

FSC

2017 – 2018 Annual Report

Financial Technology Innovation - Smart Leadership



Financial Supervisory Commission, Taiwan



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Financial Supervisory Commission, Taiwan



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Chairman's Statement

Finance is closely connected to the lives of individuals, business operation and even economic prosperity, social security and national development. However, when people discuss finance, they often fail to see its true face, as if it is covered by a veil; the reason for this is the specialized nature and complexity of finance. Due to the fact that, in essence, finance has both the face of an angel and the devil, and the financial crises that have occurred in the past, people sometimes only see the evil side of finance, neglecting its vital contribution over a long period of time to improving the quality of life of humans and building happy and prosperous societies.

When I took up the post of chairman of the FSC in September, 2017, I hoped, on the foundation laid down by previous chairpersons, to guide the financial industry to bring into play a positive function, therefore, since taking office I have actively worked to strengthen financial industry legal compliance, corporate governance and other related business and, in support of the policies of the current government, channel capital into industrial development. I have also strived to create an environment conducive to the development of the financial technology (FinTech) in line with international trends.



Wellington L. Koo
Chairman

Chairman's Statement

2017 can be described as an important milestone for FinTech development in Taiwan. To respond to international FinTech trends and assist financial institutions in Taiwan face the challenges brought by innovative technology together, the FSC has actively promoted various measures to build an environment conducive to FinTech innovation and development. With the support and efforts of various quarters, the Financial Technology Development and Innovative Experimentation Act became law, becoming the world's first law regarding financial regulatory sandbox. The FSC has also established the Financial Technology Development and Innovation Center and planned to establish the FinTechBase, with the aim of making Taiwan an innovation base for FinTech R&D and thus increase the competitiveness of Taiwan's industry and the financial industry and allow the public to enjoy more convenient financial services.

With respect to channeling financial industry funds into real industry, various finance, investment and fund raising policies have been implemented to promote industrial development and support startups; these include encouraging banks to actively provide loans to startups in key industries, allowing banks to invest in venture capital businesses, easing restrictions on giving loans and fund raising, encouraging insurance firms to invest in startups in key industries, allowing insurance firms to invest in funds established by national level investment companies, and relaxing the TWSE/ TPEX listing requirements for excellent and distinctive companies.



In the area of encouraging financial institutions to expand their international presence, to promote regional economic linkage and development to achieve the dual benefits of increasing the competitiveness of the financial industry and industry in general in Taiwan, the FSC has provided financial support measures in support of the New Southbound policy; these include reducing red tape and simplification of application procedure to assist Taiwan's financial institutions increase their presence in New Southbound target countries and continuing to enhance international supervisory cooperation. Diverse funding channels have also been planned; in addition to the increased finance, guarantees and insurance provided by the Export/Import Bank of the ROC, we also encourage domestic banks to provide credit to Taiwanese businesses in New Southbound target countries to help them obtain the funds needed to develop their business.

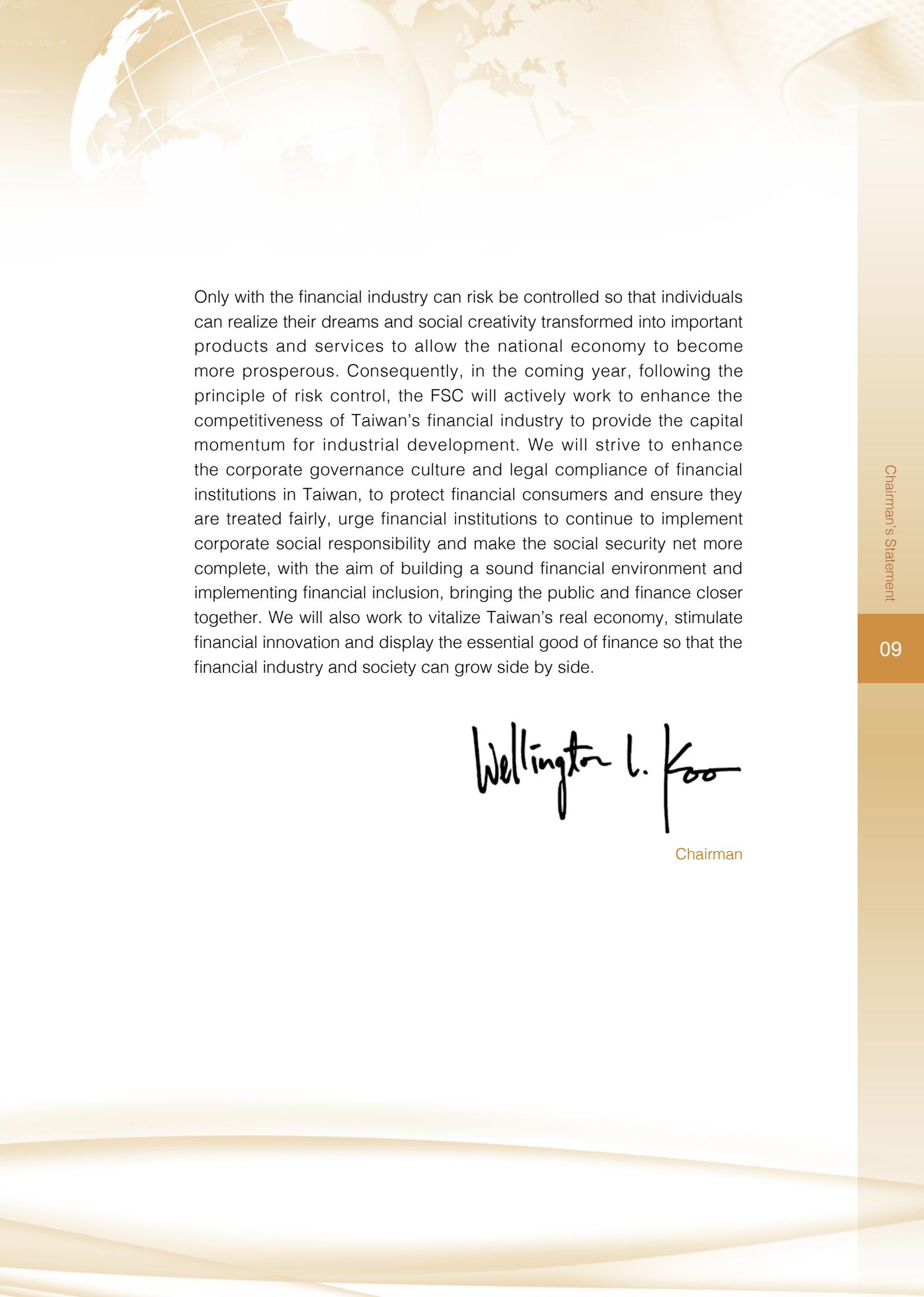
In the area of enhancing corporate governance and building a sounder legal compliance environment, to make financial supervision more effective and align with international financial supervisory trends, the FSC has supervised the revision of the governance code of practice for each industry by related financial associations, and added the requirement that independent directors must attend board meetings when major proposals are discussed; the promotion of a differentiated management mechanism also continues, increasing the business scope of financial institutions that perform well with respect to financial affairs and internal control etc., to encourage such institutions to strengthen their operating structure and thus increase the competitiveness of the financial industry overall. Also, to display the importance attached to

