

金融展望月刊

Financial Outlook Monthly

Publisher Tien-Mu Huang

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GPN 2009305443

ISSN 1992-2507

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

July 2021

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No. 200

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

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- FSC announces results of stress tests carried out by insurers
- FSC further promotes financial digitization amid COVID-19 pandemic

Policy and Law

FSC announces results of 2021 supervisory stress tests

The spread of the COVID-19 pandemic since 2020 has led to drastic changes in international economic and financial conditions and increased uncertainty in the overall business environment. The FSC requested Taiwan's 36 domestic banks to conduct the "2021 Supervisory Stress Test" to understand the impact of the low interest rate environment and the pandemic on the capital adequacy of domestic banks. The banks should calculate the changes in capital adequacy ratios and leverage ratios based on the capital adequacy data as of the end of 2020 under the same sequence of stress test scenarios.

The test scenarios include minor adverse scenarios and severe adverse scenarios. The test factors include scenarios where decreased economic growth in Taiwan and major countries, increased domestic unemployment rate, and decreased housing prices that increased expected losses in credit risks and scenarios where losses increased due to market risks exacerbated by the increased volatility in bond, equity, foreign exchange, and commodity markets. Considerations of the impact of narrowing interest margin and reduced fees and commission income on earnings should also be included to measure banks' risk bearing capacity under stress. In addition, the operational risk stress scenario was firstly introduced in which a bank was fined by the FSC for fraud committed by a bank clerk, and required to increase its operational risk capital as a result.

The results of the stress test showed that the average common equity ratio, tier 1 capital ratio, capital adequacy ratio, and leverage ratio of 36 domestic banks under the minor adverse scenario were 10.72%, 11.68%, 13.42%, and 6.11%, respectively; the ratios under the severe adverse scenario were 9.68%, 10.64%, 12.33%, and 5.60%, respectively. All ratios were above the statutory minimum standards (7%, 8.5%, 10.5%, and 3%, respectively, for the four aforementioned ratios). These results indicate that domestic banks have maintained a strong capacity for bearing risks and capital adequacy in response to the impact of the pandemic on the global economy and changes in the financial environment.

FSC announces results of stress tests carried out by insurers

In order to understand how Covid-19 has affected the risk bearing capacity and capital adequacy of insurers, the FSC required non-life and life insurers conduct stress tests on the basis of financial statements as of the end of 2020.

The stress test scenarios projected impacts based on the following situation: (1) Making reference to past overseas mortality and morbidity rates in times of epidemic to project the possible impact of Covid-19 upon insurance risks under extreme conditions; (2) Making reference to possible volatility in financial markets (e.g. stock markets, bond markets, and exchange rates) at home and abroad to project the possible impact upon market risks under extreme conditions; and considering extreme weather environments brought on by climate change to project the possible impact upon the solvency of non-life insurers.

According to the insurance risk stress test results, the life and non-life insurance industries as a whole would have average capital adequacy ratios of 286.08% and 472.26%, respectively, and average net worth ratios of 7.62% and 34.27%, all of which would have been higher than the statutory minimums (200% capital adequacy ratio and 3% net worth ratio). This shows that the insurance industry has strong risk bearing capacity even under Covid-19 scenarios.

According to the market risk stress test results, the life and non-life insurance industries as a whole would have average capital adequacy ratios of 237.72% and 440.5%, and average net worth ratios of 6.71% and 32.37%, all of which would have been higher than the statutory minimums. This shows that the insurance industry has the ability to control overall risks despite changing conditions in the global economy and the financial environment.

According to the results of a stress test on the ability of non-life insurers to withstand climate change risks, major catastrophes caused by climate change during the stress test year (the selected scenario assumed that Taiwan was hit by a series of the strongest category of typhoons) projected that the non-life industry as a whole would have an average capital adequacy ratio of 422.3% and an average net worth ratio of 30.06%, both of which would have been higher than the statutory minimums. This shows that Taiwan's non-life insurance industry has sufficient solvency even under an extremely adverse climate change scenario.

