

FSC



2018 — 2019 Annual Report
Financial Supervisory Commission, Taiwan





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FSC

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C hairman's Statement

In the past year, the international financial market has fluctuated more sharply, and economic growth momentum slowed down due to multiple uncertainties, including trade tensions among major economies, interest rate increase by the Fed, Brexit timeline and geopolitical factors. The FSC has not only paid attention to changes in domestic and international financial markets and their impact to domestic capital market, but also continued to respond to industry development and transformation needs through introduction and implementation of various financial policies, in order to optimize the domestic financial environment. According to the WEF's Global Competitiveness Report 2018, our country's competitiveness ranked 13th among 140 countries/regions and our financial system ranked 7th. This ranking indicates the continued stability, development and strong competitiveness of our financial system. The financial industry is the backbone of the economy. In face of multiple challenges stemming from current developments in the real economy and changes of social structure, such as inadequate domestic investment, aging society and low birthrate, financial institutions can play the role of facilitating industrial development and innovative transformation that drive domestic economic growth. Therefore, the FSC proposed the Financial Development Action Plan, which was presented to the Executive Yuan in 2018, in order to facilitate the upgrading and transformation of the domestic financial industry and turn Taiwan into a progressive, competitive financial market; this will, in turn, increase the competitive edge of domestic industry and financial institutions and provide people and businesses more convenient financial services. Major achievements are as follows:

With respect to assistance to real industries and public infrastructure projects with regard to fundraising, the FSC has relaxed the regulations on equity investment in private equity funds investments by securities firms, allowing subsidiaries of securities firms created with their equity investments to be general partners of venture capital funds or private equity funds in the form of limited partnership organizations. In order to encourage insurance companies to invest in "5+2 innovative industries" and infrastructure projects promoted by the government, the FSC has raised the limit on the number of products an insurance company can present to the authority for review



as an incentive for the insurance industry to make such investments. In addition, the FSC has expanded the scope of Article 72-2 of the Banking Act; loans granted for constructions for public or social purposes are not considered "loans extended for residential construction and construction for business purpose" specified in the article, in order to support important infrastructure projects of the government. In addition, regulations governing related authorization in the Financial Asset Securitization Act and the clauses of the Real Estate Securitization Act have also been amended to help public infrastructure projects raise funds from construction stage to operation stage through securitization arrangements.

C hairman's Statement

With regard to optimizing the corporate governance of financial institutions and companies listed on the Taiwan Stock Exchange and Taipei Exchange, the FSC made the following achievements in 2018: 1. The FSC added qualitative indicators for assessment of corporate governance performance. 2. Companies listed in Taiwan Stock Exchange and Taipei Exchange with over 30% of shares held by foreign investors or with capital of NT\$ 10 billion or above are required to present an English version of their annual financial reports. 3. Listed companies and companies registered on Emerging Stock Board are required to set up audit committees and have independent directors. 4. Banks and insurance companies are encouraged to increase the attendance rates of shareholders' meetings of companies listed on the TWSE and Taipei Exchange they invest in to 30% and 40%, respectively. 5. Companies listed on the Taiwan Stock Exchange and Taipei Exchange with capital of NT\$ 10 billion or above are required to engage corporate governance staff. 6. The FSC also strengthened protection of whistleblowers and laid down the requirements for financial institutions to set up a unit specifically for cyber security. 7. The FSC introduced the requirements for "separated ownership of financial institutions and non-financial institutions" and "separated ownership of different types of financial institutions" and raised the regulatory ratio of natural-person directors. 8. Stricter requirements on the use of proxies for shareholder meetings were imposed for enhancement of the proxy system.

With respect to increasing the competitiveness of the capital market, the FSC has established a multi-layered framework. In 2018, 62 companies were newly listed on the TWSE and Taipei Exchange, a significant increase from 38 companies in 2017. The FSC also introduced amendments to the Futures Trading Act and set up a central clearing system for OTC financial derivatives. The FSC will introduce the continuous trading system in the domestic stock market for alignment with international practice.

Meanwhile, the FSC has also endeavored to optimize the fund-raising environment, including adding the e-commerce industry category on Taipei Exchange, laying down the criteria for listing of large companies without profit, shortening the listing review timeline from 8 weeks to 6 weeks and increasing flexibility in stock clearing and depository for technology enterprises and large companies without profit. In addition, the FSC has set up a dynamic price stabilization mechanism for the futures market, which started operation on November 19, 2018 and covers all domestic stock index futures products.

In terms of financial deregulation, the FSC has drawn up the Regulations Governing Issuance of NT\$ Bank Debentures by Foreign Bank Branches, allowing domestic branches of foreign banks involved in offshore wind power projects to issue NT\$-denominated bank debentures to satisfy their mid-term and long-term financing needs. As of the end of 2018, three foreign banks with domestic branches had obtained the FSC's approval for issuing a total of NT\$ 36.5 billion bank debentures. The FSC has also relaxed regulations to allow investors invest in TAIEX ETFs via banks and trust funds.

In terms of banking business, the FSC has started to accept applications for establishment of online-only banks. So far, the FSC has received three applications and will announce the list of approvals after review. Moreover, the FSC amended the Regulations Governing the Investing Activities of a Financial Holding Company to lower the required shareholding percentage for obtaining a controlling interest in financial holding companies to encourage mergers in the financial industry. The FSC also actively created an international platform for wealth management and has allowed high-end customers with total asset value of over NT\$ 100 million to invest in more financial products.

C hairman's Statement

With respect to facilitating healthy development of the insurance market, amendments of the Regulations Governing Foreign Investments by Insurance Companies have been introduced to enhance risk management and control for foreign investments by insurance companies. Meanwhile, the formula for calculation of adjusted net capital and risk-based capital has been changed to reasonably reflect an insurance company's operating risk level. In addition, the FSC has incorporated countercyclical measures into the risk-based capital (RBC) system of the domestic insurance industry to reduce the impact of stock market fluctuation on the asset portfolios of insurance companies.

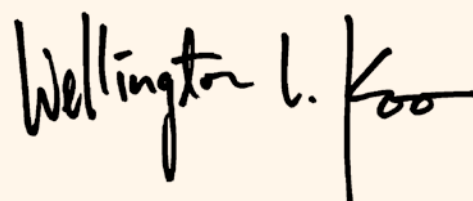
With regard to promotion of FinTech development, the FSC completed the legislative process of the Financial Technology Development and Innovative Experimentation Act and formulated five authorizing sub-laws and accompanying measures. All these took effect on April 30, 2018 and they became the first package of laws/regulations for a regulatory sandbox in the world. The FSC has also set up the Financial Technology Development and Innovation Center for tasks including promotion of FinTech developments and operation of the innovative experimentation mechanism. As of the end of April, 2019, the FSC had accepted 11 applications for experiments and approved three of them. 28 companies were being coached for their applications for innovation experiments. Meanwhile, the FSC also assisted the Taiwan Financial Services Roundtable (TFSR) with the establishment of the FinTech Space, which opened on September 18, 2018. As of the end of 2018, 41 innovation teams had started operations.

In order to facilitate exchange and match making activities of domestic and foreign FinTech players for collective brainstorming on innovative service models, the FSC hosted the "FinTech Taipei 2018" on December 7 and 8, 2018, attracting over 200 domestic and foreign exhibition participants and more than 30,000 visitors. Moreover, the FSC has also actively created a liaison network with other countries, enhancing regulatory information exchange with other countries and increasing international cooperation for innovative projects. For example, the FSC has become a member of the GFIN created by the initiative by the British FCA in January, 2019 and attended

the first annual meeting on May 1, 2019 at its invitation. Moreover, the FSC signed FinTech cooperation agreements with the Polish KNF and the AAG of the U.S. Arizona State in 2018, and the French ACPR in 2019, to help FinTech startups expand their foreign markets.

With respect to enhancement of financial consumer protection, the FSC launched the Financial Service Enterprises Treating Customers Fairly Principles Assessment Program, in order to urge them to foster a business culture that centers around Treating Customers Fairly (TCF) and enhances consumer protection. The assessment program includes assessing enterprises' implementation of the nine TCF Principles and whether enterprises' boards of directors value the principles and take specific actions accordingly, for assessment of a financial service provider's performance of customer protection. The assessment program started operation in 2019 and the assessment results will be presented for supervisory reference in financial examination.

In the coming year, the FSC will, under the precondition of following the principle of risk control, actively work to enhance the competitiveness of Taiwan's financial industry, promote corporate governance culture and legal compliance of financial institutions in Taiwan, continue to promote applications of FinTech innovation, make financial services more convenient, and help businesses and people create wealth with diversified financial products. Meanwhile, it will also introduce appropriate amendments to related supervisory regulations, support financial institutions with their business expansion efforts, adopt international practices in the domestic capital market, urge the financial industry to fulfill Corporate Social Responsibility (CSR), enhance financial consumer protection and satisfy their needs, and implement financial inclusion measures to advance public well-being.