Chairman's Statement

AML/CLT by Taiwan, in line with the revision of the Money Laundering Control Act, regulations including the Regulations Governing Anti-Money Laundering of Financial Institutions have been successively amended; through advocacy, targeted inspections and interviews with business operators, we also provide guidance to financial business on implementation of AML/CFT mechanisms, with the aim of building excellent capital flow environment and order.

In terms of relaxation of financial regulations, with the aim of increasing capital use efficiency and building an environment beneficial to the nurturing of the competitiveness of Taiwan's financial industry, while taking into consideration domestic and overseas financial supervisory practice and trends, FSC adjusted the ratio on bank capital requirement to bring it in line with the international standard, raised the upper limit of the multiple of external liabilities and net value of securities firm and raised the limit on investment in public construction by REITs, ect.

The FSC is also making a concerted effort to promote social responsibility, through revision of financial consumer protection laws, introducing the concept of gender equality into policy action and the holding of various charity events by financial peripheral organizations, continuing to plant the concept of sustainable development through the financial industry. In addition, the Green Finance Action Plan formulated by the FSC was approved by the Executive Yuan in November 2017; implementation of this Plan will continue in pursuit of a new economic model based on sustainable development; the FSC also encourages financial institutions to sign the Equator Principles and design green insurance products etc., the aim is to guide Taiwan's financial industry to make a contribution to global sustainable development.



Only with the financial industry can risk be controlled so that individuals can realize their dreams and social creativity transformed into important products and services to allow the national economy to become more prosperous. Consequently, in the coming year, following the principle of risk control, the FSC will actively work to enhance the competitiveness of Taiwan's financial industry to provide the capital momentum for industrial development. We will strive to enhance the corporate governance culture and legal compliance of financial institutions in Taiwan, to protect financial consumers and ensure they are treated fairly, urge financial institutions to continue to implement corporate social responsibility and make the social security net more complete, with the aim of building a sound financial environment and implementing financial inclusion, bringing the public and finance closer together. We will also work to vitalize Taiwan's real economy, stimulate financial innovation and display the essential good of finance so that the financial industry and society can grow side by side.



Chairman



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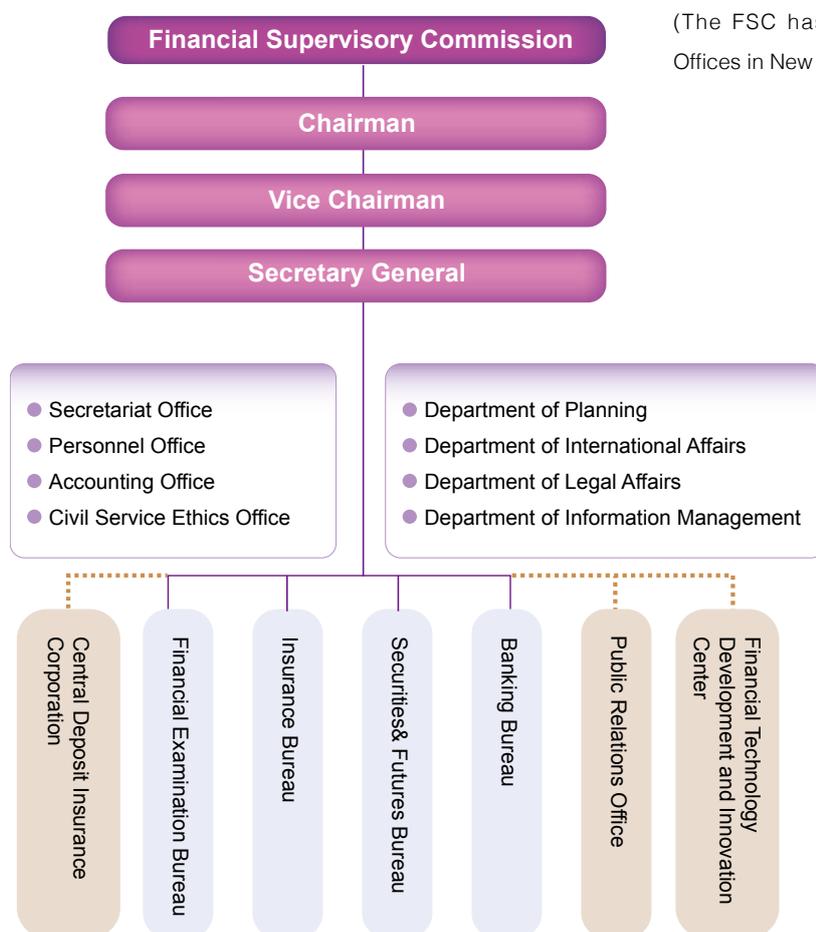


Duties and Organization

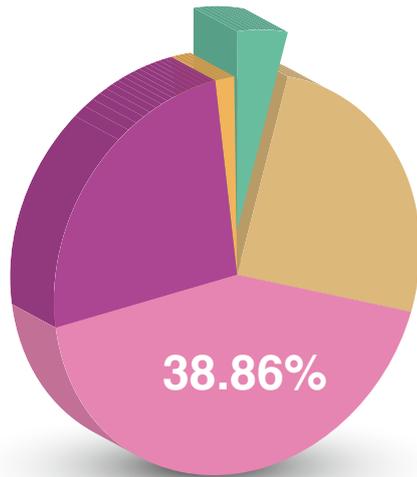
Duties and Organization

The FSC was established on July 1, 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.