FSC further promotes financial digitization amid COVID-19 pandemic

One way to better control the pandemic is to reduce the need for people to leave home or handle financial business in person at service counters. At the same time, providing more financial services online helps to ensure that financial institutions maintain continuous business operations. Accordingly, the FSC has adopted a number of measures to spur financial institutions to improve mechanisms related to digital finance, and to provide greater choice and convenience to make consumers more willing to use online financial services. Relief measures, as well, will hopefully be handled online as much as possible. Measures adopted by the FSC to achieve these objectives include the following:

1. In the wake of an announcement by the Central Epidemic Command Center that the level 3 COVID-19 alert had been expanded to apply nationwide, the FSC announced on 20 May 2021 that whenever a COVID-19 alert level of 3 or higher is in effect in any single county or municipality, interbank account transfer service charges will be completely waived for transfers made via online banking (including mobile banking) services, and interbank account transfer service charges for transfers made by physical ATM will be reduced by NT\$2.
2. Banks are encouraged to handle COVID relief loans digitally whenever possible, and are allowed to handle identity confirmation online for relief loans that meet the relief loan rules of the government agency program under which such loans are extended. Also, to make it easier for corporate customers to take out loans online during the pandemic, the FSC on 2 June 2021 approved a security mechanism (filed by the ROC Bankers Association) that allows existing corporate customers to take out loans online, and also allows for corporate COVID relief loans to be handled digitally.
3. On 2 June 2021, the FSC asked the ROC Bankers Association to inform its member banks that the application deadline for individual debt workouts made necessary by the pandemic had been extended from June 2021 to end-December 2021, and to ask banks to handle such workouts online as much as possible (provided that compliance with each bank's internal controls is assured). This approach is intended to facilitate the provision of financial services while at the same time protecting the health of bank employees.
4. The FSC asked the ROC Bankers Association to further study security mechanisms that would allow new corporate customers to take out loans and handle identity confirmation online. This new approach will be implemented after the Bankers Association has completed the necessary model contracts and self-regulatory rules. The FSC has also asked the Bankers Association to act as quickly as possible to allow the launch of other online financial services to ensure that financial service needs are met during the pandemic.

FSC issues an order based on Articles 3, Paragraph 3 and Article 4, Paragraph 3 of the "Securities Investment Trust and Consulting Act" to allow SITEs and SICEs to offer high-asset customers offshore funds that do not have the nature of a securities investment trust fund, and to provide high-asset customers with consulting services focusing on such offshore funds.

In 2014, when the FSC began allowing securities investment trust enterprises (SITEs) and securities investment consulting enterprises (SICEs) to market offshore funds that do not have the nature of a securities investment trust fund, while the parties to which such funds could be marketed were limited to qualified institutional investors as defined in Article 4 of the "Securities Investment Trust and Consulting Act." To meet the wealth management needs of high-asset customers, the FSC on 31 May 2021 issued an order declaring that SITEs and SICEs are now allowed to offer high-asset customers (a natural person or a juristic person with financial capacity equivalent to NT\$100 million or above) offshore funds that do not have the nature of a securities investment trust fund, and to provide high-asset customers with consulting services focusing on such offshore funds.

FSC amends "Incentive Policy for Onshore Funds" to attract greater interest among SITEs

To encourage small and medium-sized securities investment trust enterprises (SITEs) to actively participate in the Incentive Policy and make Taiwan's asset management firms more competitive, the FSC on 11 June 2021 amended the "Incentive Policy for Onshore Funds." The amended Policy contains a new provision which provides that for any SITE whose total assets under management (AUM) in the most

recent year ranked in the bottom three-quarters among all SITEs in Taiwan, if the SITE meets the relaxed requirements regarding assessment criteria and number of aspects, then the SITE may benefit from the Policy's basic incentive measures. For example, the SITE may apply with the FSC for approval to publicly offer a fund when the types, scope, and ratios of its investments will not be subject to the restrictions set out in current regulations. In addition, the SITE may apply to offer an ETF-linked fund, and to allow that the master fund in which the ETF-linked fund invests will not be limited to ETFs that track domestic securities. These changes will make it easier for small and medium-sized SITEs to develop innovation funds that possess niche strengths, and they will also facilitate the development of a more diverse range of fund products to meet investor needs.

