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The FSC has upheld the principle of a two-pronged supervisory approach in recent years; on the one hand, attaching importance to risk and integrity while, at the same time, pursuing liberalization and innovative development to allow financial markets to develop evenly and financial institutions to operate sustainably; we also encourage the financial industry to help ordinary industry develop and to meet diverse financial requirements. Guided by the idea of “innovation and stability,” the FSC will continue to work to strengthen the constitution of financial institutions and actively assist financial industry gain more business opportunities to enhance overall competitiveness and maintain sustainable operations.

With respect to building a complete financial regulatory framework, the FSC has completed the promotion of five financial bills, including the Act Governing Electronic Payment Institutions, providing a solid regulatory foundation for e-commerce payment services, further promoting the sound development of the financial industry and strengthening of financial consumer protection; enforcement of this act will usher in innovations in domestic payment service and create e-commerce business opportunities, bringing significant benefits in terms of facilitating domestic e-commerce industry development and assisting young entrepreneurs.

With respect to promoting international bonds, since investment in foreign currency denominated bonds (including Formosa bonds) by insurance firms, has no longer been counted toward the 45% cap on insurers’ foreign investments, the value of international bonds (including Formosa bonds) issued reached NT$ 694.4 billion at the end of 2014, a total increase of 406%, successfully creating a win win situation not only increasing insurance firm capital use benefits but also increasing the domestic international bond market scale.

With respect to establishing a presence in Asia, to take advantage of the move of the center of the world economy to the East and nurture Asian regional financial institutions, the FSC is continuously helping financial institutions expand their presence in Asian markets through four measures, including regulatory relaxation, cooperation with other regulatory counterparts, international talent cultivation and expanding overseas presence databases. In terms of deregulation, Article 74 of the Banking Act has been amended; the ceiling for total re-investment is now calculated by net worth (instead of paid-in capital), and the insurers’ restrictions have been eased with respect to the business scope and foreign investment cap in overseas insurance related business, in order to expedite overseas mergers and acquisitions, and help financial institutions accelerate the overseas expansion.

As of the end of 2014, the number of overseas branches of various financial industries had increased markedly. In total, domestic banks have 361 overseas branches/offices, with 268 in Asia; domestic securities firms have established 125 overseas branches/offices, with 81 in Asia; insurance companies have established 23 offices, 5 subsidiaries and acquired a stake in 11 financial institutions in Asia. Also, from the second half of 2013, 15 overseas acquisitions have taken place.
With respect to expanding the business scope of financial industry, the FSC has, in accordance with the negative list principle, fully opened up the range of products that can be sold by bank OBU, as well substantially easing restrictions on the businesses that OSU can engage in and products that they can sell; at the same time, through amendment of the Offshore Banking Act, the FSC has relaxed restrictions on the establishment of OIU by insurance companies, encouraging financial institutions to innovatively develop various types of financial product and make Taiwan an Asia-Pacific wealth management center. In addition, to further expand the businesses that financial institutions can engage in and business opportunities, opening of DBU, DSU, DIU business and products is being considered.

To strengthen the innovation capability of the financial industry, the FSC established the Financial Innovation Group and carried out a full review of regulations, quickly revising any regulations that were an obstacle to financial innovation to encourage financial institutions to build up the ability to develop financial products. In addition, in light of the fact that financial service provision models are continually being changed by new technology and innovative business models, to allow financial services to keep up with the times, keep in step with information developments, and allow customers to more conveniently use various financial services, the FSC put forward the Digital Financial Environment Building Program, aimed at building a sound digital financial environment, and also put in big data application and analysis and open data.

To further enhance the overall competitiveness of domestic financial institutions, the FSC put forward the Financial Industry Infrastructure Program-Golden Stone Plan, composing 12 elements as follows:

- enlargement of capital and asset scale, support of tender offer under certain conditions, promotion of product innovation capability, financial talent nurture, clamp-down on cut-throat low price competition, and risk control management. The Plan is now actively implemented, with an aim to bring about the transformation and upgrading and strengthen the constitution of financial institutions.

The financial system is a part of infrastructure that is indispensable to a progressive society. Only through the professionalism and risk control of the financial industry can industry develop and living standard be improved. Accordingly, the FSC will continue to provide an environment conducive to financial industry innovation by further liberalization together with supervisory measures in line with international standards; meanwhile, we will demand that the financial industry attaches importance to risk control and consumer protection; in addition, we encourage the industry to participate in charity activities, so that the financial industry does not just take from the society but gives it back. Our ultimate goal is to generate higher value for the financial industry, the investing public and the Taiwan’s society.

Chairman Ming-Chung Tseng
Organizational Structure and Functions of the FSC

The FSC was established on 1 July 2004 as the competent authority with overall responsibility for supervising, regulating, and facilitating the development of financial markets and financial services in Taiwan, and for conducting financial examinations. The FSC seeks to ensure the sound operation of financial institutions, maintain financial stability, and promote the development of our financial markets. The FSC exercises its supervisory duties independently in accordance with the law, and within the scope of its authority will continue working to promote various financial development policies and carry out financial supervision.
Organizational Structure and Functions of the FSC

**Organizational Structure**

- Financial Supervisory Commission
  - Board of Commissioners
    - Chairman
      - Vice Chairperson
      - Vice Chairperson
    - Secretary General
  - Vice Chairperson
    - Central Deposit Insurance Corporation
      - Insurance Bureau
      - Financial Examination Bureau
      - Banking Bureau
      - Securities & Futures Bureau
    - Department of Planning
    - Department of International Affairs
    - Department of Legal Affairs
    - Department of Information Management
    - Secretariat Office
    - Personnel Office
    - Accounting Office
    - Civil Service Ethics Office
Personnel

Average age: 42.9

Age 29 or younger 4.70%
Age 30-39 28.10%
Age 40-49 46.56%
Age 50 or older 20.64%

Master's degree or higher 56.88%
Bachelor's degree 39.22%
Junior college 3.33%
General (or vocational) high school 0.57%

Academic background of employees at FSC headquarters and the four bureaus
Organizational Structure and Functions of the FSC
Director-General, Banking Bureau
Austin Chan

Director-General, Securities and Futures Bureau
Yui-Chun Wu

Director-General, Insurance Bureau
Mang-Chih Lee

Director-General, Financial Examination Bureau
Li-Chuan Wang

Chief Secretary
Kuei-Mao Wu
Passed five financial acts, a new milestone for financial industry development

Enactment of the “Act Governing Electronic Payment Institutions” to facilitate the development of the e-commerce industry

This act provides a proper legal basis for non-financial enterprises to use online virtual accounts (i.e. electronic payment accounts) to store value and transfer funds. This, in turn, will help to build up consumer confidence in e-payment, lower the overheads of retail transactions, and create an environment conducive to the development of small and individual businesses. Also, it will promote the sound operation and development of electronic payment institutions, and allow the provision of safe and convenient capital transfer services.
After this act enters into force, it will help financial service firms to develop innovative payment services in Taiwan and create business opportunities for e-commerce internet services. It is estimated that the value of business opportunities will increase from NT$120 billion to NT$200 billion and the e-commerce industry overall will grow to be a one trillion New Taiwan Dollar industry, thereby generating significant benefits in terms of expanding the development of the domestic e-commerce industry and helping young entrepreneurs to start up businesses.