Chairman



Duties and Organization



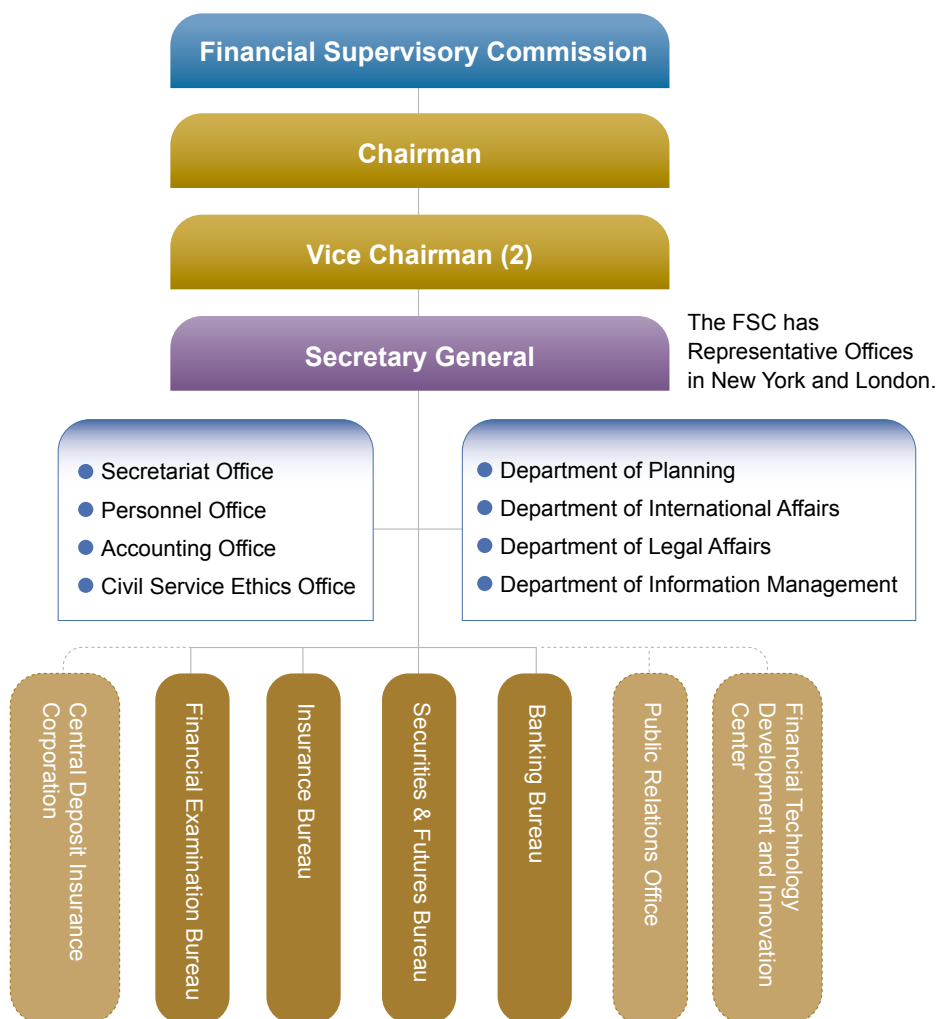
Duties and Organization

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.

It 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.



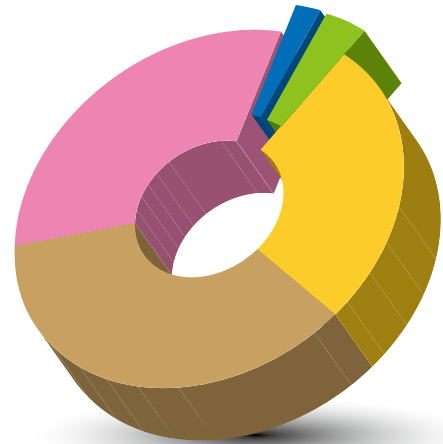
» Organization



» Personnel



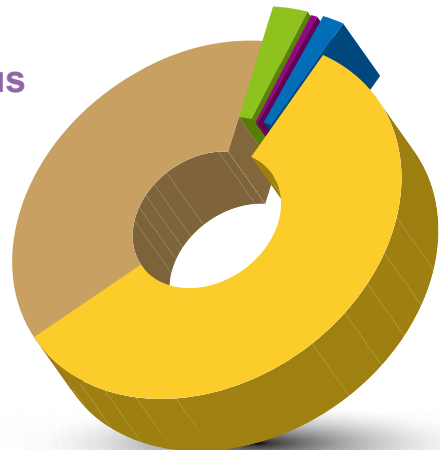
● Age 29 or younger	4.23%
● Age 30-39	26.17%
● Age 40-49	36.23%
● Age 50-59	30.74%
● Age 60-65	2.63%



» Academic Background of Employees at FSC Headquarters and The Four Bureaus



● PhD	2.17%
● Master's degree	57.14%
● Bachelor's degree	37.26%
● Junior college	2.97%
● High school	0.46%





I mportant Achievements

- Promoting FinTech and financial innovation
- Facilitating financial product diversification and supporting the real economy
- Deregulatory measures for enhancement of the financial industry's competitiveness
- Optimizing corporate governance
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- Attending international conferences and promoting international exchange activities
- Important amendments of regulations

Business world



finance

Important Achievements

» Promoting FinTech and financial innovation

Promoting the innovative experimentation mechanism

To help FinTech development and encourage financial innovation, the FSC promulgated the Financial Technology Development and Innovative Experimentation Act enacted on Apr. 30, 2018 as a special law to promote the FinTech innovative experimentation mechanism. Moreover, the FSC established the FinTech Development and Innovation Center to push ahead with the aforementioned two initiatives (i.e. FinTech development and Experimental Mechanism implementation) and to continually provide counseling services to FinTech business through channels including the "shop on-site, factory off-site" mechanism and the regulatory clinic inside the FinTechSpace.

As of the end of May, 2019, the FSC has received 11 applications of FinTech innovative experimentation; three were approved, one was rejected and the other seven are under review or being required to submit supplementary documents.

Established the FinTechSpace

The FSC instructed the Taiwan Financial Service Routable (TFSR) to found the FinTechSpace, which was launched on September 18, 2018 with the goal to provide startups initial operating resources, facilitate industry-academia-research cooperation, strengthen international connection, and develop business for startups. The FinTechSpace also features co-working coalition space, digital Sandbox, corporation lab, regulatory clinic and global network and offers startups different resources according to their developing stages in order to bring benefits of creating FinTech ecosystem, incubating international talents and startups. As of the end of May, 2019, 45 startup teams have set up in the FinTechSpace.



The FinTechSpace was opened on September 18, 2018.

Taipei Financial Technology Exhibition held

The FSC instructed the TFSR and the Taiwan Academy of Banking and Finance (TABF) to co-host the "FinTech Taipei 2018" which was held on December 7-8, 2018, organized 80 Demo Shows, and drew more than 30,000 visitors and over 200 exhibitors from home and abroad, including 80 international teams from 11 countries/regions, including Australia, Hong Kong, Poland, Malaysia, United Kingdom, Switzerland, Netherlands and United States. "FinTech Taipei 2018" included: international trend conference, financial innovation lectures, FinTech expos, highlight theme pavilions and industry-academia-startup matching to help firms develop business and strengthen cross-industry cooperation.



FSC Chairman Wellington L. Koo addressed the opening ceremony of "FinTech Taipei 2018".



FSC Chairman Wellington L. Koo attended the opening ceremony of "FinTech Taipei 2018" co-organized by TFSR and TABF on December 7, 2018.

I mportant Achievements

Allowing internet-only banks establishment

With the aim of assisting banks to keep up with development trends of digitization, as well as to encourage FinTech innovation and deepen financial inclusion in order to meet the needs of young generation consumers, the FSC has taken the business model and practices of global internet-only banks for reference and has announced amendments to two decrees relating to internet-only banks establishment, namely, Standards Governing the Establishment of Commercial Banks and Regulations Governing Investments in Other Enterprises by Commercial Banks. These two decrees took effect on November 16, 2018 and the FSC started to receive applications for setting up internet-only banks on the same date. The results will be announced upon completion of the review.



The FSC held a public hearing for the policy to introduce the internet-only bank on June 29, 2018.

Increasing utilization and innovation of mobile payment

In order to improve the convenience of payment and reduce contracted merchants' system costs, the FSC has completed a number of regulatory amendments for payment instruments such as credit card, debit card, electronic stored-value card, and electronic payment.

Assisting Securities Investment Consulting Enterprises (SICEs) to Develop Robo-Advisor Services

The FSC has approved new deregulatory measure to facilitate developing Robo-Advisor services by SICEs for the purpose of asset management on August 10, 2017. When the investment profits or losses reach the conditioned standards, or deviates from the investment ratio that is preset in advance, SICEs can automatically implement portfolio "re-balancing" for customers, complying with preset investments' targets and ratios. As of the end of December 2018, there are four SICEs providing Robo-Advisor services, with asset under management (AUM) of about NT\$532 million.

Launching "TDCC e-passbook 2.0"

To meet investor needs, TDCC launched "TDCC e-passbook 2.0" on November 12, 2018. The new version e-passbook delivers four major functions: integrated investor's assets allocation, cloud trading statements, customized push notifications, and thorough stock market information.

Promoting insurance handling of online insurance business

Aimed at boosting the development of online insurance business and increasing its convenience, more online insurance products, diverse services, and consumer identity verification mechanisms are allowed. The Guidelines for Insurance Companies Operating Electronic Commerce were also amended to facilitate compliance by insurers.

Allowing insurance broker companies and agent companies to conduct online insurance services

To encourage the industry to offer more diverse marketing channels and convenient services, the FSC has allowed insurance broker companies and agent companies that concurrently conduct insurance broker and agent business to apply to accept insurance applications online.

I mportant Achievements

» Facilitating financial product diversification and supporting the real economy

Helping key innovative industries obtain working capital

To help key innovative industries obtain working capital, the FSC continues to implement the Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries. On September 25, 2017, the FSC promulgated the Program to Encourage Investment by Insurance Industries in Key Innovative Industries to encourage insurers to actively evaluate and expand investment in key innovative industries.

Relaxing restrictions on investment by securities firms in venture capital enterprises and private equity funds on June 1, 2018.

On January 2 and September 3, 2018, the FSC issued interpretive orders allowing insurers to invest in domestic private equity funds created by a national investment company, subsidiaries of investment trust enterprises or securities companies for investment in 5+2 industries and infrastructure projects.