FSC amends Point 6 of the "Directions for Insurance Enterprises Engaging in Online Insurance Business"

To reduce the risk of the employees of insurance firms coming in contact with COVID-19, and to meet the need of consumers for pandemic-related insurance protection, the FSC has amended Point 6 of the "Directions for Insurance Enterprises Engaging in Online Insurance Business" to permit non-life insurers to conduct online sales of the main contract of "comprehensive insurance for statutory infectious diseases" (including payment of fees and medical benefits). This amendment will make it more convenient for consumers to acquire insurance protection.

FSC adopts "Directions for Provisioning of the Policy Reserve for Specified Protection-Type Insurance Products Sold via the Online Platform for Protection-Type Insurance Products"

To encourage insurers to design and sell protection-type insurance products, thereby raising the level of insurance protection in Taiwan, the FSC on 21 May 2021 began allowing life insurers to sell specified protection-type insurance products via an FSC-designated platform. For these products, the applicable reserve valuation rate is based on the current year's "Auto-adjust Actuarial Formula of the Policy Reserve Rate for Life Insurance Policies Denominated in each Currency" as issued by the FSC, and the new contract policy reserve rate can be further raised by a maximum of 0.75 percentage points in the case of term insurance products with a coverage period of six years or less. These Directions will take effect on 1 July 2021.

Industry Updates

FSC issues first year results of the "Financial Inclusion Indicators for Taiwan (2020)" and adjusts Indicators for 2021

In order to understand whether its measures meet the needs of people for financial services, the FSC has established the "Financial Inclusion Indicators for Taiwan in 2020." These Indicators evaluate the accessibility, usability, and quality of financial services on the basis of 21 performance indicators and as well as 4 observatory indicators. The data that make up these indicators are mainly collected from financial institutions and the various financial industry self-regulatory organizations.

The results of the Financial Inclusion Indicators for Taiwan for 2020 show that Taiwan outperformed the global average in some indicators. For example, in average every 100,000 adults in Taiwan have barrier-free access to 18 bank branches and 161 ATMs, which is higher than the global average of 17.7 branches and 56 ATMs; 92.9% of adults possess bank or post office accounts, 68.1% have used electronic payments, and 73.2% have life insurance policies, and these figures are higher than the global averages of 69%, 52% and 64.7%. The results show that people in Taiwan can easily access financial services and are accustomed to using financial services and products. Considering that many of the indicators announced last year have achieved the targets, the FSC has adjusted the Financial Inclusion Indicators for 2021 to further promote financial inclusion. The 2021 version includes 24 performance indicators as well as 4 observatory indicators.

The purpose of adopting the "Financial Inclusion Indicators for Taiwan" is to understand the effectiveness of financial measures rolled out and also to pursue better financial service quality through the setting of targets. In addition, the FSC will take various measures to encourage financial institutions to introduce financial products or services that meet the needs of all sectors of society, improve the financial literacy

of the public, and increase the usage rate of financial services. Finally, the FSC hopes to improve the quality of life in Taiwan and achieve the goal of inclusive growth.

FSC grants permission to Taichung Bank to apply with Vietnam authorities to establish representative office in Ho Chi Minh City

In view of the close economic and trade ties between Vietnam and Taiwan, Taichung Bank has drawn up plans to establish a representative office in Ho Chi Minh City in order to: serve the financial needs of Taiwan-invested firms from a nearby business location; keep a finger on the pulse of the local financial industry; establish cooperative ties among overseas Taiwanese firms, multinational corporations, and international financial institutions; and develop cross-border business channels.

Taichung Bank also has a branch in Labuan, Malaysia. Overall, 14 Taiwanese banks have a combined total of 12 representative offices, 12 branches, and 1 banking subsidiary in Ho Chi Minh City, Hanoi, and Dongnai.

NPL ratio for domestic banks as of the end of May 2021

The total outstanding loans extended by the current 38 domestic banks increased by NT\$308.8 billion (US\$11.17 billion) as compared to the figure of previous month and amounted to NT\$32.38 trillion (US\$1,170.6 billion) at the end of May 2021. Meanwhile, the NPLs of these banks totaled at NT\$69.5 billion (US\$2.51 billion) which decreased by NT\$2.3 billion (US\$0.08 billion) from NT\$71.8 billion (US\$2.59 billion) as of the end of the previous month.