**Partial amendment of the “Banking Act” to improve financial institutions’ capability for merger and acquisition and afford them greater flexibility in the issuance of bonds**

In order to spur the further development of the financial industry, encourage banks to develop bond-type financial products for the domestic market, promote the investment momentum of banks, as well as respond to current financial market needs and suggestions from a wide range of sources, the FSC partially amended the "Banking Act". The amendment was promulgated by the President on 4 February 2015. The key points of the amendment include the following:

1. Deletion of the existing provisions that banks are only allowed to issue debentures for the purpose of funding the extension of medium and/or long-term credit and the minimum term for repayment of principal;

2. Addition of the requirement that the caps for interest rate of cash card and credit card must be less than an annual interest rate of 15% to resolve the social problems arising from excessive interest rates. It is expected that more than one million people will benefit from this measure;
(3) The existing caps on a bank’s total investments and its total investments in non-financial enterprises were replaced by calculating such investment limits on the basis of net worth. It is estimated that domestic banks will have roughly an extra NT$500 billion available for investment in bigger offshore banking subsidiaries, which will help them to expand their overseas market presence.

Amendment of the Offshore Banking Act to allow establishment of offshore insurance units

In order to expand business opportunities for insurance firms and enhance the international competitiveness of the insurance industry, the Offshore Banking Act was amended on 4 February 2015, allowing insurance companies to establish Offshore Insurance Units (OIU) to conduct offshore life, non-life and reinsurance business denominated in foreign currency. The amendment also involved the granting of tax incentives for OIU business and suitable related deregulation.

Amendment of the Insurance Act to make insurance operations sounder

To strengthen the exit mechanism of insurers, the “Insurance Act” was promulgated on 4 February 2015. The main amendments include (a)
introducing 4-tier regulatory requirements for RBC ratio of insurance companies; (b) allowing banks to concurrently conduct insurance agency or brokerage business; (c) the establishment of the system of signing-off review by external actuaries; (d) raising the fines for not properly implementing internal audit control.

Partial amendment of the “Financial Consumer Protection Act” to strengthen consumer protection

In order to enhance protection of the rights and interests of the financial consumer and stimulate sound development of the financial market, after reviewing the current status of the domestic market and making reference to the measures implemented by United States and United Kingdom when a financial enterprise violates the rules of financial consumer protection, amendment of parts of the “Financial Consumer Protection Act” were completed on 4 February 2015. The new regulations include, addition of the right to claim a punitive damage and the multiple-party ombudsman mechanism, enhancing administrative measures and the amount of monetary damage; and, when a financial enterprise commits a violation, the regulator may, depending on the seriousness of the case, adopt sanctions of warning, suspension of product sale, suspension of the business, suspension of personnel from their duties and the removal of responsible persons.
Providing financial services firms with a broader scope of business, making them more competitive

(1) Promotion of the Financial Import Substitution Policy

The FSC, based on the needs of investors, product characteristics and to expand channels for domestic services, has executed deregulation and promoted related measures under the policy of financial import substitution. The related measures are working well; for example, investments made by an insurer, pursuant to the amended "Insurance Act," in foreign-denominated equities
or bonds in Taiwan are not counted against the cap on the insurer’s foreign investments. After the amendment of the Insurance Act, the issuing amount of foreign-dominated equities or bonds listed in Taiwan has reached NT$694.4 billion, which is 4.06 times the amount before amendment.

In addition, the issuing amount of foreign-denominated equities or bonds listed in Taiwan increased by NT$716.4 billion from June to December, 2014 and the investment amount of insurance firms was NT$648.3 billion (approximately 90.5% of the total). The policy has led to the increase in the investment returns of insurers and expanded the market scale of foreign-denominated equities or bonds listed in Taiwan, achieving the goal of finance import substitution.

(2) Allowing offshore securities units (OSUs) to conduct international securities business

In order to support the efforts of securities firms to grow the business of their offshore securities units (OSUs) and develop distinctive products that will attract non-residents, after consulting with the Central Bank, the FSC issued regulations governing the establishment and management of offshore securities units, and amended the range of products that OSUs are allowed to conduct. These measures are expected to increase global competitiveness of Taiwan’s securities firms, attract non-residents’ investment and increase vitality of our stock market.

(3) Development of RMB business

i. To expand Taiwan’s Formosa Bond market and make Taiwan’s bond market more globalized, the FSC broadened the professional investor spectrum of the professional board on June 26, 2014. Since then, the professional investor has included juristic persons and high-net-worth individuals. As of the end of 2014, 44 tranches of Formosa bonds had been issued, with total issuing amount of RMB $31.4 billion listed on TPEx, and 40 RMB denominated mutual funds.
ii. In order to meet diverse consumer needs for insurance products, the FSC approved 14 traditional RMB-denominated life insurance products submitted by 13 life insurers in 2014. The first-year premiums of such products reached RMB$230 million by the end of 2014.

(4) Supporting the development of domestic asset management business

i. To allow securities investment trust enterprises (SITEs) to offer and issue leveraged ETFs and inverse ETFs, the FSC issued amendments to specific provisions of the Regulations Governing Securities Investment Trust Funds on July 3, 2014. The first Taiwan’s leveraged ETF and inverse ETF was listed on October 31, 2014. Up to December 31 2014, SITEs had launched 4 leveraged ETFs and inverse ETFs with fund scale of about NT$11.2 billion (US$0.37 billion).

ii. To reduce the time spent on the review of funds so that SITEs operators can issue funds at the appropriate time, the FSC broadened the scope of the effective registration system applicable to securities investment trust funds, and loosened restrictions on follow-on offerings of funds. The types of funds include bond funds, exchange-traded funds (ETFs), principal guaranteed funds, money market funds that are limited to domestic investment, bond funds, balanced funds, index funds, exchange-traded funds (ETFs), principal guaranteed funds, and money market funds that are not limited to domestic investment.
(5) Continuing to expand the range of permissible futures business activities, and related deregulation

i. The FSC ruled on April 2, 2014 that the business scope of futures dealers will no longer be restricted to the futures contracts announced by the authorities pursuant to Article 5 of the "Futures Trading Act". In addition, to afford futures commission merchants (FCMs) greater flexibility in their principal trading, the FSC on June 6, 2014 repealed regulatory provisions that formerly placed limits on the amount of proprietary funds that an FCM is allowed to use for trading in specific instruments.

ii. To expand the business scope of futures trust enterprises, and to provide investors with diversified investment instruments, the FSC on December 24, 2014 approved the first domestic futures ETF.

iii. In order to increase the total amount of discretionary futures trading of managed futures enterprises, with respect to managed futures enterprises with paid-in capital of more than NT$300 million or other types of enterprises engaging in discretionary trading as a sideline business with operating capital more than NT$300 million, the total amount of discretionary trading they can handle is not limit to 10 times their net worth.

iv. To further develop the scope of business for securities firms, the scope of business for securities firms conducting futures introducing broker business was expanded to encompass more foreign futures trading contracts.
(6) Proposing "Program to Make Taiwan’s Insurers More Competitive"

In order to build an operating environment that will allow Taiwan’s financial industry to thrive, actively promote an expanded presence in Asia, and to seize the opportunity for future growth and prosperity, the FSC continues to deregulate and ease restrictions on the scope of business to provide insurers with more room for development. After having communicated extensively with insurance enterprises, the FSC proposed a "Program to Make Taiwan's Insurers More Competitive" on 15 July 2014, which will enhance the international competitiveness of Taiwanese insurance companies.

