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Ministry of Justice Anti-Corruption Hotline 0800-286-586
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- FSC amends Article 3 of "Regulations Governing Domestic Branches of Financial Institutions"
- FSC amends Article 7 of "Regulations Governing the Issuance of Call (Put) Warrants by Issuers"
- FSC amends Article 23 of "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies"

Policy and Law

FSC amends Article 3 of "Regulations Governing Domestic Branches of Financial Institutions"

In order to help credit cooperatives achieve financial inclusion through locally run business operations, the FSC on 19 April 2022 amended the proviso under Article 3, Paragraph 2, Subparagraph 4 of the "Regulations Governing Domestic Branches of Financial Institutions." Prior to its amendment, the proviso read as follows: "But if 1 times the average ROE of domestic banks and credit cooperatives in the three years prior to application exceeds 5%, then a credit cooperative may meet this requirement if its average before-tax return on equity in the three years prior to application reaches 5%." Now, the post-amendment proviso reads as follows: "But if 1 times the average ROE of domestic banks and credit cooperatives in the three years prior to application exceeds 4%, then a credit cooperative may meet this requirement if its average before-tax return on equity in the three years prior to application reaches 4%, or if its average ratio of self-owned capital to risk-weighted assets in the three years prior to application reaches 12%." This amendment will facilitate the establishment of branches of credit cooperatives.

FSC amends Article 7 of "Regulations Governing the Issuance of Call (Put) Warrants by Issuers"

The FSC recently carried out a comprehensive review of provisions mentioning "major enforcement actions" in the various laws and regulations under its jurisdiction. Among these, in the securities field the FSC has amended Article 7, Subparagraph 9 of the "Regulations Governing the Issuance of Call (Put) Warrants by Issuers," which empowered the FSC to deny, void, or revoke an issuer's accreditation if "there is a major dispute or violation with respect to rights and interests that could influence the issuer's finances or business, and there is no resolution or improvement," but in the post-amendment provision the 'or violation' part has been deleted, primarily because Article 5, Paragraph 2 and Article 7, Subparagraph 11 of the same Regulations already provides that when an issuer applies with the FSC for accreditation as a qualified issuer of call (put) warrants, the applicant must not have received a major sanction within a certain period of time. This change has been made to uphold the principle of legal certainty, and to ease compliance by issuers.

FSC amends Article 23 of "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies"

In order to simplify the filing procedures of internal control system statements by banks that are concurrently engaged in operating insurance agent or insurance broker business, the FSC on 11 April 2022 amended Article 23 of the "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent

Companies and Insurance Broker Companies" to allow all such banks in the future to resume filing their internal control system statements in accordance with the provisions of Article 27 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," which means that these banks will not have to file separate internal control system statements for their concurrently operated insurance agent or insurance broker businesses.

FSC grants approval for central securities depository to conduct lump-sum transfers of investment trust fund sums handled in central clearing

To allow for more efficient transfer of monetary sums into and out of investment trust funds ("funds"), the FSC on 12 May 2022 issued a directive in which it granted approval for the Taiwan Depository & Clearing Corporation (TDCC) to conduct lump-sum transfers of fund sums handled in central clearing. In addition, the FSC also announced that it would oversee a project by the TDCC to plan out the establishment of a domestic fund asset central clearing platform, which will provide fund transfer services among fund distributors, securities investment trust enterprises (SITEs), and custodian banks.

This platform will provide a standardized and automated mechanism for the transfer of funds in the investment fund market, which will simplify the funds handling procedures of SITEs, fund distributors, and custodian banks, effectively lowering operational risks and overhead, improving the competitiveness of the fund market, improving efficiency of funds operations, spurring fund trading activity, and bringing about more stable growth.

FSC reminds listed companies to hold shareholders' meetings during pandemic in accordance with the TDCC's epidemic prevention guidelines and encourage investors to exercise voting rights electronically

In preparation for the upcoming 2022 shareholders' meeting season, the FSC has once again reminded companies to hold shareholders' meetings amidst the pandemic in accordance with the Taiwan Depository & Clearing Corporation's epidemic prevention guidelines for shareholders' meetings, and to plan out meeting place arrangements in advance to ensure that 2022 shareholders' meetings proceed smoothly.

