

FSC 2020 Policy Plan

FSC Policy Objectives and Priorities for 2020:

The FSC is the competent authority with overall responsibility for supervising, regulating and facilitating the development of financial markets and financial services industry, 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.

In order to facilitate economic development and to enable the financial industry in its steady growth to assist in transformation of economic structure and industrial development, the FSC keeps encouraging financial institutions to use their profession and resources and at the same time to be attentive to manage risks to assist the development of physical industries. Policy tools the FSC adopts include loans, investments, fund-raising, etc. to facilitate the R&D, transformation or innovation of physical industries and to support startups for obtaining capital and fulfilling their ideas and dreams. Furthermore, the FSC will continue to urge financial institutions to implement corporate governance and maintain healthy operation in order to safeguard a sound, stable and sustainable financial market.

In accordance with the 2020 policy guidelines of the Executive Yuan, the medium-term policy plan and the approved budget quota, the FSC outlines its policy plan of the 2020, which also adapts to economic and societal changes and the future development needs of the FSC.

1. Annual Objectives of the Policy Plan

(1) Provide convenient and multiple channels for financing.

- I. Create a favorable environment to exert the financial intermediation function and to promote economic development, created a win-win situation for finance and industry.
- II. Encourage lending by domestic banks to SMEs and key innovative industries to help them obtain working capital.
- III. Encourage domestic banks to build capacity of financial talents on green energy industry, and encourage them to participate in green energy industry loans.

(2) Build and enable diversified channels for funding and investment.

- I. Maintain the sound capital market, strengthen corporate governance and corporate social responsibility, enhance the auditing quality of accountants and provide diversified funding and investment channels.
 - II. In order to expand the scale of capital market, the financial peripheral units continue to explore potential high-quality enterprises to participate in Taiwan's capital market. Cooperate with TPEX and related institutions to develop measures to enhance the quality and quantity of foreign currency-denominated international bonds, and hold series of investment solicitation activities to attract high-quality issuers or intermediaries to issue bonds in Taiwan.
 - III. Encourage key industries to list on the TWSE or TPEX, build capital markets with industrial characteristics and hold the special industrial propaganda symposium continuously to foster the development of innovative micro enterprises.
 - IV. Supervise the TPEX continuously to promote the Go Incubation Board for Startup and Acceleration Firms to deepen the capital market.
 - V. Supervise the TPEX continuously to promote the green bond markets, and provide multiple fundraising channels for the green energy industry.
- (3) Promote the financial system to be in line with international standards
- I. Enhance the trading efficiency of the securities markets, establish a centralized clearing system for OTC derivatives and harmonize Taiwan's financial system with international norms to further participate overseas markets.
 - II. Strive to sign Memorandum of Understanding (MOU) related to financial supervision and financial technology using multiple-channels in order to deepen exchange and cooperation with the supervisory authorities of other countries, strengthen cross-border financial supervision capabilities and raise the international visibility profile of our financial industry.
 - III. Take an pro-active role in multilateral and bilateral finance related conferences and negotiations, such as the World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC), and discuss/enter into bilateral investment agreements (BIA) to protect the interests of our financial industry and our overseas investors.
 - IV. Take into account of the development trend of the international solvency regime and continue to review and implement the new generation of solvency system for the insurance industry in order to smoothly integrate with the international system and enhance the financial status of the insurance industry.

- V. Keep promoting the insurance industry to actively prepare for the adoption of IFRS17 (Insurance Contract).
 - VI. Conduct economics and international finance related programs or training in English to encourage staff members of financial institutions to enhance their English proficiency.
 - VII. Create a friendly bilingual financial service environment step by step and enhance bilingual information disclosure offered by financial institutions and listed companies on our stock exchanges. Also, improve bilingual facilities at financial institutions and offer bilingual application forms for frequently used walk-in service.
- (4) Expand the scope of financial business
- I. To respond to the development of financial markets and the needs of financial consumer, the FSC continues to maintain and improve the legal system for financial supervision, expands the scope of business or services of financial institutions and enhances the international competitiveness of financial institutions.
 - II. The FSC continuously constructs and improves securities market regulations, promotes internationalization of the securities and futures market, expands the business scope of the securities firms and futures commission merchants and strengthen their competitiveness.
 - III. The FSC amended regulations of the Securities Investment Trust Enterprises (SITEs) and Securities Investment Trust Funds in order to improve the development of domestic asset-management industry and enhance the competitiveness of SITEs.
 - IV. In response to the development of international financial situation, under the precondition of maintaining safe, efficient and appropriately supervised capital usage, the FSC give green lights to many the foreign investment vehicles for the insurance companies, improves their efficiency of fund utilization and continues to amend relevant regulations related to capital utilization.
 - V. Launch “New Wealth Management Scheme” to support Taiwan’s financial industries providing a variety of wealth management products and services to high-asset customers, in order to expand the size of Taiwan’s wealth management business, cultivate wealth management talent, strengthen the financial product R&D capabilities of financial institutions, and drive the upgrade of the operating model of Taiwan's wealth management service industry.