(7) Raising the investment returns of insurers by deregulation

The FSC amended “Regulations Governing Foreign Investments by Insurance Companies” by adding the foreign-denominated equities or bonds listed in Taiwan as permitted investments and carrying out deregulation regarding investment in real estate overseas or in Mainland China.

(8) Continuing with the guiding of insurance firm capital into public utilities and long-term care industry investment

i. On June 17, 2014, the FSC amended “Regulations Governing Use of Insurers’ Funds in Special Projects, Public Utilities and Social Welfare Enterprises.” Key provisions include the following: (1) insurers are now allowed to participate in public investment in social housing and elderly residence; and (2) the limit on participation by an insurance company in a single public utility or a single social service enterprise has been raised to 45% of paid-in capital.

ii. In response to Taiwan’s aging population and living needs of the elderly, the FSC encourages insurers to invest in the long-term care industry, and stipulates that insurers selling


Important achievements

long-term care insurance or annuity products and meeting certain conditions are granted quota increase for insurance product filing subject to prior-approval to encourage the insurance industry to promote such products.

Continuing expansion of Taiwan’s capital markets

(1) Promoting the development of the international bond market

In order to increase international bond business opportunities, the FSC promulgated amendments to the related bond-issuing regulations to ease standards for bond issuing. There are a number of measures involved, including broadening the investor scope in the professional board of the bond market, etc. Also, the FSC has encouraged international institutions to issue bonds in Taiwan, and TPEx has relaxed relevant rules, including extending over-the-counter trading hours, relaxing the payment and settlement deadline, simplifying the trading and settlement documentation with the aim of attracting more offshore investors and invigoration in the international bond market. There has been impressive growth in Taiwan’s international bond market, and the total issuing amount was NT$737 billion in 2014.

(2) Allowing Taiwan-listed companies to issue non-capital-raising sponsored depositary receipts (DRs) in foreign over-the-counter (OTC) markets

To encourage foreign entities to participate in Taiwan’s securities markets by Depositary Receipts (DRs) and help Taiwan-listed companies reach an additional investor base, the FSC, with reference to prevailing practices overseas, amended the “Regulations Governing the Offering and Issuance of Overseas Securities by Issuers” on October 24, 2014, to allow Taiwan-listed companies issue non-capital-raising sponsored DRs in foreign over-the-counter (OTC) markets (e.g. Level-1 American Depository Receipts (ADRs)) up to a maximum of 10% of the total number of its issued shares.
(3) Allowing cash capital increases of emerging stock companies to be underwritten and offered publicly

To meet the need of emerging stock companies for outside cash to achieve growth, to facilitate reasonable price discovery for emerging stock companies, and to make it easier for emerging stock companies to raise outside capital, on June 26, 2014, the FSC amended the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”; when emerging stock companies intend to carry out a cash capital increase they will now be allowed to issue shares via underwritten public offering.

(4) Improving trading systems and increasing efficiency

i. To improve securities trading systems, investors have been allowed to engage in buy-first day trading (where the purchase precedes the sale) from January 6, 2014, and sell-first day trading (where the sale precedes the purchase) from June 30, 2014. In other words, investors can now engage in two-way day trading in a total of 200 different stocks (the component stocks of the TWSE Taiwan 50 Index, the FTSE TWSE Taiwan Mid-Cap 100 Index, and the TPEx 50 Index).

ii. In order to improve trading efficiency, the FSC shortened the call auction matching cycle from 20 seconds to 15 seconds on July 1, 2013. On February 24, 2014 it was shortened to 10 seconds, and further shortened to 5 seconds on December 29, 2014. The FSC will observe how the system works and then decide whether to make a complete switch to continuous trading.
(5) Relaxing credit transaction regulations

To further strengthen securities market trading systems, the FSC lifted caps on margin and short trades, announced that netted margin purchases and short sales need not be counted against caps on margin and short trades, and raised the maximum leverage ratio for margin trades in OTC securities. The changes took effect on November 3, 2014. The above measures aim to increase the flexibility of share transactions and funding operations.

(1) Ongoing cross-strait financial supervisory cooperation

i. In the fourth meeting of the Cross-Strait Banking Supervisory Cooperation Platform held on 25 December 2014, both sides discussed how to deepen cross-strait financial supervisory cooperation and strengthen the exchange of financial supervisory experience after the initiation of two-way cross-strait financial interaction; concrete consensus was reached regarding the following:

- both sides agreed to expedite the review and approval of applications for mutual establishment of affiliates and new business if they meet the principle of prudential regulation and financial regulations;
- speedy establishing of a regular exchange mechanism for cross-strait financial development and supervisory experience;
Chairman Ming-Chung Tseng of the FSC participated in the fourth meeting of the Cross-strait Banking Supervisory Cooperation Platform on 25 December 2014.

Chairman Ming-Chung Tseng of the FSC participated in the 2nd meeting of the Cross-strait Securities and Futures Supervisory Cooperation Platform on December 25, 2014. The two sides exchanged viewpoints on the development of securities and futures markets, and discussed issues of concern to financial services firms. The Mainland side said that lowering the qualification threshold for QFII and the suggestion from the Taiwan side of lowering the threshold for Taiwan investment trust firms to act as QDII Taiwan stock investment consultants will be further studied and discussed. The two sides exchanged opinions relating to cooperation between the Taiwan Futures Exchange and Mainland China with respect to stock index authorization and the development and listing of futures products.

- Formulating a cross-strait banking industry crisis handing cooperation plan so that a related mechanism can be used to reduce the potential negative impact if a cross-strait bank is hit by a crisis.
Chairman Ming-Chung Tseng of the FSC attended the Cross-strait Insurance Supervisory Cooperation Platform meeting on December 26, 2014.

iii. The Second Cross-strait Insurance Supervisory Cooperation Platform meeting was held on December 26, 2014. Topics focused on strengthening supervisory interaction and constantly promoting bilateral exchange. The main points and concrete consensuses include sharing insurance supervisory issues and experiences, enhancing the interaction of bilateral supervisory personnel in the future and enforcing cross-strait cooperation on insurance crisis intervention.

(2) Amending of regulations to help companies develop business scale

In order to continue assisting Taiwanese insurers to develop Mainland markets, and to strengthen cross-strait insurance business activities, on November 5, 2014 the FSC amended the "Regulations Governing Permission of Insurance Business Transactions and Investment Between the Taiwan Area and the Mainland Area." The amendment allows Taiwanese insurers to assist with the conduct of claim adjustment services, loss prevention consulting services, and other insurance-related services. Reinsurance business only requires obtaining of approval for the conduct of particular lines of business instead of individual business deals. Moreover, Taiwanese insurers are allowed to apply for approval to establish branches and subsidiaries in Mainland China.
(3) Cross-strait business location establishment situation

i. As of May 2015, the FSC had granted approvals for 13 Taiwanese banks to establish branches (or sub-branches) or banking subsidiaries in the Mainland. These include 22 branches, 8 sub-branches, 2 banking subsidiaries and 3 representative offices that have already opened.

ii. The Mainland’s Bank of China, Bank of Communications, and China Construction Bank already have branches doing business in Taipei. In addition, China Merchants Bank has established a representative office in Taiwan.

iii. The FSC has approved the applications of five securities investment trust enterprises to establish fund management companies in the Mainland. One of them withdrew its application, while other four enterprises are now in business. In addition, 11 securities firms have set up 23 representative offices in the Mainland.

