bought around NT\$1.1039 trillion and sold around NT\$1.0023 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$101.6 billion. In addition, foreign investors had bought around NT\$149 billion and sold around NT\$ 125.8 billion worth of shares listed on Taipei Exchange, amounting to a net-buy of around NT\$ 23.2 billion. Meanwhile, Mainland China investors had bought around NT\$3,949 million and sold around NT\$3,908 million worth of shares listed on the

Taiwan Stock Exchange, amounting to a net-buy of NT\$41million; Mainland China investors had bought around NT\$808 million and sold around NT\$423 million worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$385 million. As for inward remittances by foreign and Mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese and foreign nationals as of the end of February 2019 stood at approximately US\$203.9 billion, up by around US\$3.4 billion from the US\$200.5 billion at the end of January 2018. The figure for cumulative net inward remittances by Mainland China investors as of February 28, 2019 was US\$192 million, the same as at the end of January 2019.

Profit/loss, net value and exchange gains/losses of the insurance industry in January 2019

Pre-tax profit of insurance enterprises in January 2019 was NT\$5.7 billion; of this, pre-tax profit of life insurance enterprises was NT\$4.6 billion, a decrease of NT\$20.1 billion, or 81.4%, compared with the same period in 2018; pre-tax profit of non-life insurance enterprises was NT\$1.1 billion, down by NT\$700 million or 38.9% compared with the same period in 2018.

Owners' equity of insurance enterprises at the end of January 2019 was NT\$1.3827 trillion; of this, owners' equity of life insurance enterprises was NT\$1.2622 trillion, a decrease of NT\$253.6 billion, or 16.7%, compared with the same period in 2018; owners' equity of non-life insurance enterprises was NT\$120.5 billion, an increase of NT\$1.2 billion or 1.0% compared with the same period in 2018.

Up to the end of January 2019, depreciation of the NT\$/US\$ exchange rate was 0.02%, and the net effects of exchange gains/losses of life insurance enterprises was about negative NT\$22.6 billion. The balance of foreign exchange valuation reserve of life insurance enterprises was NT\$61.4 billion, increasing NT\$5.5 billion from last month.

Investor and Consumer Protection

FSC reminds consumers to purchase insurance for women or children in line with their own needs

At present, most women's insurance products do not cover pregnancy, miscarriage, childbirth or the complications except for the miscarriage or cesarean arising from pregnancy-related specified diseases or medical behavior. However, some insurers have designed products especially for women; these products differ from general life insurance and medical insurance products because the scope of coverage includes female-specific or common disease. In addition, some insurance companies provide insurance products for specific injuries and diseases suffered by children. As these two types of products are diverse, the FSC reminds consumers to fully understand the coverage and payment conditions, scope of exclusions, number of waiting days etc. before buying to avoid disputes occurring later on.

2019 School and Community Financial Literacy Campaign

As part of 2019 School and Community Financial

Literacy Campaign, in March the FSC held 72 financial literacy promotion sessions at schools and organizations, including Hongye Elementary School in Nantou County with a total of 7,719 participants attending. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of February 2019, in all 5,794 sessions have been held and over 950,000 people have attended. The target participants include students at all levels of schools, communities, women' groups, indigenous people, immigrants, military service personnel, correctional agencies and facilities, and social welfare organizations.

The Banking Bureau of the FSC will continue the financial literacy campaign in 2019. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau; for more information, please call (02)8968-9709.

Major Enforcement Actions

Shin Kong Life Insurance Co., Ltd. was fined

When carrying out solicitation and underwriting, it was found that some solicitors of Shin Kong Life Insurance Co. had not met customers in person and witnessed the policy signed by the customers in person and the survival investigation process was inappropriate. What's more, when handling the conservation operating procedures of policy loans and contract change, it was found that the signatures of the applicant and the insured were not the same as the original insurance application but no clarification was sought from the policy holders, and the applicant and the insured did not sign in person and the solicitors did not witness the policy signed by the customers in person. In violation of the Insurance Act, the FSC imposed a fine of NT\$1.8 million on the company in accordance with Paragraphs 4 and 5 of Article 171-1 of the Insurance Act.

Taishin International Bank Co., Ltd. was fined

Taishin International Bank Co., Ltd. was deemed to have deficiencies in its anti-money laundering operations. The deficiencies were in violation of provisions including Paragraph 1 of Article 9 of the Money Laundering Control Act. The FSC thus imposed a fine of NT\$1 million on the bank in accordance with Paragraph 4, Article 9 of the Money Laundering Control Act.

Hontai Life Insurance Co., Ltd. was fined

When investing in real estate, Hontai Life Insurance Co., Ltd. did not follow the sales plan it submitted, and it was in violation of the regulations that investments in real estate shall be limited to that can be used immediately and from which benefit may be derived in accordance with Paragraph 1 of Article 146-2 of the Insurance Act. The FSC thus imposed a fine of NT\$1 million on the company in accordance with Subparagraph 3 of Paragraph 5 of Article 168 of the Insurance Act and, in accordance with the preface to Paragraph 1 of Article 149 of the same Act, the FSC ordered the company to lease out or sell the real estate involved in this case within one year to meet the requirement.