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- The FSC held a meeting for discussion of the White Paper on Finance Recommendation prepared by the Taiwan Financial Services Roundtable
- The FSC launched a pilot program for convenient inquiries about financial assets held by deceased family members
- Qualified Sole-proprietorship, domestic minors and foreign adults are allowed to open deposit accounts via the Internet
- Promotion of addition of the function of fund transfers to non-designated accounts for all accessible interface of online banking and mobile banking
- Amendments to the “Regulations Governing Capital Adequacy of Insurance Companies”

Policy and Law

The FSC held a meeting for discussion of the White Paper on Finance Recommendation prepared by the Taiwan Financial Services Roundtable

On November 7, 2019, the FSC held a meeting and invited the Taiwan Financial Services Roundtable and financial institutions for discussion of the White Paper on Finance Recommendation. The 2019 version of the White Paper covers 5 themes, 25 issues and 35 practices. The important suggestions adopted by the FSC after its review of their feasibility and the exchange of opinions with attending representatives of financial institutions are as follows:

1. With regard to the suggestions of encouraging banks to develop financial services with open API through cooperation with external parties and promoting Open Banking and Open API in stages, the Bankers Association and Financial Information Service Co. have introduced the “Self-regulatory rules governing cooperation with TSPs for the Association’s members” and the technical and information security standards for open API. The first-stage Open Banking services became available at the end of September, 2019.
2. With regard to the suggestion of providing incentives to life insurance companies for their investment in long-term care facilities, the FSC has amended the “determination criteria and handling principles for the immediate use and benefit of real estate invested by an insurance company” on August 23, 2019. In the case of an insurance company’s investments in real estate needed by long-term care facilities and residence which the area leased to the elderly over 65 years old is more than or equal to 50% of the area held by the company, the FSC has relaxed the requirement for the minimum annualized rate of return on

Notification of E-journal of Financial Outlook Monthly

Thank you for reading the Financial Outlook Monthly. We will stop printing and sending the paper-form journal since January 2021 (No.194), and still provide E-journals on our website. If you would like to receive E-journal every month, please send your E-mail address to yhhsu@fsc.gov.tw. You may also download E-journal files from our website through the QR code as the following or the URL (<https://www.fsc.gov.tw/en/home.jsp?id=55&parentpath=0,4>). Many thanks,
Financial Supervisory Commission, Republic of China (Taiwan)



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these investments, which shall not be lower than the base rate.

3. With regard to the suggestion of allowing commercial banks and insurance companies to invest in ETNs, the FSC has issued 2 interpretative orders of related regulations for the deregulation on June 4 and 21, 2019. With regard to the suggestion of allowing leverage traders to offer Contract for Difference (CFD) linked to products/commodities other than foreign currency margin to natural-person customers, the FSC has agreed, in principle, to allow leverage traders to offer CFDs linked to crude oil and gold to natural-person customers.
4. With regard to the suggestion of raising the payment ceiling of single-day transaction to NT\$1 million for online insurance purchase through the National Payment Network, the FSC mentioned that for the sake of security for ID verification, payments verified with financial chip cards may already raise the ceiling by a significant margin. It also proposes that life insurance companies may adopt the Common QR Code Specifications for premium billing in order to allow their customers to make a payment via a mobile bank card or mobile bank service by scanning the QR code on the bill.

The FSC launched a pilot program for convenient inquiries about financial assets held by deceased family members

In order to expedite inquiries about financial asset(s) held by deceased family members, the FSC requested the Taiwan Financial Services Roundtables to invite 6 major financial inquiry service providers, including the Bankers Association, Taiwan Depository & Clearing Corporation, Taiwan Futures Exchange, Securities Investment Trust & Consulting Association, Life Insurance Association and Joint Credit Information Center, to work with the National Taxation Bureau of Taipei, Ministry of Finance for the launch of a pilot program. People served by the National Taxation Bureau of Taipei may submit their applications to the Bureau for the inquiries about a variety of financial assets held by their deceased family members via its single window during December 1, 2019 to June 30, 2020. The institution receiving inquiries on the applications will then directly provide such information to the applicants or through its member financial institutions. The pilot program can save people the trouble of visiting multiple inquiry service providers for such applications and significantly enhance the efficiency and convenience of the inquiries.