iv. 10 insurance companies and 2 insurance broker companies were allowed to make equity investment in Mainland China; the operation of 6 insurance companies and 2 insurance broker companies has been permitted by the authorities in Mainland China. Insurance companies established 14 representative offices in Mainland China.
Strengthening of financial supervision to ensure financial stability

(1) Enhancing the risk-bearing capacity of financial institutions

i. In order to urge banks to set aside additional loss provision, the FSC on 28 January 2014 amended the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans”. The amendment raised the minimum provision (allowance for bad debt & guarantee liability provision) against Class 1 credit assets from 0.5% to 1%. All banks met the higher minimum by the end of 2014.

ii. In order to improve the short-term resilience of the liquidity risk profile of banks, and to move in line with international norms, on 29 December 2014, the FSC and the Central Bank jointly promulgated the “Standards Implementing the Liquidity Coverage Ratio of Banks”. The standard has entered into force from 2015 in an attempt to urge banks to maintain eligible, high-quality liquid assets to meet their liquidity needs for a 30 calendar day liquidity stress scenario.

iii. In order to strengthen the control of credit exposure of domestic banks in foreign countries and Mainland China, the FSC has adopted the following measures:

- instructing banks to develop claim preservation measures suited to local conditions;
- requiring banks to prudently assess their overseas credit extension policies;
- coordinating the assistance of other parties, such as the Central Deposit Insurance Corporation and the Joint Credit Information Center, in monitoring credit risks associated with foreign countries and the mainland;
• reinforcing the diversification of information sources to formulate a mechanism for monitoring the overall risks.

iv. To control domestic banks' capability to extend loans for real estate, the FSC issued a letter on 4 December 2014 requiring that domestic banks maintain a loss provision ratio of at least 1.5% against such loans by the end of 2015, which will enhance the risk-bearing capacity of banks by setting aside additional loss provision.

v. In order to control the risk bearing capacity concerning the credit exposure of domestic banks in Mainland China, the FSC sent a letter on 23 April 2015 requiring domestic banks maintain a loss provision ratio of at least 1.5% against the loans extended to individuals or enterprises in the mainland by the end of 2015.

vi. To ascertain that banks can exactly control customer overall credit risks, the FSC adopted additional provisions requiring financial institutions and financial-related enterprises designated by the competent authority to report information related to financial derivatives business to the service enterprises in charge of handling and exchanging interbank credit information.

vii. To urge life insurers to gradually strengthen their reserves and solvency, since 2012 life insurers have been required to perform fair value valuation annually on their in-force contracts’ liabilities, mainly following the framework of IFRS4 Phase II.

viii. In order to reasonably reflect insurers’ overall risk, the FSC will continue to review and amend the scope and formula of regulatory capital and risk-based capital.
ix. In order to reduce regulatory reliance on credit ratings, and in view of the fact that judgments regarding the sufficiency of the asset quality and risk-bearing capacity of financial institutions and trading counterparties under direct FSC supervision are made on the basis of compliance with the FSC’s legal requirements, the FSC on 29 May 2014 issued amendments to a number of regulations governing the securities and futures industries.

(2) Improving the internal controls of financial institutions

i. To coordinate with the updated 2013 report of the “Internal Control–Integrated Framework” of the United States Committee of Sponsoring Organizations of the Treadway Commission (COSO), the FSC amended the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" on 12 May 2015.

ii. The FSC enacted the “Directions Concerning the Internal Audit and Internal Control System of Institutions Engaging in Credit Card Business” to facilitate sound operations of such institutions and ensure their internal audit and internal control systems are effectively and continuously implemented. The directions entered into force on 1 February 2015.

iii. In order to enhance legal compliance by futures commission merchants (FCMs) and strengthen the roles and functions of chief compliance officers, the FSC amended the rules governing the establishment of compliance units by FCMs on October 9, 2014.
iv. In order to strengthen insurers’ compliance with insurance legislation, the FSC amended the “Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises,” requiring that, when an insurer launches a new insurance product or makes a capital allocation of a legally specified type or of material significance, the chief compliance officer at the insurer’s head office must submit an opinion and sign off on it. In connection therewith, the FSC recently issued interpretations of Article 32 of the aforesaid Regulations, the “Directions for the Review of Non-Life Insurance Products,” and the “Directions for the Review of Life Insurance Products,” to clarify what exactly the chief compliance officer is required to sign and what exact documents he/she must submit for review.

(3) Strengthening the prevention of money laundering and countering terrorism financing mechanisms

i. The FSC, after conducting a study of 40 suggestions provided by FATF (Financial Action Task Force) in 2012 and legislation adopted in different countries throughout the world, issued several guidelines for money laundering prevention and countering terrorism financing (AML/CTF) for the banking sector, securities and futures sector, and insurance sector. These guidelines require financial institutions to conduct customer due diligence, keep transaction records, and establish internal control systems in accordance with international standards.

ii. The FSC instructed the ROC Bankers Association to develop a proposal that can effectively implement the risk-based approach for the reference of banks or other associations. Therefore, financial institutions will be able to implement anti-money laundering and countering terrorism financing by means of the risk-based approach to meet FATA’s requirements.
On July 28, 2014, FSC Chairman Ming-Chung Tseng attended the awards ceremony of "2013 Information Disclosure and Transparency Ranking", which was jointly held by the Taiwan Stock Exchange. He posed for a group photo with the representatives of winners of all listed companies.

(4) Actively promoting corporate governance

i. In order to help investors and companies understand the results of company governance, the FSC oversaw the Taiwan Stock Exchange (TWSE) Corporate Governance Center’s establishment of a corporate governance evaluation system in March of 2014. The TWSE released the first (2014) evaluation result of corporate governance in April of 2015 to urge corporations to emphasize corporate governance, and further mold corporate governance culture in Taiwan.

ii. Strengthening disclosure of corporate governance information: In order to lower the cost on prospectus preparation, such as printing and sending, strengthen disclosure of remuneration for directors and supervisors, and for early disclosure of annual report information, the FSC introduced amendments to “Regulations Governing Information to be Published in Annual Reports of Public Companies” and “Regulations Governing Information to be Published in Public Offering and Issuance Prospectuses” and related appendices on January 29, 2015.
iii. The FSC Expands Range of Companies Subject to the Electronic Voting Requirement: To make it easier for shareholders to exercise their voting rights, on November 12, 2014 the FSC issued an order expanding the range of companies subject to the electronic voting requirement. Beginning from 2016, listed companies with capital of NT$2 billion or more and with at least 10,000 shareholders will be required to provide the option of electronic voting at shareholders’ meetings.

(5) Strengthening insurers’ exit mechanism and Taiwan Insurance Guaranty Fund functions

On 4 June 2014 and 4 February 2015, the President promulgated the amendments of the Insurance Act, which included enhancing the functions of the Taiwan Insurance Guaranty Fund, such as allowing the receiver to submit bridge insurance mechanism as a resolution plan subject to the prior approval of the authority, and granted the authority the power to issue the “prompt corrective action” (PCA) orders for the failed insurer.

