

# 金融展望月刊

## Financial Outlook Monthly

Publisher Wellington L. Koo

Advisor Chang Chuang-Chang  
Huang Tien-Mu  
Kai-Yuan Chen

Executive Editor

Department of Planning

Publishers & Editorial Office

Financial Supervisory  
Commission

Add 18F., No.7, Sec. 2, Xianmin  
Blvd., Banqiao Dist., New  
Taipei City 22041, Taiwan,  
Republic of China

Tel 8968-0899

Fax 8969-1271

E-mail [planning@fsc.gov.tw](mailto:planning@fsc.gov.tw)

Website <http://www.fsc.gov.tw>

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.

### May 2020

《Chinese version please refer to page 1》

# No. 186

Ministry of Justice Anti-Corruption Hotline 0800-286-586  
Anti-Corruption Hotline 0800-088-789

- FSC announces measures to respond to COVID-19 pandemic and mitigate impact of global financial volatility on domestic securities markets
- FSC responds to COVID-19 by adopting temporary measures regarding real estate investments by insurers
- FSC announces related measures for the shareholders to enter the venue of a public company's shareholder's meeting and supervises the Taiwan Depository and Clearing Corporation to amend the "Guidelines for Holding of Shareholder Meetings During Epidemic Conditions"

### Policy and Law

#### *FSC announces measures to respond to COVID-19 pandemic and mitigate impact of global financial volatility on domestic securities markets*

Due to the COVID-19 pandemic, global financial conditions have recently triggered volatility in Taiwan's securities markets. In order to maintain orderly and stable markets, and to safeguard investor interests, the FSC on March 18 and 19, 2020 announced the following measures, which took effect from March 19:

- 1.Reduction of the cap on total volumes of short sale through securities borrowing and lending ("SBL short sale") during trading sessions: For a three-month period beginning from March 19, 2020, the FSC has reduced the cap on total SBL short sale volumes during trading sessions. Existing regulations limit the volume of SBL short sale trading orders to "30% of the average trading volume in any given security over the preceding 30 trading days," but this cap has been lowered to 10%. However, SBL short selling due to the hedging needs (e.g. the securities dealers engaging in the business of issuing put warrants, over-the-counter trading of structured instruments or equity derivatives, and serving as the beneficiary certificate liquidity providers, or the futures dealers engaging in the market making business of equity options and equity futures, etc.) is exempted from the preceding regulation.
- 2.Broader range of eligible collateral for margin calls: For a three-month period beginning from March 19, 2020, investors that have obtained the creditor's consent are allowed to meet a margin call (for either a margin purchase or a short sale) by posting any collateral that has market liquidity and can be objectively and reasonably valued. The FSC has called upon securities firms and other creditors to reasonably evaluate investors' margin purchase and short sale activities, and to handle their situations in a proper and legally compliant manner.
- 3.Securities dealers are urged to act as liquidity providers of market demand and supply, and financial and insurance institutions are encouraged to buy while markets are down: COVID-19 is currently under reasonably good control in Taiwan, and the government has passed a special budget to fund pandemic responsive measures. Those measures will make it easier to mitigate the

#### Notification of E-journal of Financial Outlook Monthly

Thank you for reading the Financial Outlook Monthly. We will stop printing and sending the paper-form journal since January 2021 (No.194), and still provide E-journals on our website. If you would like to receive E-journal every month, please send your E-mail address to [yhhsu@fsc.gov.tw](mailto:yhhsu@fsc.gov.tw). You may also download E-journal files from our website through the QR code as the following or the URL (<https://www.fsc.gov.tw/en/home.jsp?id=55&parentpath=0,4>).

Many thanks,

Financial Supervisory Commission, Republic of China (Taiwan)



Financial Outlook  
Monthly

impact of COVID-19 on domestic industry, and to boost economic activity. Moreover, the return to Taiwan from offshore Taiwanese businesses, and decisions by many manufacturers to shift orders to Taiwanese suppliers, are both helpful to Taiwan's stock market fundamentals. For those reasons, the FSC has called on securities dealers to play their proper role as market intermediaries by adjusting demand and supply in the market depending on the market situation, as set out in Article 30 of the "Regulations Governing Securities Firms," thereby bolstering investor confidence. In addition, the FSC is also encouraging financial and insurance institutions to take advantage of the recent market downturn to buy in blue-chip stocks with sound fundamentals and low P/E ratios.