On December 7, 2018, the FCS issued an interpretive order allowing insurers to serve as participating lenders in a syndicated loan case and handle loan business for loans guaranteed by a foreign central government-established credit guarantee institution and used for investment in the 5+2 key innovative industries.

In an attempt to help SMEs obtain working capital

The FSC continues to carry out the program to encourage lending by domestic banks to SMEs.

To effectively assist SMEs in obtaining operating funds and developing innovative enterprises and FinTech

The Banking Bureau, FSC, the Small & Medium Enterprise Administration (SMEA), MOEA, the Bankers Association of the Republic of China (Bankers Association) and the Small & Medium Enterprise Credit Guarantee Fund of Taiwan (SMEG) have established the SME Financing Service Communication Platform.

Encouraging Securities and Futures Business to Develop Innovative Products

Releasing the regulations Governing the issuance of Exchange Traded Note by Securities Firms to allow securities firms to issue ETN.

Issuing an order to grant approval for any non-stock futures contracts listed on the Taiwan Futures Exchange Corporation (TAIFEX) to serve as underlying assets for call (put) warrants.

In 2018, futures trust enterprises publicly offered two futures ETFs tracking global silver and copper futures indexes, respectively.

TAIFEX launched three new futures contracts in 2018, including GBP/USD Futures and AUD/USD Futures on January 22 and Brent Crude Oil futures on July 2.

Encouraging insurance companies to develop innovative and diverse products

The review procedure of qualified innovative insurance products has been adjusted from prior-approval procedure to use-and-file procedure, in order to speed up the launch of such products.

Assisting the Council of Agriculture to promote agricultural insurance.

Insurance companies are encouraged to develop cyber insurance to complete the information security network.

Encouraging trust enterprises to engage in care trusts for the elderly and physically or mentally disabled people

To encourage banks to actively develop the care trust business, the FSC announced the Evaluation Criteria and Incentive Measures for Handling of Asset Trusts by Trust Enterprises for Senior Citizens and Disabled People, which will be effective for five years from 2016. The FSC will reward banks with excellent related performance on an annual basis.



The FSC held the evaluation and awards ceremony for care trusts for the elderly and persons with disabilities by trust enterprises on July 12, 2018.

I mportant Achievements

Encouraging trust enterprises to engage in care trusts for the elderly and physically or mentally disabled people

As of the end of 2018, there were 928 companies listed on the TWSE, 766 on the TPEX, 256 on the ESM, and 90 on the GISA.

Creating an optimal fundraising environment

Creating the e-commerce industry category in the TPEX market to fit e-commerce companies into the appropriate industry category.

Allowing large unprofitable startup companies to list on the TWSE or TPEX.

Shortening the review period of listing application from 8 weeks to 6 weeks to facilitate the applicant companies obtaining funds earlier.

Relaxing the lock-up period limitation for technology and large unprofitable companies.

Assisting overseas Taiwanese companies to list in Taiwan

To support the New Southbound Policy, the FSC has actively promoted the program of "counseling overseas Taiwanese companies to use domestic capital market to raise funds". As the end of December, 2018, TWSE and TPEX had held 11 roadshows in New Southbound countries, including Malaysia, Singapore, Vietnam, Thailand, Australia, and Indonesia, as well as visited 52 overseas Taiwanese companies in order to encourage them to be listed in Taiwan to broaden our capital market scale.

Establishing review and equity control mechanisms for direct investments by Mainland China investors in companies listed on TWSE and TPEX.

Relaxing the cap on investments in Mainland China for the domestic insiders of the foreign companies listed in Taiwan or foreign emerging stock companies.

Relaxing the qualification requirements for issuers of foreign ordinary bonds denominated in NT\$.

Promoting the development of the Taiwan green bond market.



» Deregulatory measures for enhancement of the financial industry's competitiveness

- The FSC issued a new interpretation related to Article 72-2 of the Banking Act and reviewed regulations governing "loans extended for residential construction and construction for business purposes" specified in the article. The aim of the interpretation is to effectively encourage the banking industry to extend such loans in order to promote important government policies for long-term care service, social housing and urban renewal business, etc.
- The FSC amended the Regulations of Governing Issuance of Bank Debentures by Banks to loosen restrictions on target customers of bank debentures issued by banks on a revolving basis.
- The FSC amended the Regulations of Governing Off-Premises Automatic Teller Machines of Financial Institutions in response to the FinTech development and to provide better services to customers.
- The FSC Amended regulations relating to credit cooperatives.
- The FSC amended the relevant regulations on real estate investment trust fund investment in overseas instruments and relaxed the offshore investment instrument range of domestic REIT funds in order to diversify the investment instruments of REIT funds.
- The FSC amended the Regulations Governing the Security of Electronic Stored Value Cards in order to meet business needs relating to transactions using electronic stored value cards on the Internet, facilitate e convenience of payment, and optimize user experience.
- The FSC issued an interpretation related to the Act Governing Electronic Payment Institutions, allowing electronic payment institutions to receive and pay money for money market securities investment trust funds which are offered and issued by securities investment trust enterprises and only invest domestically.

I

Important Achievements

- The FSC amended the Regulations Governing Identity Verification Mechanism and Transaction Limits for Users of Electronic Payment Institutions to flexibly the monthly transaction amount of first category e-payment accounts to be flexibly adjusted to NT\$30,000/month under the unchanged annual transaction limit of NT\$360,000 thereon.
- The FSC amended the Rules Governing the Business of Electronic Stored Value Card Issuers to expand the use of electronic stored value cards and make payment using such cards more convenient.
- The FSC amended the Regulations Governing Foreign Bank Branches And Representative Offices, relaxing the NT\$ credit extension limit to a single client by foreign bank branches.
- The FSC introduced the Regulations Governing Issuance of NT\$ Bank Debentures by Foreign Bank Branches. As of the end of 2018, the Taipei branches of Societe Generale, Deutsche Bank and BNP Paribas had been approved to issue NT\$ financial bonds in Taiwan. The approve amounts are NT\$ 15.6 billion, 10.9 billion and 10 billion respectively.
- Policy incentives to promote the merger of financial institutions.
- Amending Regulations Governing Securities Investment Trust Funds and simplifying the Operational Rules for Fund Investment.
- Continuing loosening the regulations of onshore Funds.
- Continuing reviewing and adjusting the Incentive Policy for Onshore Funds and the Incentive Policy for Offshore Funds Development in Taiwan.
- Providing more flexible business models for SITEs.
- In response to the inclusion of China A-shares into MSCI, the FSC increased the percentage cap of offshore fund total investments in securities of the Mainland China securities market from 10% to 20% of the net asset value, and adjusted the incentives under the Incentive Policy for Offshore Fund Development in Taiwan to raise the percentage cap of offshore fund total investments in securities of the Mainland China securities market from 30% to 40% of net asset value.
- Amending regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises.
- Expanding business scope of securities Investment consulting enterprises.
- Strengthening the foreign investment risk control mechanism of the insurance industry.

» Optimizing corporate governance

Continuously shaping corporate governance culture

The FSC released the Corporate Governance Roadmap (2018~2020) in April, 2018, and it implemented the following at the end of 2018:

Enhancing the effectiveness of the corporate governance evaluation mechanism by introducing qualitative indicators.

Encouraging listed companies with foreign investor shareholding reaching 30% or more or with paid-in capital reaching NT\$ 10 billion or more to provide English versions of AGM handbooks, Annual Reports and Annual Financial Reports.

Expanding the establishment of audit committees and independent directors.

Encouraging banks and insurance companies to attend shareholders' meetings of listed companies.

Reaching the target signing rate of the Stewardship Principles for institutional investors (securities investment trust enterprises 70%; others 50%)

Promoting the establishment of chief corporate governance officers.

Optimizing the composition and professionalism of board members in the financial industry

The FSC announced amendments to the Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Banks and Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company, which will take effect on July 1, 2019. The key amendments are listed below:

- Implementing the non-competition provision.
- Increasing the number of professional directors (supervisors) for banks and financial holding companies with assets over NT\$1 trillion.
- Natural person directors.

Improving the quality of information disclosure

The FSC amended Regulations Governing the Acquisition and Disposal of Assets by Public Companies and the relevant orders. The amendments, in line with International Financial Reporting Standard 16 to take effect in 2019, expand the applicable norms and relax the assessment and the authorization procedures of right-of-use assets.

I

Important Achievements

» Improving financial supervision

The FSC established Financial Institutions' internal reporting systems and requested the banking industry to attach more importance to cyber security

In order to foster a business culture of transparency and integrity, the FSC has included the internal reporting system(so-called Whistleblower system) and cyber security management in the Internal Control System.

Taking the banking and insurance industries for example, the FSC has amended the Implementation Rules of Internal Audit and Internal Control Systems of Financial Holding Companies and Banking Industry and Implementation Rules of Internal Audit and Internal Control Systems of Insurance Industries.

Fully adopting IFRSs

Taiwan synchronized its accounting standards by adopting both IFRS 9 and IFRS 15 on January 1st, 2018, and IFRS 16 on January 1st, 2019.

To reasonably reflect various risks of insurance companies incurred by their operations

On October 31, 2018, the FSC announced the scope and calculation method for the adjusted net capital and risk-based capital of insurance companies for 2018.

Promoting sound operation of life insurance companies

On November 6, 2019, the FSC announced the interest rates of policy reserve for new life insurance contracts denominated in NTD, USD, AUD, EUR and RMB for 2019.

Strengthening relevant supervision measures in line with amendment of the Company Act.

Improving supervision of foreign branches of domestic banks.

Carrying out targeted financial examinations.

Enhancing communication with other agencies and business operators.

Strengthening Transparency of Examination.