(6) Stronger financial examination mechanisms and more transparency of examination information

i. Financial examinations

To effectively implement financial supervision and ensure that financial services firms are run in a sound manner, the FSC in 2014 carried out full-scope financial examinations at 152 financial
institutions, and also carried out 149 targeted examinations in response to specific supervisory needs. In addition, the FSC carried out financial examinations at 154 agricultural finance institutions on behalf of the Executive Yuan’s Council of Agriculture.

ii. Disclosure of information pertaining to financial examinations

- Various information pertaining to financial examinations (e.g. financial examination manuals, the key focal points of examinations carried out in the current year, statistics on completed financial examinations in the two preceding years as well as the current year, and the main problems discovered in the course of financial examinations) is posted on the Financial Examination Bureau’s website, and is regularly reviewed and updated.

- The "financial examination classroom" is a new e-learning platform set up on the Chinese-language version of the Financial Examination Bureau’s website. It presents learning materials that contain information on the key focal points of financial examinations, the main problems discovered in the course of financial examinations, and examination case sharing. Financial services professionals and members of the general public can study these materials to better understand financial supervision and financial examinations. The learning materials are periodically revised and updated in response to regulation changes and financial examination practices.
(1) Encouraging financial institutions to build up a stronger Asian presence

In order to encourage Taiwan’s financial industry to grasp business opportunities amid Asian economic growth and rapid regional integration and transform themselves into regional financial institutions in Asia, the FSC has continued to deregulate and strengthen cooperation with other regulatory authorities in Asia, as well as urging the ROC Bankers Association to enhance international talent cultivation and continuously expand databases for setting up an overseas market presence. Concrete implementation of such measures is described below:

i. Regulatory Relaxation:

- In order to help Taiwanese companies efficiently allocate funds and increase the service competitiveness of the domestic banking industry, domestic business units and overseas branches of Taiwanese banks have been allowed to collaborate with respect to confirmation of customer information from September 2014.
● Under an explanation letter issued on 20 November 2014 for Article 4 of the “Enforcement Rules of the Banking Act,” when a banking subsidiary of a financial holding company grants loans (including interbank overdrafts) to its overseas banking subsidiary that was approved to be established by a foreign competent authority and the financial holding company has more than 50% of equity in such an overseas banking subsidiary, these credit extensions are not subject to Article 44 of the “Financial Holding Company Act”. This will help a banking subsidiary of a financial holding company to expand its overseas business.

● The FSC on June 18, 2014 announced the adoption of the following measures:
  – securities firms may apply for approval of the competent authority to invest in excess of caps on strategic investments overseas;
  – securities firms will be allowed to provide endorsements and guarantees for the borrowings of their overseas subsidiaries;
  – the limit on loans among the foreign investees of a single securities firm has been raised from 40% to 100% of net worth.

● To encourage domestic insurers to have a stronger global presence and a wider range of capital allocation, insurers are now allowed, according to the Insurance Act, to have the amount of investment in foreign insurance-related enterprises approved by the competent authority to be not counted when the foreign investment ceiling is calculated.
In order to help insurers build up a stronger global presence and provide them with a greater range of capital allocation choices, the FSC issued an official interpretation on 9 September 2014, declaring that the reference to "other (foreign) insurance-related enterprise approved by the competent authority" includes foreign entities such as banking, securities, futures, investment trust and finance leasing firms etc.

ii. Supervisory cooperation:

- The FSC continued to conclude MoUs with other Asian financial supervisory authorities, to strengthen information exchange and international cooperation.

- The FSC actively participated in international conferences of the WTO, APEC and bilateral trade negotiations, taking the initiative to discuss with other financial supervisory authorities, and used the opportunities of visiting other authorities to strengthen communication, to help break through the entry barriers in local financial markets for our financial industry.

iii. Talent cultivation:

- The FSC has commissioned the ROC Bankers Association to design training programs related to international finance which are funded by the “Financial Research, Training and Development Fund” contributed to by banks in accordance with Article 51-1 of the "Banking Act".
Chairman Ming-Chung Tseng of the FSC participated in the meeting of “2014 Employment Exhibition of Financial Industry” that was jointly hosted by the Taiwan Financial Services Roundtable and the ROC Bankers Association on 24 May 2014.

- To further focus on Asian markets, the ROC Bankers Association and Taiwan Academy of Banking and Finance have delivered a series of courses about target markets in Asia since the 4th quarter of 2014, and planned visits to ASEAN countries by bank personnel in an attempt to train outstanding talent and develop capability and competitiveness to build up stronger ASEAN presence.

- Taiwan Insurance Institute held “2014 International Insurance Elite Training Program” on 11 July 2014 to cultivate international insurance professionals.

iv. Database creation:
   To help domestic banks to assess their strategic plans for expanding in Asian markets, the ROC Bankers Association created a database in May 2014. Up to the end of 2014, the following information has been uploaded to the database. The Bankers Association will continue to expand this database:
   - the regulatory frameworks of Asian targeted countries;
   - research reports related to Asian financial markets;
   - the consultant companies in ASEAN countries;
   - the conditions of local financial markets in Asia provided by overseas offices of the Taiwan government.
The FSC held the Colloquium on Expansion of Asian Presence by the Securities and Futures Industry on 18 February 2014, engaging in broad-ranging discussions on development strategies.

v. Establishment of overseas business locations:

- As of the end of 2014, Taiwanese banks had 361 overseas offices, up by 23% from the end of 2013 (293 offices). 268 of them are in Asia, increased by 33% from the end of 2013 (202 offices).

- As of the end of December 2014, the number of branches (or sub-branches) or subsidiaries of Taiwanese securities firms was 125, an increase of 9% over the preceding year’s 115. In Asia, as of the end of December 2014, the number of branches (or sub-branches) or subsidiaries of Taiwanese securities firms was 81, an increase of 11% over the preceding year’s 73.

- As of December 31, 2014, insurance companies have established 23 representative offices, 5 subsidiaries and invested in 11 companies in Asia.

vi. To further spur the financial industry to expand its Asian market presence, the FSC has asked 16 financial holding companies
(2) Promoting the adoption of the Equator Principles and enhance the fulfillment of corporate social responsibility

On 23 April 2014, the FSC sent a letter to the ROC Bankers Association for agreeing to its amendment to the “Guidelines for Members of the ROC Bankers Association to Extend Credits” by adding Paragraph 2, Article 20 in reference to the Equator Principles. Under the newly additional provision, when handling project finance, financial institutions are encouraged to assess whether borrowers fulfill their corporate social responsibility to protect environment and faithfully operate their business.

(3) In order to continue promoting corporate governance, the FSC held 10th Taipei Corporate Governance Forum (TAICGOF) on November 20 and 21, 2014. Participants included directors, supervisors, and presidents of listed companies and finance institutions, as well as government officials, scholars, journalists and representatives of various Taiwanese and foreign entities who have been working to promote corporate governance. The event was attended by over 700 people.
(4) To support the government’s effort to actively push for the signing of bilateral free trade agreements with other countries and the government’s major policy to facilitate Taiwan’s participation in the process of the Trans-Pacific Strategic Economic Partnership Agreement and Regional Comprehensive Economic Partnership, as well as to ensure financial institutions’ information to be processed under the principle of effective control, the FSC amended Articles 18 and 19 of the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation" on 9 May 2014. A domestic bank that meets the eligibility requirements is now allowed to apply to the FSC for approval to outsource to an overseas service provider the entry, processing, and output of information system data related to retail financial business.