To facilitate the exercise by shareholders of their voting rights, as of 1 January 2018 the FSC requires companies listed on the Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX) to make the option of electronic voting available when it holds a shareholders' meeting. Also, in order to facilitate shareholder activism and continue improving corporate governance, the FSC on 18 January 2022 issued a directive extending the scope of companies required to adopt electronic voting at shareholders' meetings to include emerging stock board companies. This requirement will enter into force from 1 January 2023. The FSC calls on companies and shareholder services institutions to strongly encourage shareholders to exercise their voting rights electronically during the pandemic, so as to avoid exacerbating the pandemic while simultaneously meeting the needs of companies to hold shareholders' meetings.

Securities and futures enterprises get go-ahead to share customer data with other financial institutions for the benefit of customers and operational efficiency

To respond to fintech development, provide customers with greater convenience, bring about better risk control by financial institutions, and spur increased cooperation among financial institutions, the FSC on 23 December 2021 adopted a set of "Guidelines for Data Sharing between Financial Institutions" to set out the information sharing mechanism in which financial institutions are allowed to engage.

To provide securities and futures enterprises with a clear set of legal requirements to guide the sharing of customer data among themselves, thus ensuring that such data is used reasonably and investor interests are protected, the FSC on 20 January 2022 issued a directive which expressly provides that securities and futures enterprises are allowed to share customer data with other financial institutions. The directive also sets out related regulatory requirements and application procedures, including the following:

1. When securities and futures enterprises share customer data with other financial institutions, they are required to establish internal rules and get them approved by their board of directors. The scope and procedures of such data sharing must be approved in advance by the customer and set out in the privacy policy that a company posts on its website, and shall further be subject to the "Personal Data Protection Act" as well as the FSC's "Guidelines for Data Sharing between Financial Institutions" except in cases where data sharing is permitted by other legislation, in which case such legislation shall apply.
2. When a securities or futures firm shares customer data with another financial institution that is not controlled by the same parent company, it must first apply with the FSC for prior approval. Once prior approval for a first instance of data sharing has been granted, further instances of such data sharing will be regulated as permissible data sharing so long as it does not go beyond the scope of a previously approved mode of data sharing, but need only be filed for informational purposes with the appropriate securities or futures industry association.

The TWSE, TPEX, TAIFEX, and the three securities and futures industry associations to hold seminars on FSC's "Transition Strategies of Sustainable Development for Securities and Futures Sectors"

To promote sustainable development of securities and futures enterprises, and to ensure sound development of Taiwan's securities and futures markets, the FSC on 8 March 2022 issued a set of "Transition Strategies of Sustainable Development for Securities and Futures Sectors" in order to help securities and futures enterprises achieve a smooth sustainability transition. To facilitate the efforts of securities and futures enterprises to understand the content of the Transition Strategies and related implementation measures, the FSC has asked the Taiwan Stock Exchange (TWSE), the Taipei Stock Exchange (TPEX), the Taiwan Futures Exchange (TAIFEX), and the three securities and futures industry associations to hold informational seminars for directors, supervisors, senior management, and other employees at securities and futures enterprises. Topics to be addressed at the seminars will include: specific measures for implementing the Transition Strategies; international development trends and important supervisory regulations; corporate governance; sustainability; and cyber defense.

The TWSE held its first informational seminar for directors, supervisors, and senior management on 13 May 2022 to help them better understand policy goals and directions. Also, the TPEX, the TAIFEX, and the three securities and futures industry associations plan to hold informational seminars from June through October

for securities and futures enterprises regarding the content of the Transition Strategies. For information on the times and locations of the seminars, please see the websites of the TWSE, various other peripheral organizations, and the three securities and futures industry associations.