Qualified Sole-proprietorship, domestic minors and foreign adults are allowed to open deposit accounts via the Internet

In order to facilitate development of online services and ensure operational stability and risk control of the banking industry, the FSC has supervised the Bankers Association to expand the scope which allows sole-proprietorship, domestic minors and foreign adults to apply for opening digital deposit accounts. On November 25, 2019, the Bankers Association notified all banks of the amended "Template of operation guidelines developed by the bank for opening digital deposit accounts online". The amendments highlight the following points:

1. Non-natural persons: sole-proprietorships whose responsible persons are domestic, natural-person adults are allowed to open digital deposit accounts.
2. Natural persons: domestic minors over 7 years old with ID cards and foreign adults with chip-card resident permits are allowed to open digital deposit accounts.

Promotion of addition of the function of fund transfers to non-designated accounts for all accessible interface of online banking and mobile banking

Currently, 36 of 37 domestic banks (including Chunghua Post) have provided accessible inquiry services through their accessible interface of online banking business, 34 have provided fund transfers to designated accounts and 3 have provided fund transfers to non-designated accounts. The survey indicates that the banking industry is on the way to launching more services through their accessible interface of online banking. In order to create a friendlier environment for accessible banking services and expedite financial services of fund transfers for people with disabilities, the FSC held a meeting with banks for discussion over related issues on November 21, 2019. Participants of the meeting reached the consensus of incorporating the function of fund transfer to designated and non-designated accounts into their accessible interface of online and mobile (app) banking service by the end of June, 2020. The limits of such fund transfers shall be consistent with the online and mobile (app) banking services to customers without disabilities.

Amendments to the "Regulations Governing Capital Adequacy of Insurance Companies"

In order to strengthen financial health of insurance companies and their capacity of taking all kinds of risks, the FSC amended the aforementioned Regulations on December 4, 2019, considering that the ratio of net worth to total amount of assets of an insurance company ("the net worth ratio") can measure its market risk capacity better when dramatic and short-term changes occur in international economic and political landscapes. In addition to the RBC ratio as the classification standard of capital adequacy ratios, a provision was added stipulating that if the net worth ratio of an insurance company is below 3% or 2%, it should be listed under the assessment standards of "capital inadequate" or "capital significantly inadequate". In addition, the amendments also contain the definition of the net worth ratio. The new measures all of above will be effective on April 1, 2020.

Electronic payment institutions are allowed to conduct services on the receipts and payments for securities investment trust funds which are offered and issued by securities investment trust enterprises (SITs) and denominated in NTD only

On December 5, 2019, the FSC announced an interpretive order to allow electronic payment institutions to receive and pay money for investment trust funds which are offered and issued by SITs and denominated in NTD only in order to improve utilization performance of funds placed in e-payment accounts held by e-payment service users, expedite investors' subscription and redemption of securities investment trust funds denominated in NTD only and facilitate the business development of e-payment institutions and SITs.

Promulgation of the interpretive order regarding the principle about the Responsible Person of other Financial Institutions Acting Concurrently as the Director or Supervisor of a Bank

Considering competition intensity among financial institutions and banks, the FSC promulgated the interpretive order regarding the "Principle about the Responsible Person of other Financial Institutions Acting Concurrently as the Director or Supervisor of a Bank" on November 13, 2019 to clearly define the investment relationship and to set the judgement principle for the situation of conflict of interests.