(5) On 29 December 2014, the FSC modified and streamlined the application process for Taiwan branches of foreign banks to outsource information and operations. Under the amendment, Taiwan branches of foreign banks are not required to apply with the FSC for permission to add new information systems and relocate information systems between Taiwan and other countries.
(6) Actively pushing adoption of IFRSs in Taiwan

i. In order to keep enhancing the transparency of corporate financial information, companies are permitted to choose fair value model to measure investment property after recognition. On 28 January 2014, the FSC released the "Roadmap for Full Adoption of the Updated IFRS"; beginning from 2015, the IFRSs 2010 version will be upgraded to the IFRSs 2013 version. To coordinate with IFRSs 2013 version, the FSC has already reviewed and amended the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and related regulations.

ii. Making reference to IAS 40 Investment Property, the FSC has amended the “Regulations Governing Preparation of Financial Reports by Insurance Enterprises” on 10 January 2014, to permits insurers, subsequent to initial recognition, to measure investment property at fair value.

iii. To require Insurance companies, beginning from 2015, to prepare financial reports in compliance with IFRS 2013, the FSC amended the “Regulations Governing Preparation of Financial and Operational Reports by Insurance Enterprises” on October 21st, 2014 in order to keep pace with the latest developments.
(7) Taiwan’s auditor oversight system was recognized by international organizations, and the FSC actively participated in international activities and conducted audit firm inspections.

After the European Commission adopted a decision to recognize our auditor oversight system as equivalent to the European Union’s, the FSC has continued to take part in international activities including attending the Plenary Meetings of the International Forum of Independent Audit Regulators (IFIAR), IFIAR Inspection Workshop. Additionally, the FSC has been an IFIAR Enforcement Working Group (EWG) member since June 2013. As for inspection activities, the FSC commenced inspection activities in 2009. In 2011, the FSC entered into Cooperative Arrangement with the Public Company Accounting Oversight Board (PCAOB) of the United States. The FSC successfully did the first cycle of inspections on all big-four audit firms and ten medium/small size audit firms in 2012. Subsequently, the FSC began the second inspection cycle in 2013, and had inspected six audit firms by the end of 2014. To assure the audit firms’ capability in auditing IFRSs financial reports, the FSC conducted the IFRSs thematic inspection on 54 medium/small audit firms during 2011 and 2012. The general inspection reports (summarized report without disclosing detailed inspection findings of each firm) have been published each year from 2009, and all reports have been disclosed on the Securities and Futures Bureau website and are available to download.

(8) On 5 November 2014, the FSC and the Labuan Financial Services Authority (FSA) signed a MoU to strengthen financial supervisory cooperation. The MoU addresses such matters as cooperation in the supervision of the banking, insurance, securities, and futures industries. The two authorities will now be able to strengthen financial supervisory cooperation on the basis of this MoU. As of the end of 2014, the FSC has established cross-industry or single industry financial supervisory cooperation with 48 financial supervisory authorities.
(1) Financial support of creative enterprises

To support the development of creative enterprises, the FSC launched the “Project Plan of Financial Support for Creative Enterprises” on 1 January 2014. This plan is designed to help creative enterprises acquire funds through multiple channels, such as financial institution financing and investment, as well as direct financial markets (including the Go Incubation Board for Startup and Acceleration Firms (GISA)). As of the end of 2014, the outstanding balance of the loans extended by domestic banks to creative enterprises amounted to NT$258.2 billion, up by NT$76.5 billion from the end of 2013. The Taipei Exchange launched the GISA on 3 January 2014. As of the end of 2014, a total of 114 companies had applied to register on the GISA. Also, the FSC launched the “Program to Incentivize Lending by Domestic Banks to Creative Enterprises” in an attempt to encourage domestic banks to actively extend such loans. The target set for the outstanding balance of such loans is NT$360 billion within three years, up from NT$180 billion at the end of 2013.

(2) Assisting cultural or creative companies raise capital

The FSC worked with the TPEx to add “cultural and creative industry” under the Industry Categories in 2014 with the aim of creating the industry cluster effect. In addition, the FSC also worked with the TWSE and the TPEx to issue an amendment to “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings” and “Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEx” in order to assist cultural or creative companies obtain the funds they need for development via the capital market, allowing them to expand their operating scale. Under the amended provisions, if domestic companies obtain an assessment opinion by the central competent authority of the target industry, they may be exempt from the listing requirements of having to be established for no less than 2 full fiscal years and of profitability when applying for listing on the TWSE or the TPEx.
(3) In response to the development of new type payment services and take care of the convenience and safety of payment devices used by consumers, new type payment services approved by the FSC as of the end of 2014 were as follows:

i. the FSC agreed to allow 19 financial institutions to engage in the mobile credit card business;

ii. the FSC agreed to allow 10 financial institutions to engage in the mobile ATM card business;

iii. 1 financial institution was allowed to conduct mobile X card business;

iv. 19 financial institutions were permitted to operate or trial the QR Code mobile payment business;

v. and 6 financial institutions and the ROC Credit Card Center allowed to operate or trial mPOS (Mobile Point of Sale) business.

(4) In support of the Executive Yuan's "Economic Stimulus Program," the FSC coordinated with the ROC Bankers Association to extend several debtor relief measures through to the end of June 2015. The measures in question include the "ROC Bankers Association Self-regulatory Rules for Corporate Debt Workouts and Workout Enforcement in Cases Transferred from the Ministry of Economic Affairs," the "Temporary Supplemental Principles for Handling by Banking Institutions of Stock-secured Loans in Coordination with the Government's Economic Stimulus Program," and the "Guidelines for the Handling by Members of the ROC Bankers Association of Mortgage Principal Deferment or Rescheduling for Involuntarily Unemployed Residents of Owner-occupied Homes."
(5) The FSC amended the "Regulations Governing the Management of Collective Trust Funds," introducing a product suitability mechanism, relaxed existing provisions governing the scope of allocation of trust assets and dispersion of risk, and made it compulsory for trust enterprises to establish a trust supervisor supervisory mechanism in order to safeguard the interests of beneficiaries.

(6) The FSC amended the "Regulations Governing Management and Utilization of Collective Investment Trust Funds." The amendment adopted a requirement to distinguish professional investors from non-professional investors and manage their business by differential regulatory approaches. At the same time, the existing provisions governing the scope of allocation of trust assets and dispersion of risk were been relaxed in order to satisfy the needs of investors.

(7) In order to build a favorable financing environment for SMEs and help them to obtain operating capital, the FSC continued to implement the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises" in 2014. As of the end of 2014, the total outstanding balance of loans extended by domestic banks to small and medium enterprises stood at NT$5,163.9 billion, up by NT$402.9 billion from the end of 2013, meaning that 167.88% of the annual target (NT$240 billion) was achieved. The FSC will continue to implement this Program in 2015. In addition, 39 Taiwanese banks have supported the Program by setting up special SME financing consultation counters at their head offices, and they have also set up such consultation counters at 1,518 of their branch locations.
On 5 January 2014, FSC Chairman Ming-Chung Tseng attended the launching ceremony of the Gold Trading Platform held by the Taipei Exchange.

(8) The TPEx Establishes a Gold Spot Trading Platform

The TPEx launched a Spot Gold Trading Platform, which came online on January 5, 2015. Investors can place orders directly through their current securities brokers, and their trades in spot gold are entered into their securities passbooks.