To implement the Transition Strategies, the peripheral organizations, the three securities and futures industry associations, and securities and futures enterprises will need to lend their cooperation to the FSC. The FSC hopes that securities and futures enterprises will keep informed of the Transition Strategies and their progress in implementing them, so as to achieve the goal of transformation to a sustainable financial industry.

Industry Updates

NPL Ratio for Domestic Banks as of the End of April 2022

The total outstanding loans extended by the current 39 domestic banks increased by NT\$366.4 billion (US\$12.43 billion) as compared to the figure of previous month and amounted to NT\$35.02 trillion (US\$1,187.9 billion) at the end of April 2022. Meanwhile, the NPLs of these banks totaled at NT\$57.1 billion (US\$1.94 billion) which increased by NT\$0.7 billion (US\$0.02 billion) from NT\$56.4 billion (US\$1.91 billion) as of the end of the previous month. The average NPL ratio of the 38 banks remained at 0.16% compared to previous month, but was down by 0.06 percentage points compared to the same month last year.

The coverage ratio of allowances for NPLs stood at 814.67%. While the ratio slightly decreased by 2.58 percentage points from 817.25% of the previous month, it still remained stable at a higher level. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of April 2022. The FSC will request banks to undertake measures to improve asset quality and financial structure on an ongoing basis.

NPL situation of credit cooperatives at the end of April 2022

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.732 billion as of the end of April 2022, generating an NPL ratio of 0.13%, up by 0.02 percentage points from the end of March 2022. The NPL coverage ratio was 1,571.11%, down by 223.74 percentage points from 1,794.85% at the end of March 2022.

Net foreign and mainland China investment in listed shares

As of the end of April 2022, foreign investors in the year to date had bought around NT\$6.068 trillion and sold around NT\$6.7091 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$641.1 billion. In addition, foreign investors in the year to date had bought around NT\$1.0054 trillion and sold around NT\$1.0397 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$34.3 billion. Meanwhile, mainland China investors had bought around NT\$0.8 billion and sold around NT\$1.7 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.9 billion; and mainland China investors had bought NT\$0.1 billion and sold around NT\$0.3 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.2 billion. 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 April 2022 stood at approximately US\$223.2 billion, down by around US\$4.7 billion from US\$227.9 billion at the end of March 2022. The figure for cumulative net inward remittances by mainland China investors was US\$29 million, equal to the US\$29 million at the end of March 2022.

Profit/loss, net value, exchange gains/losses, hedging gains and losses, and foreign exchange volatility reserves of insurance enterprises as of end-March 2022

The pre-tax profit of insurance enterprises at the end of March 2022 was NT\$135.6 billion, down by NT\$41.7 billion, or 23.5%, year-on-year. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$128.8 billion, down NT\$43 billion, or 25% year-on-year, while the pre-tax profit of non-life insurance enterprises was NT\$6.8 billion, up NT\$1.3 billion, or 23.6%, year-on-year.

The owners' equity of all insurance enterprises at the end of March 2022 was NT\$2,349.7 billion, down by NT\$195.8 billion, or 7.7%, from the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,193 billion, a decrease of NT\$202.2 billion, or 8.4%, and the owners' equity of non-life insurance enterprises was NT\$156.7 billion, up by NT\$6.4 billion or 4.3%.

As of the end of March 2022, the NT Dollar had depreciated by 3.4% against the US Dollar since the end of 2021, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$107.9 billion, up by NT\$64.2 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 as of end-March 2022 was NT\$23.2 billion. Over the same period, 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\$327.1 billion.

Sales of spillover-effect insurance products and provision of in-kind benefits by life insurers in the first quarter of 2022

The FSC has approved or accepted registrations of 105 spillover-effect insurance products from 9 life insurance companies. In total, 219,101 contracts for such products were sold in first quarter of 2022, up by 85% from 118,427 compared to the same period of 2021. The first-year premium income was NT\$3,246.76 million, up by 242% from NT\$949.72 million compared to the same period of 2021. The FSC has approved or accepted registrations of 34 in-kind payment insurance products from 6 life insurance companies. In total, 43,982 new contracts for such products had been sold in the first quarter of 2022, up by 1,307% from 3,125 compared to the same period of 2021. The first-year premium income was NT\$697.38 million, up by 3,193% from NT\$21.18 million compared to the same period of 2021.