With a slight decrease of 0.01 percentage point, the average NPL ratio of the 38 banks fell to 0.21% down from 0.22% at the end of previous month, and was down by 0.03 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 21.74 percentage points and therefore rose to a figure of 629.28% from 607.54% of the previous month.

NPL situation of credit cooperatives at the end of May 2021

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.566 billion as of the end of May 2021, generating an NPL ratio of 0.11%, up by 0.01 percentage points than that of the end of April 2021. The NPL coverage ratio was 1,898.7%, down by 24.93 percentage points from 1,923.63% at the end of April 2021.

Net foreign and mainland China investment in listed shares

As of the end of May 2021, foreign investors had bought around NT\$9,301.0 billion and sold around NT\$9,635.3 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$334.3 billion. In addition, foreign investors had bought around NT\$1,210.1 billion and sold around NT\$1,199.6 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$10.5 billion. Meanwhile, mainland China investors had bought around NT\$5.1 billion and sold around NT\$6.1 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$1 billion; and mainland China investors had bought around NT\$171 million and sold around NT\$489 million worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$318 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 May 2021 stood at approximately US\$221.3 billion, up by around US\$3.2 billion from US\$218.1 billion at the end of April 2021. The figure for cumulative net inward remittances by mainland China investors was US\$44 million, down by around US\$23 million from US\$67 million at the end of April 2021.

Taishin Financial Holdings applies to acquire 100% equity stake in Prudential Life Taiwan; deal set for consummation after Taishin fulfills commitments made to FSC and FSC issues letter of approval

On 31 May 2021, the FSC approved an application by Taishin Financial Holding Co., Ltd. (Taishin Financial Holdings) to acquire 100% equity stake in Prudential Life Insurance Company of Taiwan Inc. (Prudential Life Taiwan). The deal will be consummated after Taishin Financial Holdings fulfills the commitments it made in the acquisition proposal submitted to the FSC and the FSC issues a letter of approval.

The FSC reviewed the application and found that the proposed

acquisition was in line with the applicable provisions of the "Financial Holding Company Act" and the "Insurance Act," but granted only provisional approval because Taishin Financial Holdings has made commitments to the FSC (e.g. to safeguard the interests of the customers and employees of Prudential Life Taiwan, to continue operating the business of Prudential Life Taiwan for a long time to come, and to carry out capital injections over the coming 10 years as the need arises at Prudential Life Taiwan) that are subject to approval by Taishin's board of directors. The deal will not be consummated until the FSC has reviewed and approved the following items: (a) the meeting agenda and minutes of a meeting in which the Taishin board of directors approves the commitments; (b) a contract between Taishin Financial Holdings and a custodian institution, in which Taishin authorizes the institution to maintain custody and dispose of the shares; and (c) an itemized statement of assets under custody, provided by the custodian institution.

The FSC has required Taishin Financial Holdings to: (a) fulfill the commitments it made to the FSC, and to sell off certain assets in order to obtain funds needed to settle the share acquisition; (b) issue a material information disclosure in accordance with legal provisions governing information disclosures; and (c) take a list of its commitments to FSC and submit them to its board of directors for approval.

Online Platform for Protection-Type Insurance Products to be launched on 1 July 2021, will provide public with more channels for buying protection-type insurance products

To ensure that the public has access to insurance products that are simple and provide excellent value for the price, thus raising the level of insurance protection throughout society as a whole, the FSC asked the Taiwan Depository & Clearing Corporation (TDCC) to draw up plans for a Retirement Planning Platform that will promote insurance protections, facilitate retirement investing, and serve the public interest. In addition, the FSC also hired FundRich Securities to set up (within the Retirement Planning Platform) the Online Platform for Protection-Type Insurance Products. Scheduled to begin operating on 1 July 2021, the Online Platform for Protection-Type Insurance Products will provide the public with more channels for buying protection-type insurance products.