4. Listed companies are being encouraged to engage in implementing stock buybacks: listed companies with plentiful funds may consider to engage in implementing stocks buybacks if necessary and bolster investor confidence.
5. Steps to mitigate risks associated with short selling:
  - (1) For TWSE or TPEx listed shares or Taiwan depository receipts that close down by 3.5% or more on any given trading day, regular short selling and SBL short selling of that security will not be allowed on the following day at or below the previous day's closing price. Furthermore, if that same security again closes down by 3.5% or more on the next trading day, this same restriction shall continue to apply. However, this restriction does not apply to securities dealers and futures dealers who engage in short selling and sale of borrowed securities for the risk-hedging need of their business.
  - (2) On a trading day when investors are not allowed to engage in regular short selling or SBL short selling of securities at or below the previous day's closing price, if an investor seeks to conduct a day trade in such a security but fails to complete the reversing trade and the selling price was at or below the previous day's closing price, the transaction type may not be reclassified as a regular short sale or SBL short sale.
6. The FSC will continue to monitor the impact of COVID-19 on the overall economy and on Taiwan's stock markets, and will continue urging the TWSE and Taipei Exchange to pay closer attention to the impact of the pandemic on financial and operating conditions at listed companies, and ensure timely disclosure of related information.

### **FSC responds to COVID-19 by adopting temporary measures regarding real estate investments by insurers**

To lessen rent burden of property renters impacted by COVID-19, the FSC on April 1, 2020 invited the ROC Non-Life (and Life) Insurance Associations as well as their member institutions to discuss how to provide insurers temporary relief from regulatory requirements set out in the "Standards and Handling Principles for Determining What Constitutes Real Estate that Can Be Used Immediately With Reasonable Benefit." On April 10, 2020, the FSC issued the following temporary measures:

1. Insurance companies will assess how badly tenants have been affected by COVID-19, and as necessary will enter into discussions with the tenants to work out rent relief measures, such as deferral, rescheduling, or reduction of rental payments.
2. An insurance company that acquires real estate that is in usable condition and for which a lease agreement has been signed is required to report the matter to the FSC in accordance with the "Standards and Handling Principles for Determining What Constitutes Real Estate that Can Be Used Immediately With Reasonable Benefit," but if it provides rent relief to a distressed tenant in such a property, the insurer is eligible for regulatory relief under the aforementioned temporary measures until June 30, 2021. An insurer that has provided a rent reduction may file after-the-fact for regulatory relief.
3. Properties for which an insurer has applied for regulatory relief under the temporary measures need not be

included among the properties where the occupancy rate and investment yield must be checked each month to see whether they meet regulatory requirements. This exemption makes it easier for insurers and distressed tenants to work out rent relief arrangements.

### **FSC announces related measures for the shareholders to enter the venue of a public company's shareholder's meeting and supervises the Taiwan Depository and Clearing Corporation to amend the "Guidelines for Holding of Shareholder Meetings During Epidemic Conditions"**

In response to issuance by the Taiwan Centers for Disease Control of the "Suggested Gathering Limits and Social Distancing Guidelines for Indoor Activities," the Taiwan Depository and Clearing Corporation (TDCC) issued a set of "Disease Prevention Operation Guideline for Shareholder Meetings" on March 16, 2020, and then amended the Guidelines on April 9, 2020. The amended provisions expressly require shareholders to have their temperature taken and wear surgical masks at all times the meeting, and the board must arrange for seats to be placed over 1 meter apart (or set a vacant seat between two shareholders). Newly added provisions accordingly reduce the permissible number of staff inside the venue, and require that the registration must be kept at a proper distance from the shareholder meeting souvenir distribution site.