- (5) Encourage research and development of financial innovation products and services
- I. Encourage the trust enterprises to actively allocate appropriate resources to develop more care trust products for the elderly and the disabled in order to achieve the purpose of caring life.
 - II. Assist and encourage financial institutions to develop various mobile payment businesses, such as mobile credit cards, mobile bank cards, quick response code (QR Code), mobile electronic stored value cards, online to offline (O2O) services of electronic payment institutions and mobile point of sale (mPOS), in order to accelerate the development and innovation of domestic mobile payment services.
 - III. Provide new products in the futures market or launch new futures trust funds to meet the needs of diversified products.
 - IV. Encourage insurers to develop innovative insurance products and services to meet the needs of the public and upgrade the quality of insurance services.
 - V. Establish a secure and reliable data exchange system for cross-domain exchange of data, promote the application of digital service personalization (MyData) in financial field, implement the maximization of government information and assist banks to provide fast and convenient financial services for the public.
- (6) Develop FinTech
- I. Promote the innovative experimentation mechanism to provide legitimate environment for FinTech trials, supervise the FinTechSpace to facilitate FinTech communication and cooperation, conduct the annual exhibition of FinTech Taipei, and assist with the development of startup ecosystem.
 - II. Promote e-payment services of the public sector and medical institutions to enhance the penetration of domestic electronic payments.
 - III. Continuously review the effectiveness of e-commerce insurance business and promote e-commerce insurance to boost the development of the insurance market step-by-step.
 - IV. Encourage financial institutions to provide more online financial services.
 - V. Continuously establish digital financial environment and take relevant measures to improve the security of digital financial transactions
 - VI. Upgrade the of financial industry and provide customers better financial services, through the establishment and operation of internet-only banks.
 - VII. Integrate rules of the Electronic Payment Institutions Act and of the Electronic Stored Value Cards Act in order to meet the trend of the combination of virtual and

physical payment instruments and also to create a payment ecosystem based on the e-payments.

VIII. Use technology to conduct financial examinations, introduce automatic reporting system by using Application Programming Interface (API) to increase the efficiency of the regulatory reporting system.

(7) Maintain financial stability and market order, and enhance the risk tolerance of the financial institutions.

I. In order to allocate the examination resources effectively, the FSC implements the proportionate renders examination mechanism. Based on this mechanism, the FSC different levels of supervision and carries out examinations based on supervised financial institutions' risk levels.

II. In response to supervisory needs, market conditions and public concerns, the FSC increases targeted examinations on specific financial businesses or items, together with regular full-scope examinations.

III. Strengthen the internal audit effectiveness of financial institutions.

a. Urge financial institutions to implement risk-based auditing, to review systematic examination findings, and strengthen FSC's communication with internal audit departments of financial institutions.

b. Evaluate financial institutions' internal audit performance and the implemented effectiveness of internal audit function during on-site examinations.

IV. Hold "Financial Supervisory Liaison Group" meetings periodically with the Central Bank (CBC), the Bureau of Agricultural Finance (BOAF) and the Central Deposit Insurance Corporation (CDIC) to fully coordinate and communicate the matters of financial system and financial policy.

V. Promote the "Shareholder's Shareholding Transparency Action Plan" to identify the shareholding structure of major shareholders and require transparency of shareholding of financial institutions. The quality of management of substantial interested parties will also be enhanced due to shareholding transparency. Meanwhile, the FSC gradually guides financial institutions to strengthen the functions of the board of directors for their sound operation.