Promoting inspection of the effectiveness of cyber security

The FSC continues to strengthen the existing financial examiners' professional IT training to improve their inspecting effectiveness.

Strengthening Cyber Security of the Financial Industry and Market

- Linking Cyber Security Management to Financial Supervisory Tools.
- Assigning Responsible Unit and Director Focused on Cyber Security.
- Reviewing and Amending Cyber Security Criteria.
- Implementing Cyber Security Inspection and Exercise.
- Reinforcing the Cyber Security of Financial Examination.
- Constructing a Financial United Defense System for Cyber Security.

» Promoting CSR

Continuing to host the financial consumer protection supervision meeting

Through the presentation of the seasonal financial consumer protection work and analysis reports and the latest foreign financial consumer regulations and protection measures and formulation of financial consumer protection promotion actions by the bureaus and departments of the FSC, Financial Ombudsman Institution(FOI) and the Securities and Futures Investors Protection Center(SFPIC), the FSC enhances the protection of financial consumer.

Important Achievements

Promoting implementation of the Treating Customers Fairly Principles by financial services enterprises

The FSC has launched the Financial Service Enterprises Treating Customers Fairly Principles Assessment Program to evaluate financial service providers' consumer protection performance with ten indicators, including the nine TCF Principles and whether the enterprises' boards of directors value the principles and take specific actions accordingly; it has been implemented in 2019.

In order to help staff of financial service providers better understand the Treating Customers Fairly Principles, the FSC laid down the requirement for annual training of at least three hours on the Treating Customers Fairly Principles for the financial service industry on February 9, 2018.

Enhancing financial education and promotion of financial literacy

In order to increase the effect of financial education promotion and improve financial literacy, the FSC continues to promote the Financial Literacy Program and collaborates with related organizations in implementing the four main strategies, namely carrying out social advocacy, deepening students' understanding, combining resources of social care and public benefit, and using the power of diverse media. In addition, the FSC strengthened the promotion of important topics, such as mobile payment service, cybersecurity, anti-money laundering and anti-fraud, and introduced educational schemes for disadvantaged groups such as the elderly, ex-offenders, new immigrants and rural residents. In 2018, there were 7,872 financial literacy activities held with more than 1.35 million participants; and more than 36,000 ePapers and 1,600 TV commercials were sent through various channels, such as Taipei MRT, fan pages of Facebook, official websites, digital learning platforms and printed materials.



The Taiwan Financial Services Roundtable held the Financial Services Charitable Festival (Taoyuan) on October 13, 2018. FSC Chairman Wellington L. Koo was invited to deliver a speech.

The FSC continued to carry out its School and Community Financial Literacy Campaign. The FSC held a total of 553 financial literacy promotion activities in its 2018 School and Community Financial Literacy Campaign. A total of 59,049 participants attended the events. The target participants include students at all levels of schools, communities, women's groups, indigenous people, immigrants, military service personnel and correctional institution groups. Through various financial education campaigns, the FSC is able to help the public develop a better understanding of financial matters, financial consumer protection, and financial policies. To promote the Financial Basic Education Project. The FSC compiled teaching materials for financial basic education in 2018 and will continue to organize workshops for teaching and calls for submission of learning action programs, to provide teaching materials for teachers at all levels in primarily, middle and high schools. Accordingly, financial knowledge can be enhanced among teachers and be spread among school students.

Holding joint public welfare activities with financial peripheral institutions

The FSC continued to integrate resources of financial peripheral organizations to jointly promote public welfare events in 2018. These events included the Educational Public Welfare Scholarship Program, University Students Financial Employment Public Benefit Courses, Food Bank and Donation of Wheelchair Accessible Minibuses (rehab buses), etc. The organizations took actual actions to assist people and groups in need. Taking the Educational Public Welfare Scholarship Program as an example, the scholarship was granted to 1,600 university students in the past year and provided each student with a yearly stipend of NT\$ 50,000. Another example is the University Students Financial Employment Public Benefit Courses. It provided 170 hours of basic financial education to 587 university students in 2018. Those students also received a living allowance and assistance for obtaining financial professional licenses, followed by employment referral recommendations to financial institutions after graduation.



TAIFEX hosted the "TAIFEX Loves Taiwan" charitable event and made a donation of six rehab buses on July 6, 2018.

I mportant Achievements



FSC Chairman Wellington L. Koo attended the opening ceremony of the fourth Financial Literacy for Youth (FLY) program held by TDCC (Taiwan Depository & Clearing Corporation) on September 15, 2018.

Strengthening bank management for conducting derivatives business

To avoid mis-selling products to consumers, bank are required to tighten controls on structured products business, including the restriction that does not allow them to actively sell such products to customers who make investments passively or are economically underprivileged.

Encouraging banks to provide commercial reverse mortgage services

In Taiwan's aging society, the FSC continues to encourage banks to make relevant adjustments of resource allocation to satisfy the needs of senior citizens for financial products and services.

Strengthening the supervision measures of distribution fees and disclosure of information on fee structure.

Encouraging insurers to sell and design protection-type insurance products and products suitable for seniors.

Reinforcing the protection mechanism for selling investment-linked insurance products to customer over 70 years of age.

When selling investment-linked insurance products to a customer over 70 years of age, insurance companies are required to maintain the record of the selling process by audio or video means or retain the trail of the relevant operating process using electronic equipment in the sales process with customers' consent. Furthermore, an appropriate unit or managerial personnel shall double-check such record or trail and confirm the product suitability for the customer before insurance companies underwrite the policy.

Promoting microinsurance



On October 23, 2018, the FSC chairman Wellington L. Koo attended the 2018 Microinsurance, Insurance suitable for the aging society, Residential earthquake insurance, Compulsory automobile liability insurance, and Investment in Innovation Key Industry Awards Ceremony.

Setting up the Compulsory Automobile Liability Insurance e-card certification platform and auxiliary system.

Promoting the transformation program of mobile insurance.

Assisting local governments to promote public bicycle insurance.

I

Important Achievements

» Facilitating sound development of the capital market

In order to boost market liquidity and build a well-established trading market, the FSC has suggested the Ministry of Finance to extend the period of the reduction of the securities transaction tax on day trading stocks and to expand the scope of application. The implementation of the tax reduction has achieved expected results.

The continuous trading system in our securities market will be promoted to increase trading efficiency and information transparency, to offer various order types and to integrate strategies between stocks and derivatives, such as warrants, futures and options.

The establishment of Dynamic Price Banding Mechanism for the Futures Market.

IV. Strengthening the requirements of use of proxies by solicitors for attendance at shareholders meeting of financial institutions to improve proxy management.

Sound administration of CPA business.

» Implementing money laundering prevention measures

Establishing the AML/CFT Strategy Roadmap.

Enhancing the AML/CFT legal framework

With reference to the international standards issued by the Financial Action Task Force (FATF), the FSC continues to amend AML/CFT legislation and flesh out AML/CFT regulations governing financial leasing firms and certified public accountants.

Continuing to strengthen risk-based supervision

The FSC participated in 2018 National Risk Assessment (NRA) and continued to conduct risk classification of regulated financial institutions to implement risk-based supervision.

The FSC requested financial institutions to use external auditing conducted by an independent third party or certified public accountants to review the effectiveness of their ML/TF risk assessments and AML/CFT programs.

Strengthening FI awareness

The FSC urged the associations it regulates to develop and issue guidelines for comprehensive ML/TF risk assessment.

The FSC encouraged the associations it regulates to establish a compliance forum where financial institutions can discuss AML/CFT practices and experiences, questions about application of the law, risk understanding and management.

The FSC conducts interviews with financial institutions to understand their implementations of AML/CFT and provide specific suggestions and enhanced measures.

Enhancing domestic and international supervisory coordination and cooperation

The FSC held a joint conference with the Central Bank, BOAF, and the Central Deposit Insurance Corporation on financial supervision.

The FSC and the Central Bank established a joint AML/CFT taskforce on foreign exchange business, and held non-scheduled meetings.

The FSC and the AMLD held meetings on AML/CFT issues.

The FSC held a supervision platform conference with the Ministry of Economic Affairs (MOEA) and Ministry of Finance (MOF). We suggested that the MOEA develop related mechanisms governing the auditing of the registered capital of companies by certified public accountants. We also asked the MOF to provide relevant information on tax evasion and tax avoidance typologies.

Urged the associations the FSC regulates to invite international organizations to discuss international trends and share their experiences with financial institutions.



Standard Chartered was invited to make a presentation during the 13rd FSC AML/CFT taskforce meeting on January 28, 2019.

I

Important Achievements

» Attending international conferences and promoting international exchange activities

Signing Documents on financial Supervision Cooperation

By the end of July, 2019, the FSC had signed 62 documents on financial supervision cooperation with its counterparts in 38 countries or regions. In 2017, the FSC signed FinTech MOUs with Poland (KNF), the US (AAG) and a Memorandum of Understanding (MOU) on Financial Supervision with Vietnam. FSC signed a FinTech cooperation agreement with France (ACPR) on July 9, 2019.



FSC Chairman Wellington L. Koo and Mr. Denis Beau, First Deputy Governor of the Banque de France and Chairman of the ACPR, signed the FinTech Cooperation Agreement between the FSC and the ACPR on July 9, 2019.



Chairman Koo, together with Minister George Hollingbery, witnessed the signing of the MOU on FinTech Sector Promotion & Cooperation by the British Office Taipei (BOT) and the Taiwan Financial Services Roundtable (TFSR) on September 25, 2018.

Promoting international exchange and cooperation

The FSC attended international financial conferences, including APG related meetings, AFIR, committee meetings and annual meetings of IOSCO and IAIS, International Conference of Banking Supervisors, etc.



FSC Chairman Wellington L. Koo led the Taiwan delegation to attend the 20th International Conference of Banking Supervisors in Abu Dhabi from November 25-30, 2018.