Announcement of the regulations governing Sukuk investments by commercial banks

On December 2, 2019, the FSC announced the interpretive order regarding Point 2 of the "Directions Governing Limitations

on Types and Amounts of the Securities in which a Commercial Bank May Invest". Investments by a commercial bank in Sukuk shall comply with the aforementioned regulations. In order to manage the concentration risk, the aggregate amount of the original acquisition costs for such investment shall not exceed 10% of the bank's calculation basis, considering commercial banks are not yet familiar with the risks of this type of products as offering and development of Sukuk in Taiwan is still in the initial stage.

Amendments to Article 3, 5 and 10 of the "Regulations Governing CPA Continuing Professional Education"

In order to enhance CPAs' service quality, professional competency and understanding of regulations and activities related to anti-money laundering and combating the financing of terrorism (AML/CFT), the FSC amended the aforementioned Regulations on December 23, 2019 to lay down the requirement for registered CPAs to attend at least 3 hours of education courses on regulations governing AML/CFT and related practices every year. The requirement will take effect on January 1, 2020.

Amendments to the interpretative order regarding Article 4 of the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises"

In order to ensure operation stability of domestic life insurance companies and reflect market interest rate in reserve requirement for new life insurance contracts, the FSC announced new interest rates of policy reserve for new life insurance contracts denominated in different currencies in 2020 on November 19, 2019. Considering that interest rates of government bonds in different currencies are going down, compared with the 2019 levels, in 2020, the interest rates of reserve for new policies with liabilities in USD, NTD and RMB with different the effective periods are lowered by 0.25 percentage point; the interest rate of reserve for new policies with liabilities in AUD with an effective period less than 10 years is lowered by 0.25 percentage point and over 10 years is lowered by 0.5 percentage point; the interest rate of reserve for new policies with liabilities in EURO with an effective period over 6 years is lowered by 0.25 percentage point; and less than 6 years remains unchanged.

Promulgation of the interpretive order regarding Subparagraph 2 of Paragraph 1 of Article 6 of the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises"

The FSC promulgated the interpretive order regarding Subparagraph 2 of Paragraph 1 of Article 6 of the aforementioned Regulations on November 21, 2019. An insurance company is required to conduct, among other, cost effectiveness analysis, risk assessment, requirement analysis, programming control and function testing and verification (including stability, accuracy and completeness), conversion decision assessment and parallel testing for replacement of its core IT system(s).

Announcement of the interpretive order regarding Subparagraph 6 of Article 2 of the Regulations Governing Use of Insurer's funds in Special Projects, Public Utilities and Social Welfare Enterprises

On November 18, 2019, the FSC announced the aforementioned interpretive order to allow insurance companies to serve as a participating bank in a syndicated loan case and handle loan business for loans guaranteed or insured by foreign central governments, credit guarantee institutions set up by foreign central governments, of official export credit guarantee institutions announced by the OECD and used for investments

in 5+2 industries.

The FSC announced an interpretative order as a supplement to the requirements for insurance companies related to a situation when facing its foreign currency amounts exceeding the relevant regulatory ceiling, due to their redemption of specific international bonds investment

According to current regulations, the investment by an insurance company in bonds issued by foreign entities through public offerings in Taiwan ("international bonds") is not included in the calculation of its total foreign investment, which is subject to a ceiling (45%). According to Article 3 of the Regulations Governing Foreign Investments by Insurance Companies, however, foreign currency acquired by an insurance company for redemption of the international bonds it invested in is considered part of its deposit in foreign currency and such deposit is considered part of its foreign investment, which is subject to a regulatory ceiling. When an insurance company does not use the foreign currency it acquires through aforementioned redemption in the investment in the international bonds or convert it to NTD within a short period of time or in a timely manner, its foreign investment may exceed the regulatory ceiling. As the international bonds are not redeemed on the initiative of investing insurance companies, the FSC announced an interpretative order on December 5, 2019 to help insurance companies properly address the issue of exceeding the regulatory ceilings on their foreign investments due to the aforementioned situation. When an insurance company's foreign investment exceeds the regulatory ceiling due to redemption of the international bonds, it is given six-month period to make necessary adjustment as it does not cross the regulatory limit on its foreign investment due to increase of the investment amount.