Organization

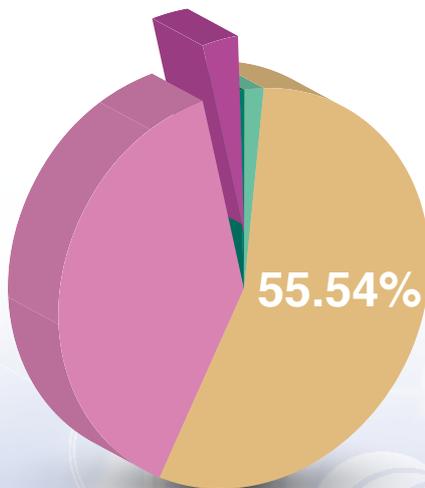


Personnel



● Age 29 or younger	4%
● Age 30~39	25.6%
● Age 40~49	38.86%
● Age 50~59	29.6%
● Age 60~65	1.94%

Academic Background of Employees at FSC Headquarters and The Four Bureaus



● PhD	1.94%
● Master's degree	55.54%
● Bachelor's degree	38.86%
● Junior college	3.2%
● High school	0.46%



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Development Strategies for FinTech Innovation

- Setting up the FinTech innovative experimentation mechanism
- Establishing the Financial Technology Development and Innovation Center
- Organization chart of the center
- Setting up the FinTech Space to provide a platform for cross-field cooperation and innovation

Development Strategies for FinTech Innovation

FinTech innovation can help enhance the competitiveness of the financial market, provide more convenient and efficient financial goods and services to the general public, and realize the goal of financial inclusion. Thus, with the precondition that consumer interests and financial stability are assured, the FSC has set up the Financial Technology Development and Innovation Center (hereinafter referred to as the “the Center”) to implement the innovative experimentation mechanism and establish the FinTech Space to help innovators provide financial services with new technology and increase the added value of financial business.

Setting up the FinTech innovative experimentation mechanism

In order to furnish a safe trial environment for FinTech innovative experimentations, the FSC drafted the “Financial Technology Development and Innovative Experimentation Act” in December 2016, which passed its 3rd reading in the Legislative Yuan on December 29, 2017. The main points of the Act include: the rules are applicable to technology innovation and business model innovation in financial areas; an individual, sole proprietorship, partnership, or legal person may be the applicant; the experimentation period for exemption from applicable laws and regulations is up to 3 years; the competent authority will actively review and amend relevant financial regulations and provide FinTech startups with referral counselling and necessary assistance.

Establishing the Financial Technology Development and Innovation Center

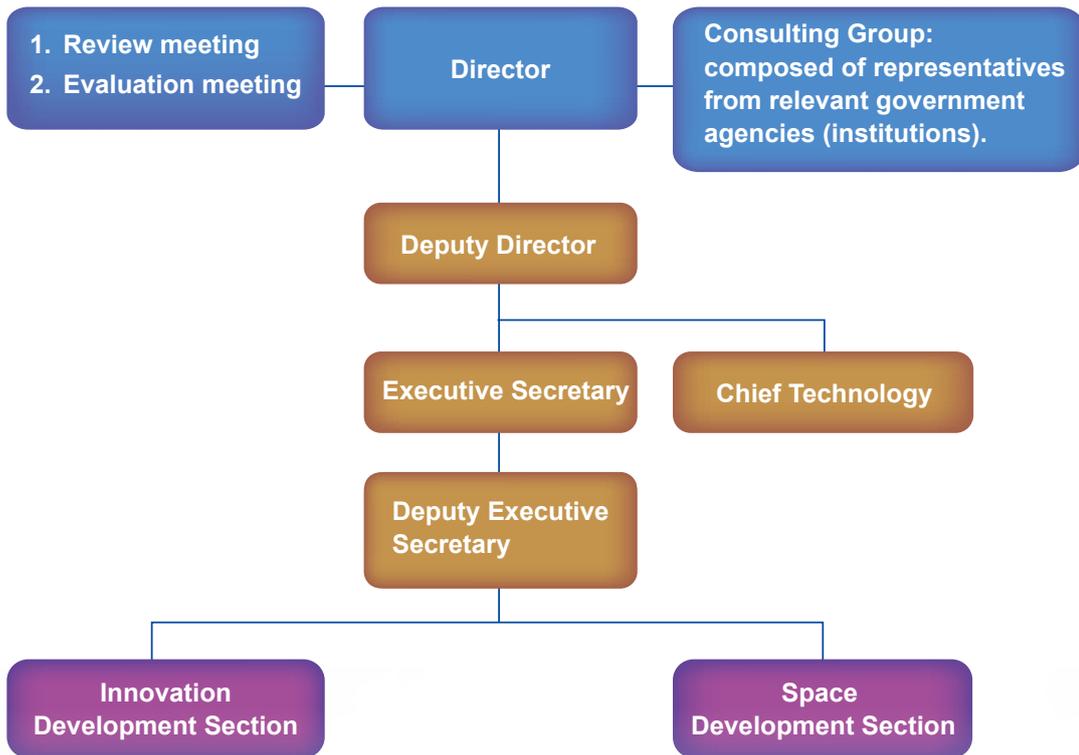
The Center was established on February 22, 2018 and is responsible for receiving, reviewing and evaluating applications for innovative experimentation. It is also in charge of setting up the FinTech Space to provide further assistance to startups and facilitate FinTech development.

The Center has two subordinate units. One is the Innovation Development Section in charge of implementing/interpreting the Act and its relevant regulations on innovative experimental mechanism and handling experiment related issues; the other is the Space Development Section which conducts the planning, establishment, and implementation of the FinTech Space and provides FinTech startups with necessary assistance.



The Center was unveiled on February 22, 2018. FSC Chairman Wellington L. Koo (middle) concurrently acts as Director of the Center.

Organization chart of the center



Setting up the FinTech Space to provide a platform for cross-field cooperation and innovation

In order to accelerate the pace of Taiwan's FinTech innovation, strengthen the connection with the global community, and also enhance and sustain the benefits of the overall FinTech industry, the FSC plans to set up the FinTech Space. The Space is sponsored by the FinTech Fund established by the Taiwan Financial Services Roundtable, aiming to provide FinTech startups with resources in their early stage of operations and pool cooperation among industry, academia and research institutes to enhance international links. The FinTech Space is located on the 13 floor, No. 1, Nanhai Road, Taipei and will open to FinTech startups in the third quarter of 2018.