Also, in order to control COVID-19 spreading, the FSC (having obtained approval from the Central Epidemic Command Center on April 17, 2020) announced as follows on April 20, 2020: "Beginning from this date and continuing until dissolution of the Central Epidemic Command Center, when shareholders enter the venue of a public company's shareholders meeting they must wear surgical masks and have their temperature taken. Any shareholder without surgical mask, or with forehead temperature of  $\geq 37.5^{\circ}\text{C}$  or ear temperature of  $\geq 38^{\circ}\text{C}$  measured twice, shall not be allowed entry into the shareholders meeting." In coordination with this announcement the TDCC (working under FSC oversight) issued an amended version 3 of the aforementioned "Disease Prevention Operation Guideline for Shareholder Meetings" (from which the TDCC removed the previous requirement for public companies to set up an isolation room for people who have been found to have a fever). Public companies will be required to comply with these Guidelines and to plan out meeting place arrangements in advance to ensure that 2020 shareholder meetings proceed smoothly and without incident. The FSC has called again that shareholders are advised to exercise their voting right in the form of electronic voting, and has asked companies to plan out meeting place arrangements in advance to ensure that 2020 shareholder meetings proceed smoothly without incident. In the future, the FSC will also join with the TDCC and shareholder services agents to review meeting procedures on a rolling basis.

### **FSC amends futures trust fund liquidation standards**

On March 19, 2020, the order published by the FSC in accordance with Article 83, Paragraph 2, Subparagraph 3 of the "Regulations Governing Futures Trust Funds," when any of the following circumstances applies to the net asset value of a futures trust fund, the futures trust contract may be terminated after being approved by the FSC:

1. For a futures trust fund offered to unspecified persons:
  - (1) It is a fund other than a futures ETF for which the average net asset value per unit over the previous 30 business days has fallen by a cumulative 70% or more from the initial net asset value per unit, or the average net asset value per unit over that period was below NT\$20 million.
  - (2) It is a futures ETF for which the average net asset value per unit over the previous 30 business days has fallen by a cumulative 90% or more from the initial net asset value per unit, or the average net asset value per unit over that period was below NT\$20 million.
  - (3) Where the net assets value fluctuates substantially due to domestic or foreign financial and economic

conditions or events, the futures trust enterprises may file an application being approved by the FSC, and within a certain period of time the restrictions from the aforementioned provision are exempted notwithstanding.

2. It is a futures trust fund offered to persons meeting certain eligibility requirements and its net asset value is lower than the threshold for termination of the futures trust deed as adopted by the futures trust enterprise when it applied for approval to offer the fund.

### ***Promulgation of the interpretive order regarding the Principle about the Responsible Person of other Financial Institutions Acting Concurrently as the Director or Supervisor of an insurance enterprise***

Considering competition intensity among financial institutions and insurance enterprises, the FSC promulgated the interpretive order regarding the above-mentioned Principle on March 20, 2020 to clearly define the investment relationship and to set the judgement principle for the situation of conflict of interests.

### ***FSC amends the “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises”***

To improve corporate governance, to help insurers and investors better understand companies' shareholder structure, and to enhance the transparency of insurers' equity structure and financial reports, the FSC on March 24, 2020 amended the aforementioned Regulations. Newly added provisions require TWSE-listed or TPEx-listed insurers to disclose information of major shareholders on quarterly financial reports using a prescribed disclosure form. Such information would include the names of shareholders with a stake of 5% or greater, and would specify the number of shares and stake held by each shareholder.

### ***FSC amends the “Regulations Governing Pre-sale Procedures for Insurance Products”***

The FSC amended the aforementioned Regulations on March 30, 2020 in order to: (a) ensure the sound development of insurance firms; (b) encourage insurers to actively develop protection-type and elderly-oriented insurance products as well as policies suited to the needs of an aging society; and (c) accelerate the innovation of new-type insurance products. Key points of the amended Regulations are as follows:

1. For products subject to prior approval procedures that have been rejected by the competent authority and re-submitted for product review within 30 working days of the rejection date, newly added provisions require quicker approval or rejection. And in order to expedite the launch of new insurance products, the amended provisions further specify that if an insurance product submitted for approval pursuant to Paragraph 2 or 3 of Article 15 of the Regulation has already been rejected three times, the competent authority may reject the product outright without proceeding a review.
2. Insurers that rank among the top 20% of the industry in terms of higher percentage of new-policy premium income generated by protection-type and elderly-oriented insurance products in the past year may apply with the competent authority to request that the authority employ use-and-file procedures to products that would normally be subject to prior approval procedures.
3. To reward insurers that perform up to a certain standard in carrying out the Program for Improving Insurance Protection for the People, in conducting microinsurance business, and in supporting the government's effort to encourage life insurers to invest in the “5+2” key innovative industries and public infrastructure projects, the insurers may apply with the competent authority each year before the end of March to request that the authority employ use-and-file procedures to a certain number of products that would normally be subject to prior approval procedures.
4. For insurers that rank among the bottom 5% of the industry in terms of lower percentage of new-policy

premium income generated by protection-type and elderly-oriented insurance products, and for which the aforementioned percentage has declined from the previous year, the FSC may switch to prior approval procedures for the reviewing of products that would normally be subject to use-and-file procedures.