FSC Vice Chairman Tien-Mu Huang led a delegation to the 14th Asian Forum of Insurance Regulators held in Macao on May 22-24, 2019.

I mportant Achievements



The FSC chairman Wellington L. Koo led a delegation to attend the 44th International Organization of Securities Commissions (IOSCO) Annual Meeting in Sydney during May 13-17, 2019.

The FSC held international exchange activities, including 12th Taipei Corporate Governance Forum, United States SEC Regional Exchange Training Program, 2018 Conference on ERM in the Insurance Industry, the fourth bilateral meeting with the Japan Financial Services Agency, the FinTech Regulatory Sandbox Roundtable, lecture on IAIS strategies and outlook, and the Hong Kong- Taiwan Banking Supervision Liaison Meeting.



The FSC held the 2018 Conference on ERM in the Insurance Industry on October 17-18, 2018.



The 12th Taipei Corporate Governance Forum.

Bilateral economic and trade consultation

In 2018, the FSC actively shared Taiwan's experiences and strategies of FinTech development with several countries, including Poland, the UK, Sweden, Japan, and Canada, on multiple occasions during bilateral economic and trade consultations, with the aim of enhancing mutual cooperation and exchange on related issues with its counterparts in these countries.

Multi-lateral economic and trade consultations

The FSC attended the quadrennial meeting for WTO trade policy review from September 14-16 2018. It reported FinTech development strategies and sandbox mechanism legislation and development situation to the WTO Secretariat and its members for their reference and answered related questions brought by other members orally or with written documents. Representatives of several WTO members affirmed domestic FinTech development in the meeting in their speeches.

I mportant Achievements

Backing the New Southbound policy-Financial Support Work Plan

The FSC has provided financial assistance in support of the New Southbound policy with 4 measures in two directions. The two measures are helping domestic businesses in New Southbound target countries raise capital they need for business development and helping domestic banks increase their presence in New Southbound target countries. The four measures include providing exporters financing and guarantees services, increasing loans granted by domestic banks to Taiwanese businesses in New Southbound target countries, assisting Taiwanese businesses with access to the domestic capital market, and helping domestic banks expand their presence in New Southbound target countries. As of the end of May, 2019, the total outstanding balance of loans extended to receivers in targeted countries amounted to 1,144.6 billion. From May 20, 2016 to the end of May, 2019, 28 new business locations were set up in the target countries of the New Southbound Policy by domestic banks. Currently, domestic banks have set 217 service points in the region to provide Taiwanese businesses in these countries multiple financial services, including financing, guarantee and consultation.

The FSC has actively taken part in consultations between Taiwan and New Southbound countries on signing or re-signing investment protection agreements. It successfully included financial investment of over 10% shareholding and a prudential measures clause in the Taiwan-India bilateral investment agreement on December 18, 2018, providing more protection to domestic investors.

Receiving VIPs

In 2018, the FSC received many VIPs from the US, Europe and Asia, including the IAIS Secretary General, Polish KNF chairman, a British parliamentary delegation, delegations from the New Mexico State Legislature and Arizona State Legislature, AIT director, deputy director general of the Insurance Bureau of the Ministry of Finance of Vietnam, state councilor and special economic advisor of Myanmar and an executive director of the Hong Kong Insurance Authority. The FSC exchanged opinions with them on economic and financial issues in hope of enhancing mutual cooperation and experience sharing on related issues in the future.



Mr. W. Brent Christensen, the Director of the American Institute in Taiwan, was warmly received by FSC Chairman Wellington L. Koo on September 7, 2018.



A UK parliamentary delegation led by Sir Graham Brady MP was warmly received by FSC Vice Chairman Chuang-Chang Chang on November 6, 2018.

I mportant Achievements

» Important amendments of regulations

Amendments to the Banking Act of the Republic of China were promulgated by the President on April 17, 2019. The main amendments were as follows:

The maximum fine in the chapter of penalties has been increased from NT\$10 million to NT\$50 million to enhance bank legal compliance. Taking into account the difference in scale between banks, the minimum fine stays the same to allow space for discretion. To allow both strictness and lenience as appropriate, a provision was also added allowing the competent authority to decide not to impose a fine on a bank when the situation is relatively minor and instead adopt a suitable corrective measure.

With reference to Item 11 of the Basel Committee on Banking Supervision's Core Principles for Effective Banking Supervision, the competent authority can use various supervisory measures to spur banks to take improvement action, to effectively correct violation of regulations by banks. Administrative dispositions that the competent authority can adopt have also been added, including restricting investment and ordering closure of a branch or a department within a prescribed period of time, etc.

To ensure that the responsible person of a bank obeys basic due diligence requirements for non-competition so that he/she can effectively carry out the duties of his/her main position and concurrent position when holding concurrent positions, the related regulations have been added to authorize the competent authority to prohibit the responsible persons of a bank from involving in conflict of interest.

With reference to Item 13 of the Basel Committee on Banking Supervision's Core Principles for Effective Banking Supervision and Suggestion 40 of the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, the legal basis for the competent authority engaging in international supervisory cooperation is stipulated. The government can sign cooperative treaties, protocols or agreements with foreign governments, institutions or international organizations and, based on the principle of reciprocity, request related agencies or institutions to, according to law, provide the necessary information to foreign governments, institutions or international organizations.

The FSC amended the Securities and Exchange Act on April 17, 2019. The key amendments are as follows:

To assist listed companies to retain their outstanding employees, Article 28-2 of the Securities and Exchange Act was amended to extend the transfer period of treasury shares transferring to employees from 3 years to 5 years and added that shareholders holding more than 10% of the total shares of the listed company shall not sell their shares during the period in which the company bought back treasury shares.

To promote corporate governance, the FSC amended relevant laws and regulations requiring first listed and emerging stock foreign companies may not impede, refuse, or evade the actions of the independent directors in the performance of their duties, and shall establish remuneration committees, and imposed penalty on those companies which violated regulations regarding Remuneration committees and Audit Committees.

To strengthen the effectiveness of compliance supervision, Securities and Exchange Act was amended to adopt new sanction measures, including allowing the FSC to impose "Correction order within a prescribe time", "Other necessary enforcement actions", raising upper limits of fines from NT\$ 2.4 million to 4.8 million, giving the authority the power to pardon minor deficiencies from enforcement actions, and specifying that if securities firms, other securities service providers or associations commit any of the related violations, the violating entity or association may be punished with an administrative fine.

Important Achievements

The FSC amended part of the Futures Trading Act, and the amendments were promulgated by the President on January 16, 2019. The key amendments are as follows:

To harmonize Taiwan's laws and regulations with international norms, the amendments introduce a legal basis for the central counterparty clearing mechanism (CCP) of the over-the-counter derivatives transactions. Regarding the order in which the various sources of reserve funds being drawn upon to compensate for an event of default in the futures market, the clearing house shall determine the order and implement after being approved by the competent authority.

To align related securities and futures legislations, the amendments set restrictions on transferring the futures exchange's shares. Besides, futures trust funds should be raised after the registration has become effective. In addition, the futures trust enterprises shall provide prospectuses to investors before offering futures trust funds, and provide civil damages and the elimination time limitation for claiming such damages. The penalties imposed on the futures commission merchants violating the permitted futures brokerage trading's categories and exchanges were altered from criminal penalties to administrative penalties.

To strengthen legal compliance of futures enterprises and related institutions, the amendments expand the range of disciplinary measures available to the competent authority, including issuing a reprimand, taking other necessary measures, raising the maximum administrative fine from NT\$600,000 to NT\$2.4 million. The competent authority could grant exemptions from penalties for minor violations as well.

Amendments of the Securities Investment Trust and Consulting Act

On January 31, 2018, Presidential Order announced amendments to the Securities Investment Trust and Consulting Act. The amendments aim to enhance the competitiveness of the domestic asset-management industry and strengthen the operations of SITEs and SICEs.

Amendments of the Certified Public Accountant Act

The amendments of the Certified Public Accountant Act were introduced on Jan 31, 2018, to cope with changes in domestic practices and appropriately adjust regulatory requirements for CPAs for sound administration of CPA business activities and development. The amendments include reinforcing the disqualification criteria for a CPA, deleting the regulation that allows replacement of practical training with pre-professional training, emphasizing compliance with the regulatory requirement for a CPA to obtain CPA Association membership for his/her practice, and imposing the requirement of signing a co-location contract for establishment of a co-location CPA firm.

Amendments of the Insurance Act

To implement the "non-discrimination" principle of the Convention on the Rights of Persons with Disabilities and to guide the insurance industry to participate in the investment of social welfare enterprises, relevant provisions were amended and published on June 13, 2018 to allow insurers who meet the requirements to appoint representatives to serve as directors or supervisors of invested entities.



Future Outlook

- Promoting application of financial innovation and making financial services more convenient
- Helping businesses and people create wealth with diversified financial products
- Facilitating business expansion of financial institutions with appropriate amendments of supervisory regulations
- Continuing to promote corporate governance
- Ensuring financial stability with differentiated management approaches
- With a people-first approach, strengthening protection of rights and interests satisfying needs and implementing financial inclusion measures
- Enhancing the internationalization of the capital market
- Reinforcing risk-based money laundering prevention work in the financial industry
- Attending international conferences and promoting international exchange activities



Future Outlook

» Promoting application of financial innovation and making financial services more convenient

- Continuing to promote the innovative experimentation mechanism.
- Strengthening the function of FinTechSpace.
- Continuing to hold "FinTech Taipei 2019".
- Implementing FinTech Campus Successor Joint Recruitment Plan.
- Approving internet-only banks establishment.
- Planning to set up the implementation framework of Open Banking.
- Increasing utilization and innovation of mobile payment.
- Studying the supervision rules over Securities Token Offering.
- Facilitating SICEs to Introduce Robo-Advisor Services.
- Boosting the efficiency of the insurance e-commerce activities.
- Encouraging the insurance industry to cooperate with the IT industry to promote the efficiency of insurance services.