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Important Financial Measures

- Promoting FinTech development and innovative financial services
- Financial support to the 5+2 innovative industries
- Promoting green finance
- Reinforcing money laundering prevention work
- Finance supports industry, expanding New Southbound business opportunities
- Relaxing regulations to increase the competitiveness of the financial industry
- Enhancing corporate governance
- Sound capital market development
- Promoting financial product diversity and investment convenience
- Reinforcing financial supervision
- Promoting social responsibility
- Promoting international financial supervisory cooperation

Important Financial Measures

Promoting FinTech development and innovative financial services

- **The FSC has implemented measures to promote e-payment**

The FSC has set up the “E-payment Promotion Task Force” with three main strategies to increase the popularity of e-payment in Taiwan, including creating a favorable regulatory environment, developing diversified payment instruments and increasing e-payment channels. As of the end of March 2018, the ratio of domestic e-payment had climbed to 36.34%.

- **Increasing utilization and innovation of mobile payment**

The relevant regulations on mobile payment business in Taiwan are rather mature, and Apple Pay, Samsung Pay and Android Pay launched service in Taiwan in 2017. Domestic financial institutions have been actively implementing various mobile payment services, including mobile credit cards, mobile ATM cards, Quick Response Code (QR Code) mobile payment services, mobile electronic stored valued cards, online to offline (O2O) service of electronic payment institutions and Mobile Point of Sale (mPOS) services, etc. As of the end of December 2017, the total transaction amount was about NTD 17.16 billion.

- **Assisting business operators develop automated Robo-Advisor services**

To adapt to the trends of FinTech, the FSC introduced new deregulatory measures on August 10, 2017. SICEs providing Robo-Advisor services are allowed to carry out automated “re-balance transactions” for their clients through their computer systems under specific conditions.

- **Allowing insurers to engage in online insurance business**

On November 20, 2017, the FSC promulgated some deregulatory measures, including allowing negative listing for non-life insurance products, adding specific types of insurance purchased online, raising the insured amount, and allowing insurers to provide online platforms for policyholders to check their policy details. As of December, 2017, a total of 28 insurers (14 life insurers and 14 non-life insurers) were engaging in online sale of insurance. The number of policies is around 835,000 with total premiums of NTD\$1.29 billion.



FSC chairman Wellington L. Koo, vice chairmen Cheng-mont Chen and Tian-mu Huang and bureau director generals held a Chinese New Year press conference on Jan. 18, 2018 at which the major policy achievements and key work for 2018 were explained

Financial support to the 5+2 innovative industries

On September 30, 2016, the FSC introduced “The Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries” to encourage banks with risk management in place to actively extend loans to enterprises in the 5+2 key industries (including green energy technology sector). The first phase was from October 1, 2016 to December 31, 2017, targeting loan amount increased by NT\$ 180 billion. As of the end of December 2017, the total loans extended by domestic banks under the program amounted to NT\$ 4.82 trillion. Compared to the end of September 2016, the loans increased by NT\$ 367.6 billion and reached 204.22% of the target for the first phase.

For a foreign bank with dual registration (i.e. operates both a branch and a subsidiary in Taiwan), its branch may extend loans to any single entity if the entity meets the requirements set in Paragraph 1, Article 4 of the “Regulations Governing the Establishment of Power Equipment” authorized by the “Renewable Energy Development Act”. Such foreign bank branch with sound risk management in place is not restricted to extending loans only to a legal entity with minimum annual revenue of NT\$ 35 billion as prescribed by the FSC. The announcement was made by the FSC on November 21, 2017 as part of the government’s policy to promote renewable energy.

Important Financial Measures

In order to cater for the new operational models of enterprises derived from economic development, and to encourage enterprises of different operating scales to apply for listing on the TWSE or TPEX in Taiwan, the FSC directed and supervised TWSE and TPEX to refer to foreign market-listing practices to amend their listing requirements, allowing domestic and foreign enterprises with certain market value, net value or operating income to apply for listing (exempted from profit requirements). The related amended rules were announced on March 31, 2018.

Promoting green finance

- **Proposing the “Green Finance Action Plan”**

In line with the nuclear free home, energy transition and environmental emission reduction policies, with reference to international trends in green finance, the FSC formulated the “Green Finance Action Plan” which was approved by the Executive Yuan on November 6, 2017. The Plan covers seven aspects, namely (1) credit, (2) investment, (3) capital market fund-raising, (4) talent nurturing, (5) promotion of the further development of green products or services, (6) information disclosure and (7) promotion of the concept of green sustainability. It also includes 25 measures and is jointly implemented by the Ministry of Economic Affairs, Ministry of Finance, National Development Council, Environmental Protection Administration, the National Development Fund, and other government agencies.

- **Establishing a domestic green bond market and guiding capital market responsible investment**

Green bonds can be used as a funding source for renewable energy providers or banks granting green loans to businesses. The green bond market was launched on April 21, 2017 in Taiwan. As of the end of 2017, 9 tranches of green bonds had been issued and listed on the TPEX by the Taiwan Power Company, CPC Corporation, domestic and foreign banks, with the total amount of issuance reaching TWD 20.6 billion. The market scale is increasing.

In order to promote responsible investment by institutional investors, the FSC directed and supervised Taiwan Index Plus Corporation, a subsidiary fully funded by the TWSE, to work with FTSE Russell to compile and announce the Taiwan Sustainability Index on December 18, 2017.

- **Encouraging insurers to develop green insurance business**

Insurers have developed several green insurance products, such as “Green Vehicle Insurance”, “Green Building Materials Endorsement”, “Liability Insurance for Environmental Pollution”, “Liability Insurance for Accidental Pollution”, “Offshore Wind Power Insurance”, “Erection All Risks Insurance” and “Electronic Equipment Insurance”. The FSC will continue to encourage insurers to develop various green insurance products in order to satisfy diverse needs.