## ***International Activities***

### ***FSC discusses sustainable finance with counterparts from UK, Denmark***

On the afternoon of February 18, 2020, the FSC Vice Chairman Tien-Mu Huang served as the moderator of a sustainable finance lecture event. Deputy Representative Andrew Pittam of the British Office Taipei and Trade Council of Denmark in Taipei Director Bo Mønsted were invited to speak about efforts in their respective countries to promote sustainable finance.

## ***Industry Updates***

### ***FSC approves Mega International Commercial Bank Co., Ltd. to apply to establish a representative office in Jakarta, Indonesia***

On March 31, 2020, the FSC approved an application by Mega International Commercial Bank Co., Ltd. to apply with the local competent authorities in Indonesia to establish a representative office in Jakarta. Currently, Taiwanese banks have established 6 affiliates including 5 representative offices and 1 subsidiary in Indonesia.

### ***FSC approves testing on use of blockchain technology for multi-insurer collaboration on policy conservation and claim settlement services***

To encourage insurers to develop innovative services, the FSC has approved a plan by 11 insurance companies (Shin Kong Life, Cathay Life, Taiwan Life, Nan Shan Life, Fubon Life, Yuanta Life, China Life, TransGlobe Life, First Life, Cathay Century Insurance, and Fubon Insurance) to carry out a pilot project to test the use of hybrid blockchain technology for multi-insurer collaboration on policy conservation and claim settlement services. Under this project, policyholders seeking to amend a contract or settle a claim will only need to submit an application to a single participating insurer, then with the policyholder's consent that insurer can instruct the appropriate participating insurers (via blockchain nodes set up by the ROC Life Insurance Association) to commence processing of the related claim settlement or policy conservation procedures. This new model promises to simplify the application process for policyholders, shorten the time need to process applications for claim settlement or policy conservation services, establish a one-stop application process, and enable platform-wide use of shared documentation. The result will be greater convenience for customers.

### ***NPL Ratio for Domestic Banks as of the End of March 2020***

The total outstanding loans extended by the current 36 domestic banks increased by NT\$274.6 billion (US\$9.08 billion) as compared to the figure of previous month and amounted to NT\$30.3 trillion (US\$1,001.52 billion) at the end of March 2020. Meanwhile, the NPLs of these banks totaled at NT\$73.4 billion (US\$2.43 billion) which increased by NT\$2.8 billion (US\$92.55 million) from NT\$70.6 billion (US\$2.33 billion) as of the end of the previous month. The average NPL ratio of the 36 banks remained at 0.24% compared to previous month, but was down by 0.01 percentage points compared to the same month last year.

The coverage ratio of allowances for NPLs stood at 569.83%. While the ratio decreased by 20.41 percentage points from 590.24% of the previous month, it still remained stable at a higher level.

### ***NPL situation of credit cooperatives at the end of March 2020***

Total NPLs at Taiwan's 23 credit cooperatives stood at

approximately NT\$0.497 billion as of the end of March 2020, generating an NPL ratio of 0.1%, down by 0.01 percentage points at the end of February 2020. The NPL coverage ratio was 2,047.84%, up by 121.08 percentage points at the end of February 2020.

### Net foreign and mainland China investment in listed shares

As of the end of March 2020, foreign investors had bought around NT\$2,361.6 billion and sold around NT\$2,893.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$531.6 billion. In addition, foreign investors had bought around NT\$249.7 billion and sold around NT\$260.2 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$10.5 billion. Meanwhile, mainland China investors had bought around NT\$3.7 billion and sold around NT\$3.9 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$200 million; mainland China investors had bought around NT\$1 billion and sold around NT\$1.6 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$600 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 at the end of March 2020 stood at approximately US\$200.4 billion, down by around US\$10.4 billion from US\$210.8 billion at the end of February 2020. The figure for cumulative net inward remittances by mainland China investors was US\$177.2 million, down by around US\$6.6 million from US\$183.8 million at the end of February 2020.