International Activities

New Chief Representative of the Japan-Taiwan Exchange Association Taipei Office visited the FSC on December 9, 2019

Mr. Hiroyasu Izumi, new Chief Representative of the Japan-Taiwan Exchange Association Taipei Office, was warmly received by Chairman Koo on December 9, 2019. The two sides broadly exchanged views on the issues of bilateral cooperation between Taiwan and Japan.

Industry Updates

NPL ratio for domestic banks at 0.23% at the end of November 2019

The total outstanding loans extended by the current 36 domestic banks increased by NT\$112.3 billion (US\$3.68 billion) as compared to the figure of previous month and amounted to NT\$29.73 trillion (US\$974.34 billion) at the end of November 2019. Meanwhile, the NPLs of these banks totaled at NT\$68.3 billion (US\$2.24 billion) which decreased by NT\$1.4 billion (US\$45.88 million) from NT\$69.7 billion (US\$2.28 billion) as of the end of the previous month. With a slight decrease of 0.01 percentage point, the average NPL ratio of the 36 banks fell to 0.23% down from 0.24% at the end of previous month, and was down by 0.03 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 16.27 percentage points and therefore rose to a figure of 605.51% from 589.24% of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of November 2019.

NPL situation of credit cooperatives at the end of November 2019

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.49 billion as of the end of November 2019, generating an NPL ratio of 0.1%, down by 0.01 percentage

points from 0.11% at the end of October 2019. The NPL coverage ratio was 2,066.32%, up by 182.73 percentage points from 1,883.59% at the end of October 2019.

Net foreign and Mainland China investment in listed shares

As of the end of November 2019, foreign investors had bought around NT\$7,387 billion and sold around NT\$7,195.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$191.8 billion. In addition, foreign investors had bought around NT\$826 billion and sold around NT\$808.2 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$17.8 billion. Meanwhile, Mainland China investors had bought around NT\$17.9 billion and sold around NT\$18.9 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of NT\$1 billion; Mainland China investors had bought around NT\$3.6 billion and sold around NT\$2.9 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$700 million. As for inward remittances by foreign and Mainland China investors, the figure for cumulative net inward remittances by offshore foreign institutional investors, offshore overseas Chinese and foreign nationals at the end of November 2019 stood at approximately US\$209.6 billion, up by around US\$3 billion from US\$206.6 billion at the end of October 2019. The figure for cumulative net inward remittances by Mainland China investors was US\$189 million, up by around US\$500 thousand from US\$188 million at the end of October 2019.

Sales situation of foreign-currency denominated products by life insurance industry as of the end of September 2019

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of September 2019 (accumulated) was as follows: the premium revenue from new foreign-currency denominated policies was equivalent to around NT\$396.876 billion, down by 18% from NT\$484.582 billion compared with the same period last year. Among them, investment-linked insurance products accounted for NT\$128.755 billion (around 32% of the total), down by 36% from NT\$201.396 billion compared with the same period last year, and the sales of traditional insurance products totaled NT\$268.121 billion (around 68% of the total), down by 5% from NT\$283.186 billion compared with the same period last year.

Profit/loss, net value and exchange gains/losses of the insurance industry in October 2019

Pre-tax profit of insurance enterprises at the end of October 2019 was NT\$187.9 billion; pre-tax profit of life insurance enterprises was NT\$173.8 billion, an increase of NT\$56.4 billion, or 48%, compared with the same period in 2018; pre-tax profit of non-life insurance enterprises was NT\$14.1 billion, up by NT\$100 million or 0.7% compared with the same period in 2018.