(9) Diversifying futures trading contracts

i. In order to increase the transactions, hedging and strategic trading tools of futures traders, the FSC approved the launch by TAIFEX of single stock futures with common stocks listed on Taipei-Exchange as their underlying asset on February 20, 2014 as well as exchange-traded funds (ETFs) listed on Taiwan Stock Exchange as their underlying asset on April 21, 2014. The TAIFEX launched 26 futures with Taipei-Exchange’s stock on May 2, 2014 and 3 futures with Yuanta/P-shares Taiwan Top 50 ETF, Fubon SSE1 80 ETF, and W.I.S.E. Yuanta/P-shares CSI 300 ETF on October 6, 2014.

ii. In order to promote the internationalization of Taiwan’s futures products, the FSC announced Daily Futures on TAIEX Futures of TAIFEX and Daily Futures on TAIEX Options of TAIFEX, both of which were listed at Eurex Frankfurt AG on May 15, 2014, as designated contracts for Taiwanese traders.
(10) Building digitalized financial environment

The FSC allowed insurers to conduct e-commerce businesses on August 26, 2014 and establish multiple risk management mechanisms to be followed by insurers. In addition, on 4 November 2014, the FSC approved the first application by a non-life insurer to conduct online sales of insurance. Following up on an earlier decision to allow insurers to engage in online insurance sales on 26 August 2014, the FSC moved to phase two of its online insurance initiative by improving supplementary proof of identity. The FSC will continue to promote the online insurance business and review related measures to strengthen the convenience of online insurance and increase the e-commerce effectiveness of insurers.

(11) In order to deal with the aging society and the living needs of the elderly, and promote insurance policy activation, the FSC has allowed “Insurance Policy Conversion in Different Functions.” On August 28, 2014, the FSC recorded “Life Insurance Self-regulatory Rules for the Conversion of Insurance Contract and Payment Period,” filed by the Life Insurance Association of the R.O.C. On the basis of the same limited premiums, the insured can choose to convert the original mortality insurance to health insurance, including long-term care insurance, or annuity insurance. As of December 31, 2014, 185 contracts had been converted, and the sum of the converted amounts, on the basis of the original contracts, reached NT$73.32 million.

(12) Providing multiple choices for foreign-currency denominated insurance products

To provide consumers more choice of foreign-currency denominated insurance products to satisfy their needs, the FSC, on December 30, 2014, amended “Required Qualification and Directions for Life Insurance Companies to Engage in Foreign-currency Denominated Non-investment-linked Life Insurance Business,” which came into effect on 1 January 2015 to allow life insurance companies to engage in foreign-currency denominated non-investment-linked health insurance businesses.
(13) Encouraging insurers to innovate on insurance products

i. To provide insurance protection for those who like to go mountain climbing, in 2014 the FSC allowed two non-life insurance companies to sell mountain-climbing insurance and incorporated protection for emergency rescue fees. The public can enjoy comprehensive insurance protection after purchasing this product.

ii. On 18 June 2014, the FSC approved “Regulations of Medical Insurance Linking Specified Critical Illness” submitted by the Life Insurance Association of the R.O.C. Three life insurance companies have designed innovative insurance products under the above-mentioned regulations.

(14) Reviewing the examination system of insurance products

i. To simplify regulations for the review of investment-linked insurance products, the FSC amended the “Direction for the linked Investment Objects Changes of Investment-linked Insurance Products that are Exempted from Product Submission Procedures” on 9 May 2014; this will facilitate the timely launch of investment-linked insurance products by insurance firms.

ii. In October and December 2014, the FSC stipulates “Interpretive Rules on Article 19 of Regulations Governing Pre-sale Procedures for Insurance Products” to grant insurers who promote annuity or long-term care insurance products and meet certain conditions, or help the exit of financially distressed insurers, quota increase for filing insurance products subject to prior-approval.
Strengthening protection of the rights and interests of financial consumers

(1) In order to promote microinsurance and safeguard the interests of the economically disadvantaged, the FSC amended “Directions for Insurance Companies to Engage in Microinsurance Business” on June 26, 2014. Key points include the following: relaxation of the qualifications of the insured of microinsurance, expansion of the product types and increase in the upper limit of the sum insured and so on. As of December, 2014, the accumulated number of microinsurance insured was up to 131,460 persons and the total sum insured was more than NT$43.9 billion. With the above measures, it is expected that more economically disadvantaged persons can be taken care of and a sounder social safety net be established.

(2) In 2014, of all the complaints that the Financial Ombudsman Institution (FOI) accepted, 4,212 complaints were forwarded to the relevant financial services enterprises for handling. Of these, about 40% of the cases were successfully brought to a conclusion. In addition, the FOI handled 2,091 ombudsman cases, of which 97.8% were concluded within three months. Of the concluded ombudsman cases, 1,225 were concluded as result of withdrawal by the complainant, successful mediation, or resolution via ombudsman proceeding. The dispute resolution rate was close to 60%.
(3) The FSC’s School and Community Financial Literacy Campaign continues. Since the campaign was first launched in 2006, the FSC has held a total of 3,739 activities around Taiwan, attracting a total attendance of over 710,000 people. These activities have done much to help students and the public to develop a proper understanding of financial matters.

(4) In order to make it more convenient for consumers to close out long-dormant deposit accounts, the FSC instructed the ROC Bankers Association to provide a service that enables consumers to check whether they have accounts at banks from 28 April 2014. The Bankers Association has also devised a single streamlined procedure for closing out deposit accounts for its member banks to comply with.

(5) To safeguard consumers’ interests and provide a legal basis for financial institutions to comply with, the FSC announced and adopted the "Mandatory Provisions To be Included in and Prohibitory Provision of Standard Form Contract for Home Loan", the "Template of Standard Form Contract for Home Loan", the "Mandatory Provisions To be Included in and Prohibitory Provision of Standard Form Contract for Auto Loan", and the “Template of Standard Form Contract for Auto Loan.” These regulations will enter into force on 12 August 2015.

(6) In order to ensure the provision of convenient financial services to persons with disabilities, the FSC instructed financial institutions to
create barrier-free environments at their business locations and place high priority to installation of wheelchair-accessible ATMs in public places. At present, 7,615 business locations throughout Taiwan have wheelchair-accessible ATMs and 170 business locations have voice-enabled ATMs for the visually impaired. Furthermore, the voice-enabled ATM functions now include account transfer and withdrawal of deposits without fixed amount limit. Financial institutions are also required to set up a unified standard processing procedure for the visually impaired to easily use the voice-enabled ATMs.

(7) Considering that the financial conditions of Global Life and Singfor Life had deteriorated significantly, their net worth had been falling at an accelerating pace, and they had received advisory support without achieving any improvement, and the situation was severe enough to cause concern that the rights and interests of insured parties might be affected and the insurers would be unable to pay their debts or fulfill contractual obligations, the FSC, acting upon the authority of Article 149 (paragraph 3), placed the companies under receivership on 12 August 2014 and appointed the Taiwan Insurance Guaranty Find (TIGF) as the receiver to safeguard policyholder interests and maintain a stable insurance market. The TIGF successfully closed the deal for general assignment of assets, liabilities and business of these two companies through public auction on 23 March 2015.
The FSC Chairman Ming-Chung Tseng, the vice chairpersons Li-Lin Wangg and Tien-Mu Huang attended the running fair for public welfare.