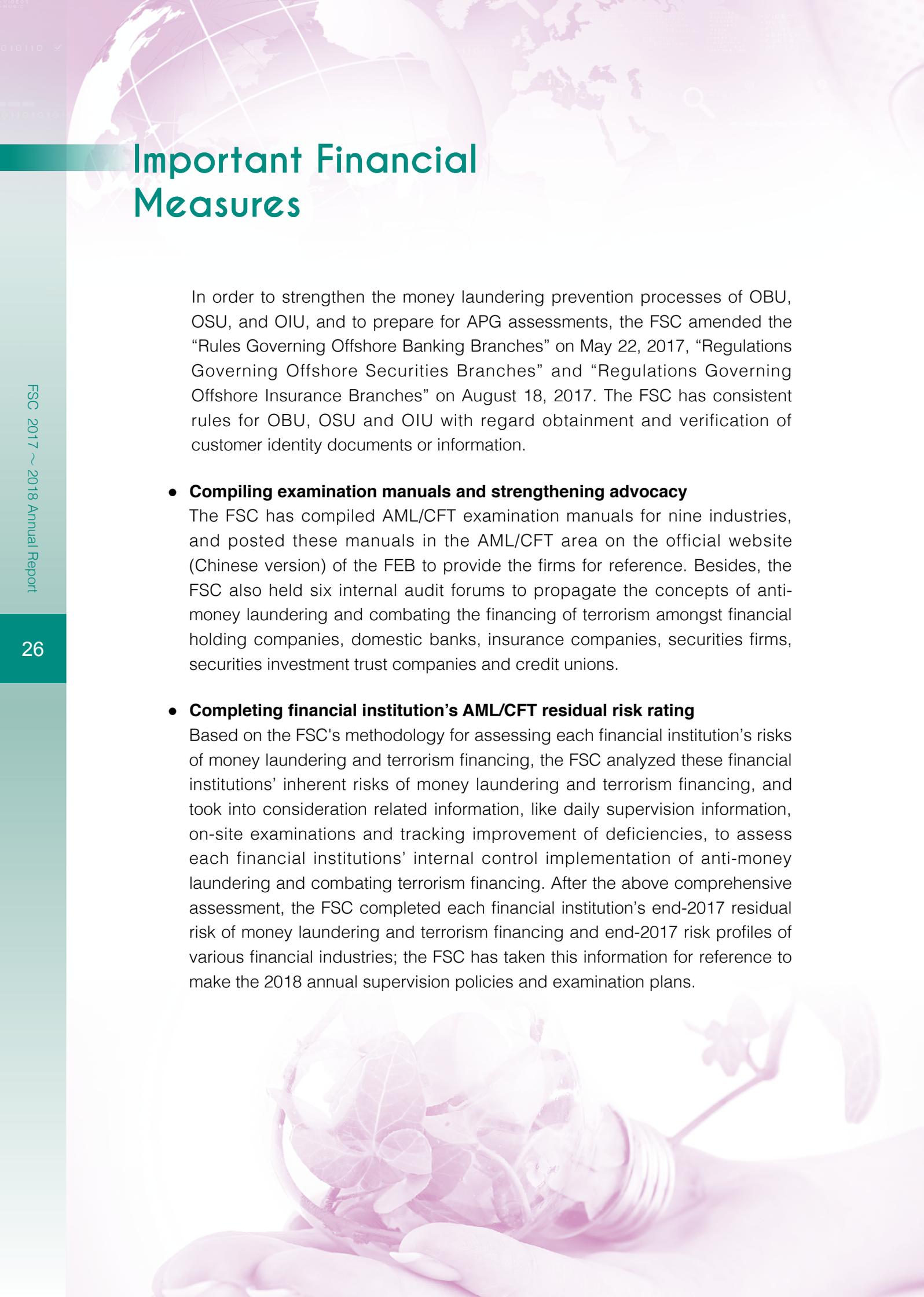


The FSC Chairman Wellington L. Koo and the General Director of SFB Yung-Hsin Wang attended the listing ceremony of CPC Corporation Green Bond on September 20, 2017.

Reinforcing money laundering prevention work

- **Reinforcing AML/CFT regulations**

In preparation for the Third-Round Mutual Evaluation of Asia/Pacific Group on Money Laundering (APG) scheduled in 2018, the FSC has promulgated the “Regulations Governing Reporting on the Properties or Property Interests and Locations of Designated Sanctioned Individuals or Entities by Financial Institutions”, “Regulations Governing Anti-Money Laundering of Financial Institutions,” and “Regulations Governing Anti-Money Laundering for Certified Public Accountants”.



Important Financial Measures

In order to strengthen the money laundering prevention processes of OBU, OSU, and OIU, and to prepare for APG assessments, the FSC amended the “Rules Governing Offshore Banking Branches” on May 22, 2017, “Regulations Governing Offshore Securities Branches” and “Regulations Governing Offshore Insurance Branches” on August 18, 2017. The FSC has consistent rules for OBU, OSU and OIU with regard obtainment and verification of customer identity documents or information.

- **Compiling examination manuals and strengthening advocacy**

The FSC has compiled AML/CFT examination manuals for nine industries, and posted these manuals in the AML/CFT area on the official website (Chinese version) of the FEB to provide the firms for reference. Besides, the FSC also held six internal audit forums to propagate the concepts of anti-money laundering and combating the financing of terrorism amongst financial holding companies, domestic banks, insurance companies, securities firms, securities investment trust companies and credit unions.

- **Completing financial institution’s AML/CFT residual risk rating**

Based on the FSC’s methodology for assessing each financial institution’s risks of money laundering and terrorism financing, the FSC analyzed these financial institutions’ inherent risks of money laundering and terrorism financing, and took into consideration related information, like daily supervision information, on-site examinations and tracking improvement of deficiencies, to assess each financial institutions’ internal control implementation of anti-money laundering and combating terrorism financing. After the above comprehensive assessment, the FSC completed each financial institution’s end-2017 residual risk of money laundering and terrorism financing and end-2017 risk profiles of various financial industries; the FSC has taken this information for reference to make the 2018 annual supervision policies and examination plans.



The FSC Chairman Wellington L. Koo attended "Declaration of War on Money Laundering and Terrorism Financing" gathering held by Taiwan Financial Services Roundtable on April 20, 2018.

Finance supports industry, expanding New Southbound business opportunities

- **Providing finance support**

The Export-Import Bank of the ROC (Ex-Im Bank) has increased loans, guarantees and insurance. In 2017, Ex-Im Bank approved NT\$13.779 billion in loans to New Southbound countries, provided NT\$2.757 billion guarantees and underwrote NT\$20.305 billion export insurance. We also encourage domestic banks to provide loans to domestic enterprises or Taiwanese businesses in New Southbound countries, while paying attention to credit risk; in 2017, the balance of loans to New Southbound countries increased by NT\$66.192 billion and the total balance reached NT\$842.821 billion.

- **Assisting domestic banks increase their presence overseas**

From May 2016 to the end of December 2017, domestic banks added 17 locations in New Southbound countries (up by 10 in 2017,); domestic banks now have 208 locations in 11 countries in the region, allowing them to provide finance, guarantees, advice and other financial services close up.