In the future, Taiwan citizens will be able to log on to the Retirement Planning Platform, click into the special insurance section, and use the Retirement Planning Platform to calculate where they have insufficient insurance protection, and learn about different types of protection-type insurance products and the scope of coverage. The Online Platform for Protection-Type Insurance Products will work as follows:

1. The Online Platform for Protection-Type Insurance Products will provide an easy, simple way of selecting and purchasing insurance products online. It will present links to insurance company websites, and members of the public will be able to use the Platform to identify the types of insurance they are interested in. Then they can link from there to an insurance company website and complete the online purchase of an insurance product. If a person needs any further information or services, the insurance company can provide it.
2. Initially, the Platform will facilitate the selection of the following three types of insurance products: (a) the main contract of conventional term life insurance products; (b) micro-whole-life insurance; and (c) the main contract of critical illness health insurance products. Any insurance product that meets the requirements of the "Directions Regarding Insurance Lines and Product Specifications for the Online Platform for Protection-Type Insurance Products" can be sold via an insurance company website. To ensure that insurance premiums are relatively inexpensive, the FSC has set a relatively low cap on the anticipated expense loading factor for products on the Platform.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2021

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of March 2021 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$166.176 billion, up by 25% from NT\$133.152 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$81.005 billion (around 49% of the total), up by 127% from NT\$35.747 billion year-on-year, and the sales of traditional insurance products totaled NT\$85.171 billion (around 51% of the total), down by 13% from NT\$97.405 billion year-on-year.

Profit/loss, net value and exchange gains/losses of the insurance industry as of end-April, 2021

The pre-tax profit of insurance enterprises at the end of April 2021 was NT\$213.1 billion. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$205.2 billion, up by NT\$135.2 billion, or 193.1% over the corresponding period, while the pre-tax profit of non-life insurance enterprises was NT\$7.9 billion, up by NT\$3.5 billion or 79.5%.

The owners' equity of all insurance enterprises at the end of April 2021 was NT\$2,659.5 billion, up by NT\$751.2 billion, or 39.4% over the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,510.5 billion, an increase of NT\$732.7 billion, or 41.2%, and the owners' equity of nonlife insurance enterprises was NT\$149.0 billion, up by NT\$18.5 billion or 14.2%.

As of the end of April 2021, the NT Dollar had appreciated by 1.96% against the US Dollar since the end of 2020, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$34.6 billion, down by NT\$11.6 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises was a negative NT\$97.8 billion. Over the same period of 2021, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$292.2 billion.

FSC analyzes gender and age distribution of beneficiaries of property trusts for seniors and persons with disabilities

As of end-December 2020, beneficiaries of property trusts for seniors and persons with disabilities (retirement trusts) had a total of 33,620 trust beneficiaries, of whom 56% were female and 44% were male. Among trust beneficiaries aged 70 or younger, 55% were female and 45% were male, while among trust beneficiaries aged 70 or older, 60% were female and 40% were male.

Investor and Consumer Protection

2021 Financial Literacy Campaign for the Campus and Community

As part of the 2021 Financial Literacy Campaign for the Campus and Community, the FSC, using online and other methods, held two financial literacy events in June 2021 at schools and organizations, including Minghu Elementary School in Taipei City. Due to the escalation of COVID-19 alert in Taiwan, most previously scheduled financial literacy events were canceled in order to reduce the risk of cluster infection. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of December 2020, a total of 6,865 events had been held and over 1.06 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, social welfare groups, senior citizens' groups, police, fire fighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue to promote the financial literacy campaign in 2021, and may also hold outreach activities online. Schools or community groups interested in the campaign are invited to register through the website of the Banking Bureau. For more information, please contact us at (02) 8968-9710 or (02) 8968-9711.

FSC urges investors to pay attention to fundamentals, and to cast shareholder votes electronically

The FSC recently called upon investors to pay attention to the fundamentals of listed companies, and to carefully note the impact of COVID-19 on the overall economy and on the performance of stocks in Taiwan. In the event of any irrational price drops in the stock markets, the government will take action as necessary to ensure stability.