» Helping businesses and people create wealth with diversified financial products

- Assisting Key Innovative Industries obtain working capital.
- Helping SMEs obtain working capital.
- Allowing banks to grant loans to non-discretionary money trust customers who pledge their beneficiary rights as collateral.

- Introducing the cornerstone investors mechanism in IPOs of a large unprofitable company, or an enterprise which obtains an opinion issued by central competent authorities.
- Establishing the issuance standards of Islamic bonds (Sukuk).
- Expanding the scope of green bonds to include financial assets securitization.
- Launching new futures products to meet the needs of market participants.
- Promoting the Exchange Traded Notes (ETNs) market.
- Encouraging insurance companies to develop various types of insurance products.

» **Facilitating business expansion of financial institutions with appropriate amendments of supervisory regulations**

- Planning amendments to the Directions Concerning the Establishment of Foreign Branches by Domestic Banks.
- Promoting the International Wealth Management Platform Program.
- Planning relaxation of the limit for Banks Concurrently Conducting the Underwriting and Trading of Bonds.
- Planning to amend the Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation.
- Facilitating SITEs to issue "ETF Feeder Funds".
- Facilitating cross-border sales of onshore funds.
- Suggesting the Ministry of Finance (MOF) to reduce the securities transaction tax on warrant hedging transactions.
- Diversifying types of insurance policy.
- Enhancing the service efficiency of the insurance industry.
- Streamlining the signatory system of insurance brokers and insurance agents.

» Continuing to promote corporate governance

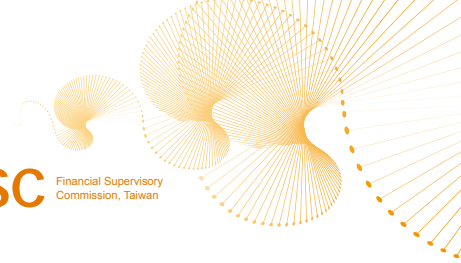
- Continuously enhancing the effectiveness of corporate governance evaluation mechanism by gradually introducing qualitative indicators.
- Requiring more than half of the members of the remuneration committee of listed companies must be independent directors.
- Expanding the disclosure of the remuneration information of individual directors and supervisors of listed companies.
- Requiring listed companies to purchase liability insurance for all directors and supervisors.
- Promoting the attendance rate of banks and insurance companies attending shareholders' meetings of listed companies shall reach 50%.
- Requiring listed companies to compile CSR reports in compliance with GRI standards.
- Requiring listed companies to disclose the number and the average remuneration of non-managerial employees.
- Amending the Regulations of Governing Required Qualifications for Responsible Persons of Insurance Enterprises.

» Ensuring financial stability with differentiated management approaches

- Designating Domestic Systemically Important Banks (D-sibs) in Taiwan.
- Amending regulations governing the capital adequacy of banks to align with international standards.
- Proposing the measures in response to the application of MiFID II.
- Handling the work to align with the IFRS 17.
- Amending the Foreign Exchange Valuation Reserve Mechanism by Life Insurance Companies.
- Incorporating "countercyclical measures" into the risk-based capital (RBC) system of the domestic insurance industry.
- Ongoing review of the capital requirements in the insurance industry.
- Amending Regulations Governing the Supervision of Insurance Solicitors.
- Planning the review mechanism of post-sale management of insurance products.
- Implementing the risk-oriented internal audit system.
- Strengthening the Implementation of Targeted Financial Examinations and Promoting Examiners' Professional Inspecting Ability of IT.
- Strengthening the Financial Examinations on the Overseas Branches (Subsidiaries) of the Domestic Banks.
- Promoting the E-Financial Examinations Plan.
- Strengthening Cyber Security of the Financial Industry and Market.

» With a people-first approach, strengthening protection of rights and interests satisfying needs and implementing financial inclusion measures

- Continuing to hold the financial consumer protection supervision meeting.
- Implementing the Financial Service Enterprises Treating Customers Fairly Principles Assessment Program.
- Enhancing the service functionality of the Financial Ombudsman Institution.
- Expanding the contents of MoneyWise website.
- Enhancing financial education and promotion of financial literacy.
- Implementing "Experimental Project for Self-Pension Saving Investment".
- Amending the Directions for Insurance Enterprises, Insurance Agent Companies and Insurance Broker Companies Engaging in Telemarketing Business.
- Encouraging the life insurance industry to adjust product structure to move towards protection-type products and products that meet the needs of seniors.
- Promoting Microinsurance.
- Continuing review of small amount whole life insurance coverage limits.
- Strengthening the Basic Residential Earthquake Insurance Program, Enhancing the protection of policyholders' rights and interests.
- Expanding the coverage of residential fire insurance.
- Strengthening Examination of Consumer Protection.



» **Enhancing the internationalization of the capital market**

- Promoting the continuous trading mechanism in our securities market to align with international norms.
- Promoting futures trading and clearing mechanism in line with international trends.

» **Reinforcing risk-based money laundering prevention work in the financial industry**

- Continuing to implement the FSC's AML/CFT Strategy Roadmap.
- Strengthening regular interaction and cooperation with law enforcement agencies and competent authorities of DNFBPs.
- Continuing implementation of risk-based onsite examinations.
- Continuing to promote AML/CFT supervision, compliance, and training with associations and related agencies.

» **Attending international conferences and promoting international exchange activities**

- Assisting financial institutions with their efforts to expand their international presence.
- Assist financial institutions with their efforts to expand their international presence.
- Attending important international financial conferences and participating in international exchange activities.





A ppendices

- A: FSC Management Team
- B: Financial statistics overview

Appendix A

» FSC Management Team





A ppendix B

» Financial statistics overview

I. Banking Industry

Unit: firm ; NT\$Bn

Item	2012	2013	2014	2015	2016	2017	2018
Number of Banking System							
Head office	100	102	100	100	99	98	97
Domestic Banks (note1)	38	39	39	39	39	38	37
Local Branches of Foreign and Mainland Chinese Banks	30	31	30	30	29	29	29
Credit Cooperatives	24	24	23	23	23	23	23
Bills Finance Companies	8	8	8	8	8	8	8
Branches	3,752	3,768	3,775	3,764	3,758	3,753	3,747
Domestic Banks	3,416	3,442	3,460	3,442	3,430	3,417	3,403
Local Branches of Foreign and Mainland Chinese Banks	51	39	39	39	38	38	38
Credit Cooperatives	255	257	246	253	260	268	276
Bills Finance Companies	30	30	30	30	30	30	30
Deposits of the Banking System (note2) (NT\$Bn)	29,946	31,837	33,803	36,004	37,563	39,216	40,432
Domestic Banks' Share (%)	96.32	96.36	96.18	95.92	95.03	95.42	95.80
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	1.80	1.77	2.04	2.34	3.25	2.88	2.53
Credit Cooperatives' Share (%)	1.88	1.87	1.78	1.75	1.72	1.69	1.67
Loans of the Banking System (note3) (NT\$Bn)	23,595	24,944	26,459	27,116	27,822	28,873	30,463
Domestic Banks' Share (%)	94.98	94.87	94.20	93.97	94.04	93.71	93.68
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	3.49	3.57	4.28	4.46	4.38	4.72	4.75
Credit Cooperatives' Share (%)	1.53	1.56	1.52	1.57	1.58	1.58	1.56

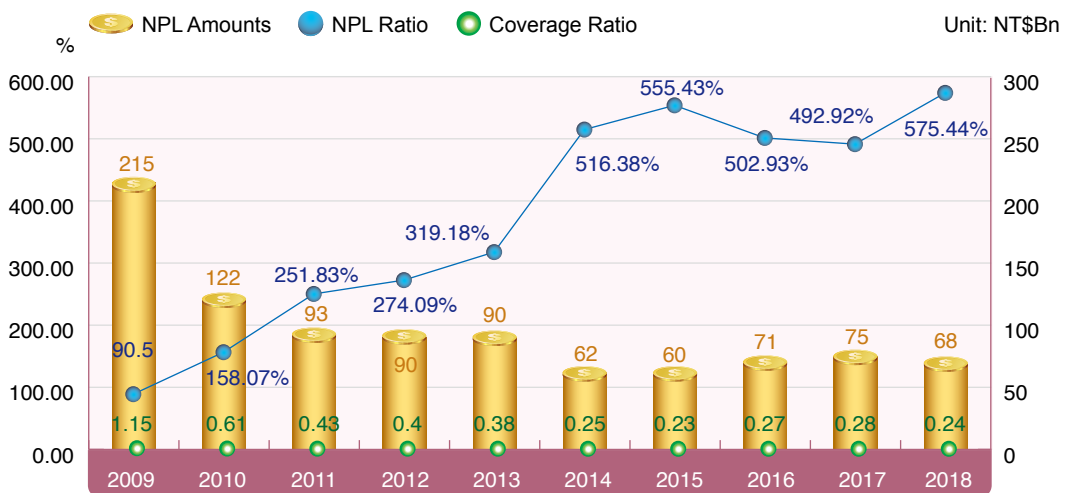
Item	2012	2013	2014	2015	2016	2017	2018
Non-performing Loans (NPLs)							
NPLs of Banking System (note3) (NT\$Bn)	91	91	63	60	72	75	69
NPLs of Domestic Banks (NT\$Bn)	90	90	62	60	71	75	68
NPLs Ratio of Banking System (note3) (%)	0.39	0.36	0.24	0.22	0.26	0.26	0.23
NPLs Ratio of Domestic Banks (%)	0.40	0.38	0.25	0.23	0.27	0.28	0.24
Coverage Ratio of Domestic Banks (%)	274.09	319.18	516.38	555.43	502.93	492.92	575.44
Domestic Bank Profitability							
Return on Equity (ROE) (%)	10.41	10.26	11.65	10.58	9.24	8.97	9.31
Return on Assets (ROA) (%)	0.68	0.68	0.79	0.75	0.68	0.67	0.70

Note:1.Domestic banks exclude the Agricultural Bank of Taiwan.