Important Financial Measures

- **Actively providing guidance to overseas Taiwanese businesses to list in Taiwan**

The FSC is actively providing guidance to Taiwanese businesses in the region to allow them to return to list in Taiwan; in 2017, TWSE and TPEX held six business solicitation meetings in the region (Thailand, Vietnam, Singapore and Malaysia) and visited 40 Taiwanese businesses, actively providing guidance to high quality Taiwanese businesses to allow them to return to Taiwan to list to increase the scale of the domestic capital market. At the end of 2017, of the 102 primary listed companies on the TWSE and TPEX, 19 have their main operating location in New Southbound countries. Of the new 11 primary listed companies on the TWSE and TPEX in 2017, five mainly operate in New Southbound countries.

- **Signing of investment protection agreements**

The FSC is actively taking part in consultations between Taiwan and New Southbound countries on signing or re-signing investment protection agreements; financial institution's investment and financial derivatives were successfully included in the scope of the updated Bilateral Investment Agreement signed by Taiwan and the Philippines on December 7, 2017.

Relaxing regulations to increase the competitiveness of the financial industry

- **Adjusting of rules on capital adequacy of banks**

In order to strengthen international competitiveness and capital utilization efficiency of banks, the FSC has lowered the risk weight of claims secured by residential properties and equity investment based on the Basel capital adequacy principles.

- **Broadening the business scope of bills finance companies**

On September 20, 2017, the FSC amended rules to allow bills finance companies to undertake futures contracts as a customer; those contracts are limited in the scope of cooperative agreements between the Taiwan Futures Exchange Corporation and overseas futures exchanges.

- **Relaxing the regulation governing sharing of business venue and staff between securities business unit concurrently operated by a bank**

On June 27, 2017, the FSC introduced the amendment to Article 5 of the Regulations Governing Operation Scopes and Risk Management for Banks Conducting Trust or Securities Business. In the case of bank concurrent operation of business activities with the same nature and without conflict of interest, the FSC has allowed banks to share “financial derivative information and advisory service” and “bond agency business” staff and offices.



A delegation from the USTBC paid a visit to the FSC Vice Chairman Huang Tien-Mu on January 17. The two sides engaged in exchange on various financial issues.

Important Financial Measures



On April 26, 2017, FSC Vice Chairman Cheng-mont Cheng received a delegation from the Canadian Trade Office in Taipei led by Director David Bostwick.

- **Relaxing regulatory restrictions on securities company financial business**

- Permitting securities firms to retain their customer's securities trading balances in securities firms' settlement account

The FSC introduced amendments to Article 21 of the “Regulations Governing Securities Firms Accepting Orders to Trade Foreign Securities” on October 6, 2017, allowing securities firms to retain clients' securities trading balances in foreign currencies in the aggregate settlement account with the consent of the client. Moreover, for the brokerage of domestic market, on December 5, 2017, the FSC allowed securities firms to put client's settlement funds retained in the aggregate settlement account in time deposit. This relaxation will help securities firms develop their wealth management business.

- Increasing the financial flexibility of securities firms and efficiency of their capital utilization

The FSC removed the ceiling of securities firms' total debts to net worth from 4 times to 6 times. Moreover, the FSC relaxed the limitation for usage of securities firms' special reserve. That is, the new rule stipulates the accumulated special reserve beyond 25% of paid-in capital may be used for capitalization, while the original rule required half of the accumulated special reserve beyond 50% could be used for capitalization.

- Relaxing the requirements for securities firms to operate derivative financial product business

On December 5, 2017, the FSC relaxed the financial requirements of securities firms to operate the business, exempted the exercising or hedging positions from the position limits of equity securities issued by a single related party, and allowed FX spot trades to be carried out by the same securities firm along with derivatives trades at the customer's request.

- **Relaxing regulations on Non-investment-linked Life insurance Business Denominated in RMB**

To further encourage life insurance companies to engage in RMB denominated non-investment-linked life insurance business, FSC lifted the limits on the sales amount of the above-mentioned business on December 25, 2017. Domestic life insurance companies who engage in the aforementioned business are still required to establish mechanisms to control and manage risk from asset-liability allocation risk and have such control and management measures embedded in their internal control and internal audit systems.

Important Financial Measures

Enhancing corporate governance

- **Revising regulations stipulating independent directors, audit committee, and board of directors**

In order to promote robust corporate governance of public companies, the FSC revised relevant regulations on July 28, 2017, requiring that discussion at an audit committee meeting should be recorded in its entirety by audio or video and shall be well preserved, that at least one independent director should attend board meetings in person, and each independent director is required to attend in person any meeting concerning any matter that requires a resolution by the board of directors under Article 14-3 of the Securities and Exchange Act and relevant regulations, and that public companies should enhance disclosure of nomination of independent directors that have served for three terms or more.

- **Expanding the adoption of electronic voting**

In 2017, companies providing the option of electronic voting at shareholders meetings, increased by 613 companies to 1,217 companies, compared with 604 companies in 2016. To put shareholder activism into practice, the FSC has issued an order requiring all TWSE and TPEX listed companies to make electronic voting option available starting from 2018, as one of the means for exercising voting rights at shareholder meetings. It will be more convenient for shareholders to exercise their voting rights after the implementation of the regulation.

- **Enhancing the transparency of financial information**

The FSC amended the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” on June 28, 2017 and announced the IFRSs to be endorsed in 2018 on July 14, 2017. In addition, the FSC announced on December 19, 2017 that IFRS 16 –Leases would become effective on January 1, 2019, in alignment with international practice.



The FSC Chairman Wellington L. Koo attended “New Corporate Governance Roadmap Summit” hosted by TWSE & TPEX on May 8, 2018. The FSC also launched New Corporate Governance Roadmap (2018-2020) on April 24, 2018, so as to further enhance our corporate governance more in line with international norms and best practices.