(8) Holding financial literacy campaign

i. On October 4, 2014, at New Taipei Bitan Scenic Area, the FSC held a running fair for public welfare. The event attracted more than 2,000 persons. In light of the theme of promoting preparation for aging, protection-oriented insurance products and microinsurance, the event delivered correct insurance knowledge and concepts to the public. The FSC also continues to promote the correct understanding of the public of financial matters and promotes early planning for insurance through electronic print media, websites and other media channels.

ii. The FSC produced insurance educational TV programs on topics such as long-term care insurance, annuity insurance, protection-oriented insurance and microinsurance to raise public awareness of planning for retirement, financial safety and health care.

iii. The FSC held the “Micro-film Competition on Elderly Insurance and Micro-insurance” to allow the public to better understand the importance of basic insurance protection for the elderly and the underprivileged so that people can plan their
retirement life early and maintain financial stability when getting old or encountering misfortunes. A total of 121 films were submitted for the competition.

(9) Reducing consumer disputes


ii. To facilitate design of insurance products by insurance companies and protect the interests of consumers, the FSC on 24 October 2014 approved the amendments to “Standard provisions of investment-linked life insurance ” and “Standard provisions of investment-linked annuities” submitted by the Life Insurance Association of the R.O.C., taking effect on 1 May 2014.

iii. In order to reduce medical insurance disputes, the FSC on 22 January 2014 approved the amendments to “Standard provisions of medical expense insurance” submitted by the Life Insurance Association of the R.O.C.

(10) To strengthen the protection for victims of car accidents, the FSC amended “Payment Standards of the Compulsory Automobiles Liability Insurance” on 17 October 2014, stipulating the treatment period needed to determine disability and adding payment items for different levels of disability. In addition, if insurers cannot determine the disability level of the victim based on the medical certificate, they may ask the victim to be examined by qualified hospitals for verification to reduce claim disputes.
(11) In order to reduce the risk of Driving Under the Influence (DUI), the Compulsory Automobile Liability Insurance implemented a new measure to add an additional premium for a driver guilty of DUI, which took effect on 1 March 2014. When a driver buys insurance, insurance companies should now check the records for the previous year to find if he/she has been penalized for DUI and increase the premium accordingly. He/she should pay additional NT$2,100 premium for each DUI record.

(12) For the sake of strengthening the claim system and procedures for automobiles, the FSC issued a legal interpretation on 18 September 2014 requiring that non-life insurers dealing with automobile insurance claims should incorporate copies of deductible document issued by automobile repair shops into the claim system and procedure.

(13) In order to ensure that Taiwan Residential Earthquake Insurance Fund (TREIF) and all the relevant parties follow standard claim operating procedures and handle claims effectively so that the affected policyholders can promptly obtain a sound claims service, the Insurance Bureau instructed TREIF to conduct a claim simulation drill every year, with the 2014 drill held on September 11, 2014.

(14) In order to impose the statutory obligation of the establishment of an insurance notification mechanism on the insurers, and cope with the diversification of the methods for obtaining insurance policies, with some policies not requiring the proposer’s signature to determine proposing willingness, on 22 August 2014, the FSC issued the amendment to “Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises” to improve the procedures of business solicitation, policy underwriting and claim adjusting of insurers.
(15) In order to protect the security of personal information and strengthen the regulation of cross-border outsourcing of insurers, on 30 December 2014, the FSC issued the amendment to “Directions for Operation Outsourcing by Insurance Enterprises,” which requires specific qualifications and risk management mechanism for insurers outsourcing personal information system logging, dealing, exporting, and other related matters.

(16) Non-life insurers offer expanded coverage under residential fire insurance

In addition to fires, residential fire insurance also provides coverage for losses suffered and third-party liability incurred as a result of smoke damage and other perils caused by lightning strikes, explosions, aircraft crashes, vehicular collisions, or accidents. In addition, in order to provide greater insurance protection in the home, as of 1 October 2014, the range of coverage available under residential fire insurance policies sold by non-life insurers was expanded to include labor strikes, riots, civil commotion, vandalism, theft, and broken glass. Also, insurance payouts have been increased for movable property within buildings, temporary lodging expenses, and third-party liability.

(17) In order to strengthen preservation operation, on 6 October 2014, the FSC has issued a directive to “Implementation Rules of Internal Audit and Internal Control System of Insurance Enterprises,” which requires insurers to establish risk monitoring and management mechanisms and to confirm the proposer’s willingness with respect to preservation when conducting preservation procedures. The directive came effect on 1 January 2015.
In the future New Mediocre economic era, global economic growth will be slow and uneven. Regional economic integration is an important development trend that the financial industry cannot ignore. Amidst this trend, the key to development is the product and service innovation ability of financial institutions to allow them to meet the requirements of different customers. The FSC has, in line with market development trends, actively and systematically carried out large scale deregulation; we deeply believe that, through opening, we can stimulate the innovative power of the financial industry, and also hope that it can also increase the product development ability and competitiveness of domestic financial institutions.
Guided by the policy ideas of “Attaching importance to risk and integrity” and “liberalization and opening, innovative development,” the development strategies being implemented by the FSC include:

**Cultivating Taiwan regional financial institutions in Asia**

In view of the fact that the engine of global economic growth is shifting from West to East and Asian economies have experienced rapid growth in recent years, to help domestic financial institutions expand the range of markets, the FSC has successively adopted several measures such as: (1) regulatory relaxation; (2) strengthening of financial supervisory cooperation with Asian supervisory authorities; (3) reinforcing the cultivation and training of international talent; and (4) continuing to expand database for expanding overseas market presence. These measures have now been concretely implemented. In order to further spur the financial industry to expand its Asian market presence, the FSC has asked 16 financial holding companies to present plans for such development. The FSC will provide the most direct assistance in a practical manner based on the needs of the financial industry. It is expected that Taiwan’s financial institutions will thus be better able to grasp business opportunities and endeavor to transform themselves into representative regional financial institutions amidst continuous opening of market access by Asian economies and rapid regional economic integration.
Establishing Financial Product Development Capability

The financial industry has developed in Taiwan for 115 years and today, in terms of business, risk management and internal control, meets international standards in many respects, and even performs better than some large foreign banks. However, due to a lack of product innovation ability, bottlenecks have been encountered in the area of operating efficiency. To nurture financial industry innovation capability, the FSC announced that 2015 is the Financial Innovation Year 1 and is carrying out a comprehensive regulatory review, and reviewing the reasonableness of product examination. At the same time, financial institutions have also been requested to regularly introduce financial products, establish R&D teams in New York and London and other places and acquire overseas financial product development companies, with the aim of quickly upgrading the product innovation ability of the financial industry through a joint effort between the financial industry competent authority and financial industry business.

Supporting the development of companies in other sectors of the economy

The financial industry and other industries should have a mutually beneficial relationship and, at the same time as growing steadily, the financial industry should care about and assist the development of other industries, creating a win-win situation. To align with international development trends and suitably utilize the innovation
On 1 July 2014, the FSC held the 10th anniversary celebration, attended by the FSC chairman, vice chairpersons, heads of bureaus and departments, and a number of important guests.

and entrepreneurship funding capability of the private sector, under the precondition of protecting investor rights and interests, private sector operators have been allowed to engage in equity crowd funding since the end of April, 2015.

**Protecting the rights and interests of consumers**

Enhancing the protection of financial consumers is an important international trend of financial supervision. While several opening measures are being pushed, the FSC will also encourage the financial industry to attach importance to the rights and interests of financial consumers to strengthen the protection of financial consumers. The Financial Consumer Protection Act was announced on 4 February 2015. The FSC will amend related branch-laws and supporting measures to better protect financial consumers.