2.The data of Loans and Deposits includes all branches.

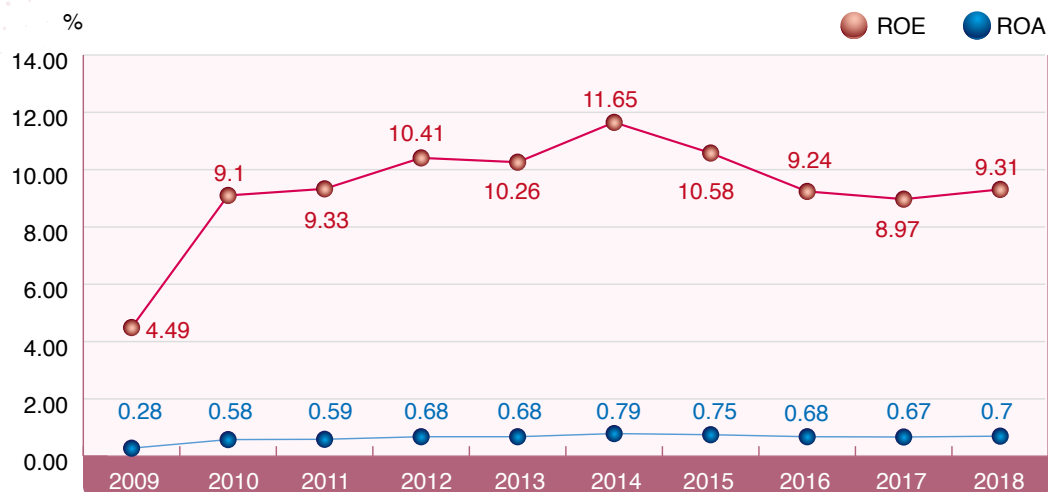
3.The data of Non-performing Loans includes Domestic Banks, Local Branches of Foreign Banks and Mainland Chinese Banks(beginning 2013) and Credit Cooperatives.

» NPL Ratio & Amounts VS Coverage Ratio of Domestic Banks



Appendix B

» Average ROE and ROA of Domestic Banks



II. Securities and Futures Industry

Unit: firm ; NT\$Bn

Item	2012	2013	2014	2015	2016	2017	2018
Number of Securities Service Providers							
Securities Firms	120	121	119	120	116	111	108
Branch of Securities Firms	1,031	993	964	965	910	883	871
Broker	83	82	78	80	78	74	72
Dealer	80	81	80	81	79	77	76
Underwriter	55	54	57	62	59	58	58
Securities Investment Trust Enterprises	38	38	37	37	38	39	39
Securities Investment Consulting	110	103	96	89	87	84	82
Number of participating Futures firms							
Futures firms	17	15	15	15	15	15	15
Concurrently-Operated Enterprises	33	30	30	29	29	28	26
Proprietary Traders	34	30	31	31	33	33	32
Brokers	33	32	32	31	30	28	26
Futures Advisory Enterprises	35	34	33	34	34	32	32
Managed Futures Enterprises	8	9	9	8	9	9	7
Introducing Brokers	54	51	49	49	49	48	47
Futures Trust Enterprises	11	9	9	9	10	10	10

Highlights of Equity Issuance by Public Companies	2012	2013	2014	2015	2016	2017	2018
TWSE listed companies	809	838	854	874	892	907	928
Capital Issued (NT\$Bn)	6,385	6,610	6,783	6,951	7,022	7,136	7,159
Market value (NT\$Bn)	21,352	24,520	26,892	24,504	27,248	31,832	29,319
TPEX listed companies	638	658	685	712	732	744	766
Capital Issued (NT\$Bn)	667	662	680	706	715	722	739
Market value (NT\$Bn)	1,738	2,325	2,681	2,731	2,723	3,317	2,827
Unlisted companies	540	584	621	646	645	658	672
Capital Issued (NT\$Bn)	1,699	1,790	1,758	1,735	1,637	1,605	1,510
Emerging-stock companies*	285	261	284	284	271	274	256
Capital Issued (NT\$Bn)	335	297	337	301	249	233	177
Market value (NT\$Bn)	539	645	893	900	754	778	518

*The number and capital issued of Unlisted companies include Emerging-stock companies.

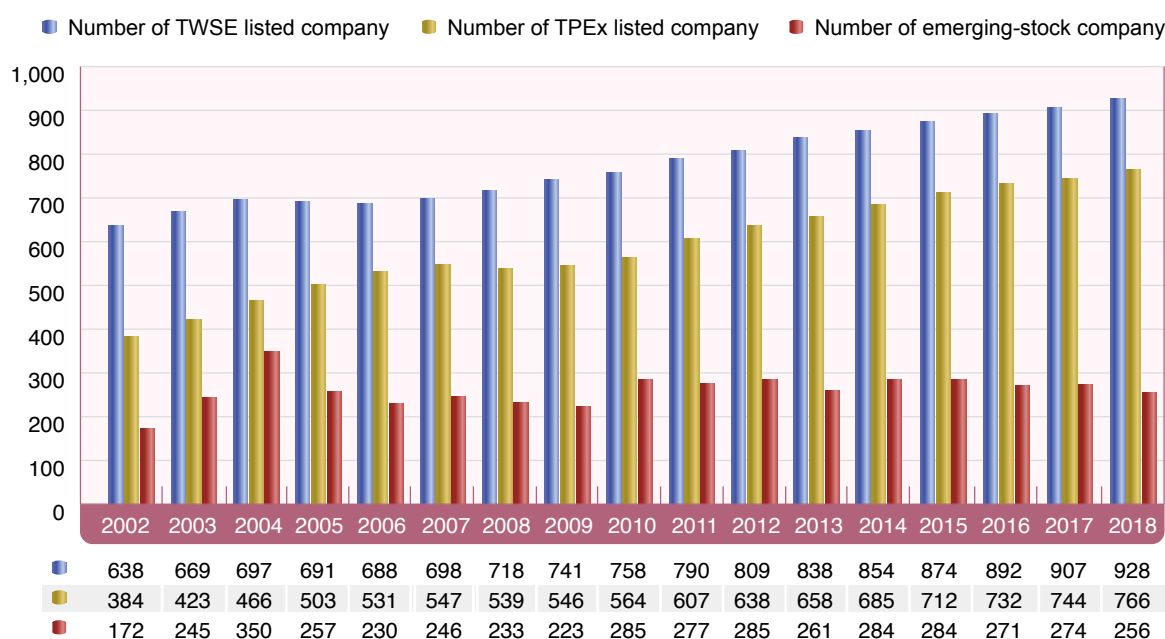
Unit: NT\$Bn ; Lots ; %

Item	2012	2013	2014	2015	2016	2017	2018
Highlights of Securities transactions (NT\$Bn)							
Securities Trading Value on TWSE Market	20,790	19,603	23,043	22,505	18,916	25,799	32,162
Stock	20,238	18,941	21,899	20,191	16,771	23,972	29,609
ETF	269	282	433	1,634	1,707	1,232	1,834
Closed-end Fund	0.4	0.7	0.2	0	0	0	0
Beneficiary Securities	15.4	11.6	9.9	12	7.1	4.3	4.2
Warrant	231	340	679	645	426	584	713
TDR	35.2	27.8	22.6	22.2	4.4	6.2	2.7
Convertible Corporate Bond	0	0	0	0	0	0	0
Securities Trading Value on TPEX Market	68,187	55,995	56,969	58,085	54,875	53,725	56,891
Stock	2,952	4,031	6,356	5,689	5,050	7,684	8,146
Warrant	35	68	162	157	129	227	212
ETF	0.4	0.3	0.3	0.2	0.1	68.1	316.8
Bonds(including outright and Repo)	65,200	51,895	50,450	52,239	49,697	45,815	48,218

Appendix B

Item	2012	2013	2014	2015	2016	2017	2018
Highlights of Taiwan Futures Market Trading							
Lots of Futures and Options	156,731,912	153,225,238	202,411,093	264,495,660	241,678,556	265,705,669	308,083,576
Lots of Futures	47,769,142	43,389,650	50,057,345	72,052,902	73,102,459	78,408,549	112,731,243
Lots of Options	108,962,770	109,835,588	152,353,748	192,442,758	168,576,097	187,297,120	195,352,333
Open interest of Futures and Options	1,049,314	1,126,754	1,106,639	976,413	1,099,429	1,568,135	872,723
Open interest of Futures	176,365	219,636	258,966	214,816	269,371	344,465	291,914
Open interest of Options	872,949	907,118	847,673	761,597	830,058	1,223,670	580,809
Net Foreign Investments in Listed Shares							
Net Foreign Investments in Taiwan Stock Exchange (TWSE) Shares (NT\$Bn)	144	243	355	46	320	155	-355
Trading Value Ratio of Foreign Investments in Taiwan Stock Exchange (TWSE) Shares (%)	22.62	24.66	23.8	28.38	30.45	25.93	26.19
Net Foreign Investments in Taipei Exchange (TPEX) Shares (NT\$Bn)	0.02	26.87	43.06	53.33	31.70	32.75	-13.41
Trading Value Ratio of Foreign Investments in Taipei Exchange (TPEX) Shares (%)	6.38	6.05	6.39	8.9	11.12	9.26	12.27