Sound capital market development

- **Establishing a Multilayer Capital Market to assist Industrial Development**

To support emerging enterprises that belong to potential distinctive industries and might be unprofitable in the short-term to enter the capital market for fund raising, the TWSE and TPEX allow an enterprise obtaining an unequivocal opinion certifying that its product or technology has been successfully developed and is marketable issued by the central authority in charge of the enterprise concerned to apply to the TWSE or TPEX for listing with exemption from “duration of existence” and “profitability” requirements. As of the end of December 2017, the statistics of such listed companies are as below:

	Number of listings				
	TWSE	TPEX	Emerging Stock	GISA	Total
Cultural creativity	6	24	18	14	62
Agricultural	0	2	9	10	21
E-commerce and Internet Service	12	5	0	7	24
Biotechnology	32	80	61	19	192

Important Financial Measures

- **Promoting Systematic Investment Plan (SIP) and ETF**

To help investors make mid-term or long-term and less-risky investments in the stock market, to enhance the convenience of small-amount investments, and to expand the business scope of securities firms, the FSC has promoted SIP. As of December 31, 2017, 9 securities firms have offered the above business, serving more than 46,000 investors. The total accumulated trading volume was more than NT\$ 1,200 million, including more than 30 ETFs and 150 stocks.

- **Establishing after-hours trading session in the futures market**

In order to satisfy investors' instant trading and hedging needs to respond to global political and economic events, TAIEX launched the after-hours trading session on May 15, 2017. The after-hours trading session's average daily trading volume was 97,682 contracts in 2017, about 10.22% of the regular session's average daily trading volume.



FSC vice chairman Tien-Mu Huang attended the launch press conference for a futures competition on Feb. 21 2017.



The delegation of Senators and Representatives from New Mexico State and Arizona State was warmly welcomed by FSC Vice Chairman Cheng-mont Cheng on June 11, 2018.

Promoting financial product diversity and investment convenience

- **Diversifying the targets of international bonds**

On December 28, 2017, the FSC eased the qualifying requirements for a branch of a foreign financial institution or parent company listed on a securities exchange that is a member of the World Federation of Exchanges, and meets the relevant criteria, to issue international bonds in Taiwan.

- **Facilitating the development of diverse agricultural related insurance products**

To assist the Council of Agriculture in promoting agriculture insurance, the FSC approved “Aquaculture Precipitation/Temperature Parameters Insurance”, “Paddy Field Area Yield Crop Insurance” and “Avian Influenza Insurance” in 2017. Also, to assist the Ministry of Health and Welfare, the FSC approved “Childcare Provider Professional Liability Insurance” and “Childcare Provider Professional Liability Insurance - Extended Outdoor Activities Clause” in 2017.

Important Financial Measures



International Institute for Management Development (IMD) professor Arturo Bris and president of the IMD Alumni Club in Taiwan and chairman of the British Chamber of Commerce in Taipei Andreas Weckherlin visited the FSC together on November 22, 2017.

Reinforcing financial supervision

- **Strengthening the Financial Market Cyber Security Supervisory Mechanism**
The Financial Information Sharing and Analysis Center (F-ISAC) was inaugurated by the FSC on December 22, 2017. The F-ISAC will collaborate with the financial industry to realize cyber security information sharing, early warning and emergency response. A cyber security united defense and collaboration network will be formed by information exchange from the financial industry, including banks, securities and futures firms, and insurance companies, with the aim of reinforcing cyber security in the financial market.





The Financial Information Sharing and Analysis Center (F-ISAC) was inaugurated by the Financial Supervisory Commission on December 22, 2017. The F-ISAC represents a significant step forward in realizing a cyber security united defense and collaboration network for the financial market.



FSC Vice Chairman Cheng-mont Cheng received Mr. David Karmouni, Regional Representative, Bank of France on March 30, 2018.

Important Financial Measures

- **Continuing to conduct differential examinations and targeted financial examinations**

To implement a risk-based examination mechanism, the FSC continues to carry out differential examinations. According to differentiated examination frequency, the FSC observes overall operating conditions of financial institutions when conducting full-scope examinations periodically. Furthermore, with reference to specific supervisory needs, financial market changes and significant issues of public concern, the FSC conducts examinations across institutions targeted at specific business or items. In total, the FEB completed 132 full-scope examinations, 145 commissioned examinations of agricultural financial institutions, and targeted examinations as well in 2017.

Promoting social responsibility

- **Actively promoting gender equality**

Given the importance of Gender Mainstreaming, the FSC has actively promoted gender equality policies and instilled the values and concepts of gender equality into all policies, including: (1) building a friendly working and business-starting environment to help women and women entrepreneurs access necessary capital; (2) promoting female entrepreneurship and wider use of the Go Incubation Board for Startup and Acceleration Firms (GISA); (3) promoting microinsurance to strengthen insurance coverage for economically disadvantaged women; (4) continuing to promote the “Financial Literacy Program”; (5) promoting board diversity of TWSE- and TPEX-listed companies through the Corporate Governance Evaluation. The FSC was awarded the 16th Golden Carnation Award from the Executive Yuan in 2017.



FSC Chairman Wellington L. Koo attended 17th meeting of the Gender Equality Committee (GEC) on March 5, 2018, and received the 16th Golden Carnation Award on behalf of the FSC from Premier William Lai who praised the FSC for its excellent promotion on gender equality and integrating the ideas into policy implementation.

- **Promoting the “Financial Literacy Program”**

The FSC has been promoting the “Financial Literacy Program” since 2006 and is now entering phase V of the 3-year program (2018~2020). The FSC has strengthened the promotion of financial literacy for disadvantaged groups such as immigrants, the elderly, and aftercare participants, and has continually held financial literacy events and utilized multiple media to advocate key topics such as FinTech services (e.g. mobile payment) and anti-money laundering. In 2017, the FSC and peripheral financial organizations held over 9,000 financial literacy activities involving about 1.3 million participants. According to the MasterCard Financial Literacy Index, Taiwan’s financial literacy level was ranked top in the Asia-Pacific region.

Important Financial Measures



In order to promote financial literacy, the Taiwan Financial Services Roundtable held a donation ceremony in the "2017 Financial Services Public Welfare Carnival" (Kaohsiung) on December 6, 2017. FSC Chairman Wellington L. Koo (middle) and representatives from financial peripheral organizations all participated in this event.

- **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 2017. 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 2,000 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 583 university students in 2017. 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 held a Handicap Bus Donation Ceremony on June 29, 2017, attended by FSC Vice Chairman Cheng-Mount Cheng (middle) donating rehab buses to four counties/cities, including Taichung City.



FSC Vice Chairman Tien-Mu Huang (sixth from left) attended the Financial Industry Cares-Food Bank joint donation ceremony on August 29, 2017.

Important Financial Measures



FSC Chairman Wellington L. Koo attended the Award Ceremony of the 2017 Financial Services Educational Public Welfare Scholarship held by the Taiwan Financial Services Roundtable on December 20, 2017.