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2022

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of February 2022 were as follows: premium revenues from new foreign-currency denominated policies

amounted to around NT\$109.962 billion, up by 6% from NT\$103.677 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$42.11 billion (around 38% of the total), down by 18% from NT\$51.569 billion year-on-year, and the sales of traditional insurance products totaled NT\$67.852 billion (around 62% of the total), up by 30% from NT\$52.108 billion year-on-year.

Individual home loans: outstanding amounts and interest rates by gender

Over the past 10 years, the outstanding amounts of individual home loans have been trending upward, reaching NT\$9.98 trillion in 2021, up by NT\$3.35 trillion from the figure of NT\$6.63 trillion in 2012. Breaking down by gender, outstanding loans to male borrowers stood at NT\$1.91 trillion and to female borrowers stood at NT\$1.44 trillion. Over the past 10 years, average home loan interest rates have dropped from 2.13% to 1.51% for males and from 2.11% to 1.5% for females. Female borrowers thus enjoy slightly lower interest rates than male borrowers, but the difference is not great.

Investor and Consumer Protection

FSC coordinates with "Guidelines for Home Care Management of Confirmed COVID-19 Cases" by assisting with the adoption by insurers of consumer protection measures

To coordinate with the "Guidelines for Home Care Management of Confirmed COVID-19 Cases" issued by the Central Epidemic Command Control Center on 8 April 2022, the FSC is working with the ROC Non-Life Insurance Association and the ROC Life Insurance Association to address certain matters pertaining to the scope of coverage of currently sold COVID insurance products. With regard to per diem hospitalization benefits, for example, an insured person diagnosed by a doctor as having a notifiable infectious disease originally had to be admitted to a hospital, a collective quarantine facility, or a quarantine hotel to receive treatment or care, but local governments recently have had to distinguish between mild and severe cases in order to make the best possible use of limited healthcare resources. In certain cases, infected persons are asked to seek home care. During the home care period the COVID-19 care and support center set up by the local government must periodically assess individual cases, and when necessary home care medical teams will provide telemedicine service or hospital referrals. An individual with a confirmed infection who has either no or mild symptoms may receive the same settlement as that accorded to a person who is admitted to a hospital.

Fine notice for failure to obtain compulsory automobile liability insurance now includes an application form for renewal of compulsory automobile liability insurance

Vehicle owners are sometimes fined for failure to obtain compulsory automobile liability insurance, and are then fined again for continued failure to obtain the insurance. To avoid this situation, the FSC Insurance Bureau and the Directorate General of Highways (under the Ministry of Transportation and Communications) on 28 April 2022 introduced a new method of including an application form for renewal of compulsory automobile liability insurance in the fine notice for vehicle owners who fail to obtain compulsory automobile liability

insurance. This method both provide reminder and convenience for vehicle owners by paying the premium at a convenience store or reading the QR code with their mobile phone, and thus renewing their compulsory automobile liability insurance.

2022 Financial Literacy Campaign for the Campus and Community

In the month of May 2022, the FSC held 11 activities at different locations, including the Changhua Detention Center, as part of the 2022 Financial Literacy Campaign for the Campus and Community, attracting 1,145 participants. The Financial Literacy Campaign is free of charge, and has struck a chord with many people since its inception in 2006. As of the end of 2021, a total of 7,351 events had been held and over 1.1 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 2022. 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.

Major Enforcement Actions

FSC fines KGI Bank NT\$6 million

The FSC recently discovered that former employees of KGI Bank had misappropriated customers' funds and engaged in abnormal fund transactions with customers that revealed a failure to properly establish and sufficiently implement internal controls, in violation of Article 45-1, Paragraph 1 of the "Banking Act" as well as Articles 3 and 8 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries," which were adopted on the authority of said Article 45-1. The FSC therefore imposed an administrative fine of NT\$6 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.