» Number of listed and emerging-stock company



III. Insurance Industry

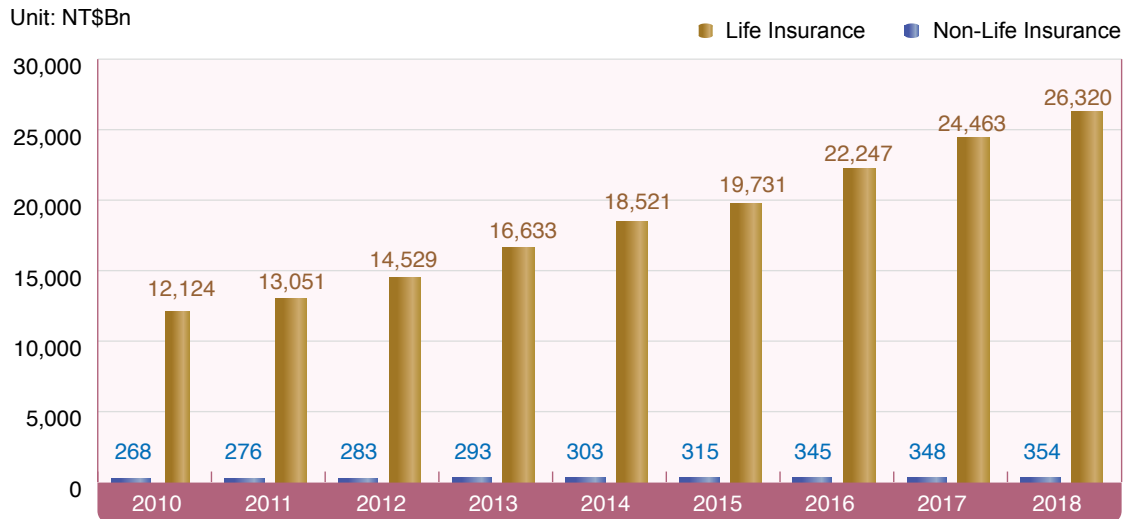
Unit: firm ; NT\$; %

Item	2012	2013	2014	2015	2016	2017	2018
Number of Insurance Companies (Licensed)	57	56	54	54	54	54	55
Local Non-Life Insurers (Including Cooperative)	17	17	17	17	17	17	17
Local Life Insurers	24	24	24	24	23	23	23
Foreign Non-Life Insurers	6	6	5	5	6	6	7
Foreign Life Insurers	7	6	5	5	5	5	5
Local and Foreign Reinsurers	3	3	3	3	3	3	3
Local Insurance - Offshore Branch	24	25	23	23	23	22	20
Non-Life Insurers	11	12	10	10	9	9	8
Life Insurers	13	13	13	13	14	13	12
Foreign Insurance - Liaison Office in Taiwan	13	12	10	10	10	9	8
Non-Life Insurers	5	5	4	4	4	4	3
Life Insurers	3	3	2	2	1	0	0
Reinsurance	5	4	4	4	5	5	5
Total Assets of Financial Institutions (NT\$Bn)	53,398	58,037	63,570	67,631	70,799	73,872	78,184
Total Assets of Insurance Industry	14,811	16,925	18,824	20,047	22,592	24,814	26,674
Total Assets of Non-Life Insurance Industry	283	293	303	315	345	349	355
Total Assets of Life Insurance Industry	14,529	16,633	18,521	19,731	22,247	24,465	26,320
Total Assets of Insurance Industry / Total Assets of Financial Institutions (%)	27.74	29.16	29.61	29.64	31.91	33.59	34.12
Total Assets of Non-Life Insurance Industry / Total Assets of Financial Institutions	0.53	0.50	0.48	0.47	0.49	0.47	0.45
Total Assets of Life Insurance Industry / Total Assets of Financial Institutions	27.21	28.66	29.14	29.17	31.42	33.12	33.66
Insurance Premium / GDP (%)	17.16	17.31	17.53	17.80	18.55	20.03	20.32
Insurance Premium (NT\$Bn)	2,599	2,708	2,903	3,063	3,279	3,577	3,677
Premium Income of Non-Life Insurance	121	125	132	136	146	157	166
Premium Income of Life Insurance	2,478	2,584	2,771	2,927	3,133	3,420	3,512
Premium Income; Non-life vs Life Insurance	1:20.57	1:20.68	1:20.96	1:21.50	1:21.47	1:21.82	1:21.21
Annual Growth Rate of Non-life Insurance Premium Income (%)	6.59	3.67	5.86	2.95	7.23	7.36	5.68
Annual Growth Rate of Life Insurance Premium Income (%)	12.75	4.24	7.26	5.61	7.06	9.16	2.67
Market share of Foreign Non-life Insurance (%)	16.4	15.34	15.04	14.96	14.48	15.59	12.8
Market share of Foreign Life Insurance (%)	3.00	3.31	3.36	3.20	2.49	3.10	3.5
Market Concentration Ratio of Non-life Insurance (%)	60.96	61.03	61.56	61.5	62.59	62.17	61.37
Market Concentration Ratio of Life Insurance (%)	68.05	65.84	65.61	66.70	69.77	69.40	66.22

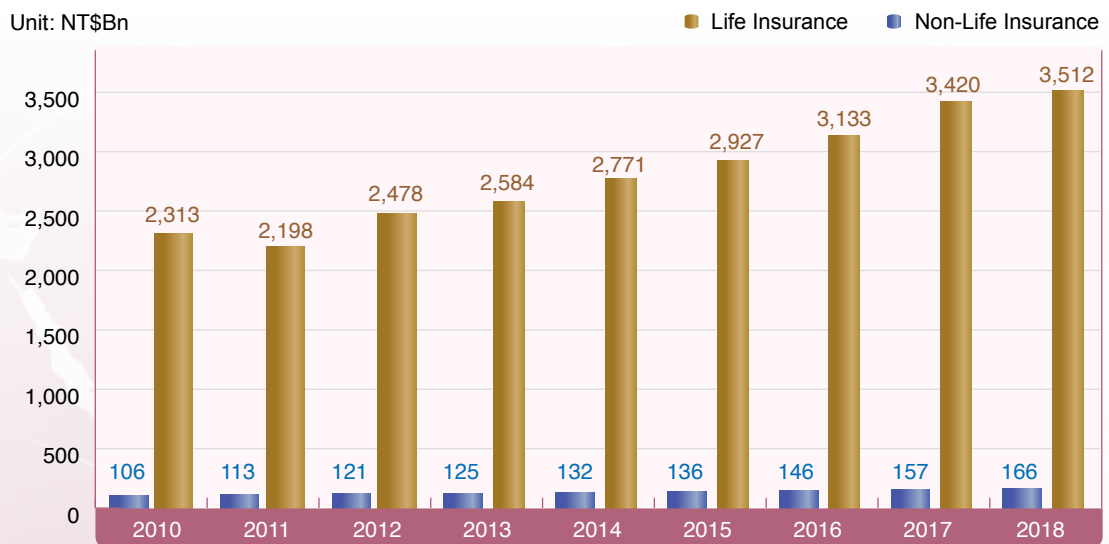
Appendix B

Item	2012	2013	2014	2015	2016	2017	2018
Insurance Claims (NT\$Bn)	1,310	1,316	1,687	1,604	1,703	1,744	1,956
Non-Life Insurance Claims	61	62	65	68	79	88	80
Life Insurance Claims	1,249	1,254	1,622	1,536	1,625	1,655	1,876
Insurance Density (NT\$)	111,461	115,874	123,895	130,376	139,310	151,750	155,886
Non-life Insurance	5,167	5,344	5,642	5,794	6,201	6,648	7,021
Life Insurance	106,294	110,530	118,253	124,581	133,109	145,102	148,865
Insurance Penetration (%)	17.69	17.78	18.02	18.26	19.16	20.51	20.68
Non-life Insurance	0.82	0.82	0.82	0.81	0.85	0.90	0.93
Life Insurance	16.87	16.96	17.20	17.45	18.30	19.61	19.75
Number of New Life Insurance Policies (thous.)	36,505	37,627	45,486	50,158	47,035	46,072	50,868
Insured Amount of New Life Insurance Policies (NT\$Bn)	40,206	42,433	47,185	53,962	50,982	50,276	47,602
Life Insurance Policy Individual Number (thous.)	44,148	45,307	46,516	47,935	49,689	51,003	51,822
Life Insurance Policy Individual Insured Amount (NT\$Bn)	34,678	35,442	36,349	37,466	38,521	39,385	41,637
Life Insurance and Annuity Insurance Coverage (%)	222.97	229.67	230.61	234.16	240.35	246.04	249.45
Life Insurance and Annuity Penetration (%)	320.38	313.08	294.86	286.98	288.03	293.25	307.24
Life Insurance Average Dividend Rate (%)	1.42	1.42	1.42	1.4	1.16	1.08	1.08

» Total Assets of Insurance Industry



» Insurance Premium Income





2018 — 2019 Annual Report Financial Supervisory Commission, Taiwan

Distributed by Financial Supervisory Commission, Taiwan
Publisher Wellington L. Koo
Address 18F., No.7, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City
22041, Taiwan (R.O.C.)
Tel 886-2-8968-0899
Fax 886-2-8969-1215
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Address 9F.-9, No.189, Sec. 2, Keelung Rd., Sinyi Dist., Taipei City 11054
Taiwan (R.O.C.)
Tel 886-2-2377-3689
Fax 886-2-2377-3672
E-mail service@growingup.com.tw

GPN 2009401915

ISSN 18165176

Price NT\$ 250

Date of publication September 2019

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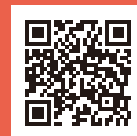


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