Owners' equity of insurance enterprises at the end of October 2019 was NT\$2.0075 trillion; owners' equity of life insurance enterprises was NT\$1.8747 trillion, an increase of NT\$756.5 billion, or 67.7%, compared with the same period in 2018; owners' equity of non-life insurance enterprises was NT\$132.8 billion, an increase of NT\$15.7 billion, or 13.4%, compared with the same period in 2018.

Up to the end of October 2019, appreciation of the NT\$/US\$ exchange rate was 1.9% from the previous month, and the balance of foreign exchange valuation reserve of life insurance enterprises was NT\$59.6 billion, decreasing NT\$20.8 billion from last month. Pre-tax profit of life insurance enterprises at the end of October 2019 including the exchange gains/losses, hedging gains/losses, and the net effects of foreign exchange valuation reserve was NT\$173.8 billion.

Investor and Consumer Protection

FSC reminds investors to choose investment channels carefully

Recently, fake documents including "Guaranteed Investment Certificate", "Declaration of Trust" and "Mutual Fund Fixed Return Trust Certificate" have been posted on social media platforms in the name of banks, claiming that investors can receive fixed annual return and that the principal will be returned when the contract expires. The FSC states that Article 31 of the Trust Enterprise Act stipulates that a trust enterprise must not promise to guarantee principal or provide a minimum return rate. Consequently, investors should be vigilant when they see the words "guaranteed investment" and "guaranteed return" in product related explanatory material and should check with the financial institution that is involved. Also, to avoid investors being defrauded, if a financial institution's name is used fraudulently then it should immediately clarify the situation publicly.

2019 School and Community Financial Literacy Campaign

As part of 2019 School and Community Financial Literacy Campaign, in December 2019 the FSC held 35 financial literacy promotion sessions at schools and organizations, including Hsu-guang Elementary School in Taichung with a total of 4,528 participants. The sessions are free and have struck a chord with many people since their inception in 2006. As of the end of November 2019, all 6,284 sessions had been held and over 1.01 million people had attended. The target participants include students at all levels of schools, communities, women's groups, indigenous people, immigrants and military service personnel. The Banking Bureau of the FSC will continue the financial literacy campaign in 2020. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau. For more information, please call (02)8968-9709.

Major Enforcement Actions

Fubon Life Insurance Co., Ltd. was fined

When carrying out the financial inspection of ordinary businesses in 2018, the FSC found that Fubon Life Insurance had violated the provisions of the Insurance Act with regard to increasing the number of salespersons, housing mortgage credit investigation, evaluation of insurance broker channels, policy change by juristic persons and insurance application operations. The FSC thus imposed a fine of NT\$4.8 million and issued 8reprimands on the company in accordance with Paragraph 1 of Article 149 and Paragraphs 4 and 5 of Article 171-1 of the Insurance Act.

Cathay Century Insurance Co., Ltd. was fined

When carrying out the financial inspection of ordinary businesses, the FSC found that Cathay Century Insurance had violated regulations by failing to establish a confirmation method for the willingness of policyholders to renew residential fire and earthquake fundamental insurance, failing to issued policy according to the direct selling premium rate when handling direct business insurance renewal of compulsory automobile liability insurance, etc. The FSC thus imposed a fine of NT\$3.6 million and issued 2reprimands on the company in accordance with Article 149 and Paragraphs 4 and 5 of Article 171-1 of the Insurance Act and Paragraph 3 of Article 48 of the Compulsory Automobile Liability Insurance Act.

Jkopay Electronic Payment Co., Ltd. was fined

When carrying out a special inspection, the FSC found that Jkopay Electronic Payment had deficiencies in internal control, allowed recipient users to overdraw electronic accounts and its business staffs carried out risk control checking not in line with internal management regulations when executing user withdrawal, which were in violation of related regulations and giving rise to concern about sound operation. The FSC thus imposed a fine of NT\$1.8 million and issued a reprimand on the company in accordance with Articles 30, 33, 35 and 48 of the "Act Governing Electronic Payment Institutions".