Promoting international financial supervisory cooperation

- **Signing of Memorandum of Understanding (MOU) on Financial Supervision**

By the end of December 2017, the FSC had signed 57 MOUs with its counterparts from 38 countries or regions. In 2017, the FSC signed an MOU on banking supervision with the Washington State Department of Financial Institutions, a cross-industry financial supervisory cooperation MOU with Poland's Polish Financial Supervision Authority, an insurance industry supervisory cooperation MOU with the Philippines and exchanged letters of cooperation with the Reserve Bank of India. The FSC is continuing to contact other foreign authorities regarding the signing of MOUs.



The FSC Chairman, Mr. Wellington L. Koo, and the Chairman of Polish Financial Supervision Authority (KNF), Mr. Marek Chrzanowski, signed a financial technology (FinTech) cooperation agreement on March 6, 2018.

- **Promoting international financial exchange and cooperation**

Representatives from the FSC visited the Federal Reserve Bank of New York and New York Department of Financial Services in April 2017 and exchanged views on recent important financial supervisory issues (such as prevention of money laundering,) continuing to deepen exchange and cooperation with US financial supervisory authorities.

Important Financial Measures

The Director of the British Office, envoy of the Lord Mayor of the City of London and representatives from the London financial industry visited the FSC on October 18, 2017; the Taiwan-UK Green Finance Roundtable Forum was also held during which the two sides shared their respective green finance promotion situation.

Representatives of the FSC attended the Annual Conference of the International Association of Insurance Supervisors (IAIS) October 30-November 3, 2017 in Malaysia to gain an understanding of new trends in international insurance development. The new IAIS Secretary General Jonathan Dixon and outgoing Secretary General Yoshihiro Kawai were invited to visit the FSC on November 6, 2017.



The FSC and the British Office Taipei jointly held the Taiwan-UK Green Finance Roundtable on October 18, 2017.



The International Association of Insurance Supervisors newly-elected Secretary General Jonathan Dixon and former Secretary General Yoshihiro Kawai paid a visit to the FSC together on November 6, 2017. They were received by FSC vice chairmen Cheng and Huang and exchanged a wide range of views on the IAIS future work, the development of the insurance industry, and other important issues.



FSC Vice Chairman Huang led a delegation to the 13th Asian Forum of Insurance Regulators held in Hong Kong on June 7-8, 2018. The Forum theme was "Building an Effective Regulatory Regime in a Changing Landscape".



2017 – 2018 Annual Report



Future Outlook

- Banking industry
- Securities and Futures industry
- Insurance industry
- FinTech

Future Outlook

In light of the reform of US tax system, growing trade protectionism, regional political risk and other factors, our financial industry faces challenges not only due to its small scale, high level of similarity of products and limited capital use channels. Therefore, how to assist industry to innovatively transform and respond to the arrival of the aging society are also practical problems that Taiwan needs to address.

The FSC formulates the following concrete promotion methods with respect to the four aspects of banking, securities and futures industry, insurance industry and financial technology:

Banking industry

- **Allowing the establishment of internet-only banks in Taiwan to upgrade the banking industry**
- **Encouraging domestic banks to develop overseas markets and to build international networks**
- **Encouraging domestic banks to collaborate with industry to promote economic development**
- **Introducing funds and talent to establish an international platform for wealth management**

Securities and Futures industry

- **Creating a friendly financing environment and aligning with international standards**
- **Promoting financial Innovation and financial product diversification**
- **Shaping overall corporate governance culture and increase the visibility of Taiwan securities market**
- **Enhancing incentives for mergers and increase the competitiveness of financial institutions**

Insurance industry

- **Promoting diversified insurance coverage and allowing insurance to fulfill its primary functions of maintaining the stability of society**
- **Providing a friendly investment environment for insurers to commit their funds to assist our economic development**
- **Providing a better digital insurance infrastructure and accelerating the development of InsurTech**
- **Building a new-generation insurance supervision system to align with international standards**

Future Outlook

FinTech

- **Promoting the innovative experimentation mechanism and developing Taiwan's FinTech innovation hub**

In order to accelerate the launch of innovative goods and services, the FSC will continue to promote the FinTech innovative experimentation mechanism. Jointly with Ministry of Economic Affairs, the FSC will provide the “front store, back factory” mechanism to FinTech startups to clear up gray areas of regulations and assist preparation for experiments. The FSC will also offer match-making services and entrepreneurship consultation to applicants after their experiments end. It is expected that the FSC will receive 10 experiment applications in 2018.

- **Setting up the FinTech Space to foster innovation and entrepreneurship**

In order to make best use of diversified FinTech resources from industry, academia and research institutes to develop a complete innovation and entrepreneurship ecosystem, the FSC will set up the FinTech Space and a digital sandbox platform. Financial institutions and associated organizations will be invited to provide open data and APIs to innovators, and the Space will carry out innovative theme experiments to cultivate R&D.

- **Holding FinTech Taipei 2018 to expand international business opportunities**

To create the biggest platform for FinTech expertise sharing in Taiwan, the FSC will work with the Taiwan Financial Services Roundtable and the Taiwan Academy of Banking and Finance to co-host “FinTech Taipei 2018”. It will not only facilitate investment and business match-making, pool innovation talent, but also expand international business opportunities concerning innovation and expertise sharing and cross-industry cooperation.

Through the aforementioned financial policies and measures, the FSC aims to promote a sound and stable financial market, competitive financial industry, and boost financial momentum for greater economic development. It also hopes that the rapid development of FinTech will improve the effectiveness of financial services and create a better society. The FSC will continually implement the proposed strategies to achieve these goals.

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Appendix

- FSC management team

Appendix

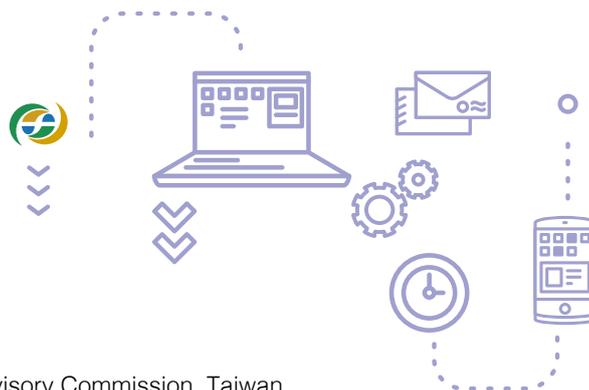
FSC management team







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