In view of the fact that anyone attending a shareholders meeting this year in person will have to comply with a lot of pandemic prevention measures, the FSC has again urged investors to use electronic means to attend shareholders meetings and exercise their voting privileges in order to help listed companies to conduct their shareholders meetings smoothly. There are currently three electronic voting methods: (a) If investors want to vote through their securities firm's securities trading app, all they have to do is log in and tap E-voting. Then the app will redirect them to a voting platform administered by the Taiwan Depository & Clearing Corporation (TDCC). (b) If investors wish to

vote by using the TDCC's ePASSBOOK app, they will see a shortcut named Stockvote at the bottom of the Home Page, and this will take them to the TDCC's e-voting platform. (c) Investors can also use a computer to vote via the TDCC's Stockvote website (<https://www.stockvote.com.tw>).

FSC accepts filing of the "Temporary Principles for the Conduct of Face-to-Face Interactions and the Handling of Hardcopy Documents by Life Insurers during the COVID-19 Pandemic" and related temporary operating rules

Amidst the spread of COVID-19 in Taiwan, to ensure that life insurers can maintain business continuity to meet the need of customers for insurance protection and services, the FSC on 25 May 2021 agreed to accept the filing by the ROC Life Insurance Association of its "Temporary Principles for the Conduct of Face-to-Face Interactions and the Handling of Hardcopy Documents by Life Insurers During the COVID-19 Pandemic" and related temporary operating rules governing business solicitation, underwriting, policy servicing, claims settlement, and product review procedures. While paying due attention to the need for proper risk control, these temporary principles and rules were designed to facilitate stable development of the insurance industry, and took effect immediately. These temporary principles and rules serve as useful reference for life insurers seeking to maintain their basic business operations while paying balanced attention to the interests of customers as well as the health of employees.

FSC accepts filing of "Temporary Principles for the Conduct of Face-to-Face Interactions and the Handling of Hardcopy Documents by Non-Life Insurers during the COVID-19 Pandemic" and related temporary operating rules

Amidst the spread of COVID-19 in Taiwan, to ensure that non-life insurers can maintain business continuity and meet the need of customers for insurance protection and services, the FSC on 26 May 2021 agreed to accept an informational filing by the ROC Non-Life Insurance Association of its "Temporary Principles for the Conduct of Face-to-Face Interactions and the Handling of Hardcopy Documents by Non-Life Insurers During the COVID-19 Pandemic" and related temporary operating rules. These temporary principles and rules require the use of recorded videoconferences, or the transmission of emailed, photographed, scanned, or faxed documents, to eliminate the need for face-to-face interactions or the handling of hardcopy documents. This approach reduces direct contact among people during the pandemic, and seeks to pay balanced attention to the interests of customers as well as the health of employees.

Major Enforcement Actions

FSC imposes administrative penalty on Capital Target Limited (CTL) of Hong Kong

During a financial examination, the FSC discovered discrepancies regarding the beneficial owners of CTL, a major shareholder of Jih Sun Financial Holding Co., Ltd. (JSFH), and there were also questions regarding whether CTL is funded by capital from mainland China. The FSC has repeatedly requested CTL to provide an explanation of the relationship between the source of funds for investments in JSFH and the beneficial owners it had reported, the decision making process of the reported beneficial owners for assigning members of the board of directors, and the internal authorization procedure in accordance with regulations to confirm the accuracy of CTL's reported beneficial owners. However, CTL has failed to provide complete information to clarify the concerns regarding the beneficial owners. The FSC therefore concluded that CTL has failed to report information in violation of Article 16, paragraph 2 of the Financial Holding Company Act and imposed a fine of NT\$25 million in accordance with the Article 16, Paragraph 10 of the same Act. The FSC also restricted CTL's voting rights for shares issued by JSFH for which CTL has failed to report in accordance with regulations, and ordered CTL to dispose of such shares within 1 year starting from the date of service of the penalty.

FSC imposes sanctions on Mega International Commercial Bank

The FSC recently discovered deficiencies in Mega International Commercial Bank's handling of mortgage loan business that revealed a failure to properly establish and sufficiently implement internal controls in a manner that violated Article 45-1, Paragraph 1 of the "Banking Act." The FSC therefore imposed an administrative fine of NT\$10 million on Mega International Commercial Bank in accordance with Article 129, Subparagraph 7 of the same Act.