### Profit/loss, net value and exchange gains/losses of the insurance industry in February 2020

The pre-tax profit of insurance enterprises at the end of February 2020 was NT\$52.6 billion; the pre-tax profit of life insurance enterprises was NT\$49.7 billion, an increase of NT\$32.1 billion, or 182.4%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$2.9 billion, down by NT\$100 million or 3.3% compared with the same period in 2019.

Owners' equity of insurance enterprises at the end of February 2020 was NT\$2,132.1 billion; owners' equity of life insurance enterprises was NT\$1,996.3 billion, an increase of NT\$637.9 billion, or 47%, compared with the same period in 2019; the pre-tax profit of non-life insurance enterprises was NT\$135.8 billion, up by NT\$11.8 billion or 9.5% compared with the same period in 2019.

As of the end of February 2020, the NT Dollar had depreciated by 0.7% versus the US Dollar from the end of 2019. Meanwhile, the pre-tax profit of life insurance enterprises at the end of February 2020 including the combined NT\$40.8 billion impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve was NT\$49.7 billion.

### Sales statistics of foreign-currency denominated products by life insurance industry as of the end of January 2020

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of January 2020 were as follows: Premium revenues from new foreign-currency denominated policies amounted to around NT\$58.732 billion, down by 6% from NT\$62.403 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$14.792 billion (around 25% of the total), down by 35% from NT\$22.728 billion year-on-year, and the sales of traditional insurance products totaled NT\$43.94 billion (around 75% of the total), up by 11% from NT\$39.675 billion year-on-year.

## Investor and Consumer Protection

### FSC reminds consumers to regularly check the expiry of policy period and coverage of their auto insurance

FSC recently called upon consumers to check the expiry of policy period and coverage of their auto insurance, and if it has expired, they should contact the insurer as soon as possible to renew the expired policy. At the same time, the scope of coverage varies from one policy to another, so consumers are urged to regularly check whether the coverage meets their needs. Further information can be inquired with the ROC Non-Life Insurance Association or insurers.

### Gender statistics of microinsurance in 2019

As of 2019, microinsurance has covered 757,309 people accumulatively, among which there are 390,964 (51.63%) female policyholders, more than male policyholders, 366,345 (48.37%). People insured are mainly of Taiwanese indigenous people, 267,484 (35.32%), where women account for 53.64%, higher than that of women insured overall, 51.63%. Age range covered is primarily from 40 to 49 years old, in total 153,001 people (20.20%), where women account for 53.63%, higher than that of women insured overall, 51.63%. In terms of region, Taoyuan City has the highest number of people insured, 157,301 (20.77%), where women account for 50.49%, lower than that of women insured overall, 51.63%, though the gap is not large.

### 2020 School and Community Financial Literacy Campaign

As part of the 2020 School and Community Financial Literacy Campaign, the FSC held 39 financial literacy events in April 2020 at schools and organizations, including the New Taipei City Xinghua Elementary School, attracting a total attendance of 3,915 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of March 2020, a total of 6,357 events had been held and over 1.02 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, and social welfare groups. The Banking Bureau of the FSC will continue the financial literacy campaign in 2020. 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

### FSC imposes sanctions on Fargoly Life Insurance Co.

In a routine examination of Fargoly Life Insurance's business operations in 2018, the FSC discovered that the insurer had violated the Insurance Act and the Money Laundering Control Act in: (a) its implementation of legal compliance system reviews and its conduct of special audits; (b) its management and evaluation of brokerage and agency channels; (c) its control of insurance solicitation disputes; (d) its handling of underwriting and policy conservation procedures for interest-sensitive life insurance products purchased by institutions; and (e) its anti-money laundering operations. The FSC therefore imposed a fine of NT\$3.5 million and issued 6 reprimands against the company in accordance with Article 149, Paragraph 1 and Article 171-1, Paragraph 4 and 5 of the "Insurance Act," and Article 7, Paragraph 5 of the "Money Laundering Control Act".

## Personnel Changes

### Personnel changes at the FSC

FSC Securities and Futures Bureau Director-General Yung-Hsin Wang retired honorably on May 4, 2020 and was replaced by Deputy Director-General of Securities and Futures Bureau Chen-Shan Chang on the same date.