VI. Continuously review the solvency system for the insurance industry to strengthen the solvency risk management and internal control system for the insurance industry.

- VII. Refine the financial examination rating system to accurately reflect the overall operation of domestic banks.
- VIII. Build Financial Security Operation Center (F-SOC), implement the Threat Intelligence Platform (TIP), analyze overall cyber threats in financial sector, exert early warning and emergency response to mitigate the risks of cyber security incidents and aim to reinforce cyber security joint defense and collaboration network.
- (8) Enhance investor and financial consumer protection.
- I. Enhance financial education and promote financial literacy.
- a. Promote financial literacy plan and investor financial education advocacy and enhance investor and trader protection.
- b. Continuously promote the “Financial Knowledge Promotional Activities in School and Community Financial Literacy Campaign”.
- c. Work with the Financial Ombudsman Institution and related institutions on conducting educational activities in accordance with the Guidance of Intelligent Wealth Management for the Elderly to prevent them from financial exploitation and fraud.
- II. Continuously assess financial institutions' implementation of the Treating Customers Fairly (TCF) in order to urge them to enhance consumer protection and foster a business culture that centers around TCF.
- III. Work with the Investor Protection Center to implement Securities Investor and Futures Trader Protection Act effectively, exercise class action litigations, discharge suits and derivative suits on behalf of investors in order to ensure investor rights and promote corporate governance.
- IV. Strengthen the insurance market discipline, correct insurers' improper solicitation activities and implement the amendments of the Insurance Act in order to enhance insurance consumer protection.

貳、年度重要計畫 2. Annual Key Plans

Name of working plan	Item	category	contents
Banking supervision	Provide diverse financial services to support economic development	other	In order to assist SMEs and Key Innovative Industries in obtaining working capital, the FSC continues to encourage lending by domestic banks to SMEs and Key Innovative industries.
	Improve e-payment services of the public sector and medical institutions	other	Actively promote e-payment services of the public sector and medical institutions.
	Encourage the trust enterprises to develop the care trust products for the elderly and the disabled	other	Encourage the trust enterprises to actively allocate appropriate resources and develop the care trust products for the elderly and the disabled in order to achieve the purpose of caring life.

Name of working plan	Item	category	contents
	Enhance the financial education and protection of financial consumer rights	other	In order to enhance financial education and promote financial literacy, the FSC continues to promote the “Financial Knowledge Promotional Activities in School and Community Financial Literacy Campaign”.
Securities and futures market supervision	Continuously develop the international bond market	other	In order to assist companies to acquire capital and support the economy, the FSC continues to explore high-quality issuers to issue foreign currency-denominated bonds in Taiwan.
	Develop capital markets with industrial characteristics	other	<p>1. The FSC establishes a multi-layered capital market, and assists companies in industries with development prospects, such as agriculture, culture, innovative industries and technology, to list on the TWSE or TPEX to raise capital through the capital markets, to expand the size of the capital markets and to strengthen the depth and breadth of the financial markets. The FSC continues to work with TWSE and TPEX to explore and attract high-quality companies through telephone or on-site visits and help them join in our capital markets.</p> <p>2. Optimize corporate governance, enhance board functions, promote shareholder activism, strengthen information transparency, disclose the median of</p>

Name of working plan	Item	category	contents
			employees' salaries and enhance corporate social responsibilities of listed companies, in order to enhance the competitiveness of Taiwan's capital market.
	Internationalize securities and futures markets as well as enhance the competitiveness of the securities firms	other	<ol style="list-style-type: none"> 1. Promote the continuous trading system and odd-lot intraday trading system to enhance trading efficiency of the securities market. 2. Expand the business scope of the securities firms as well as enhancing their competitiveness. 3. In order to internationalize securities and futures markets, the FSC work with affiliated organizations to enter into Memorandums of Understanding with international self-regulatory organizations, and enhance the bilingual disclosure of Market Observation Post System and corporate governance. 4. Construct a barrier-free bilingual financial environment and promote the bilingualization of the capital market.
	Strengthen the protection of investors' rights, improve the securities trading system and actively implement the surveillance of stock market	other	<ol style="list-style-type: none"> 1. Strengthen the protection of investors' rights, improve the securities trading system and work with the Investor Protection Center to strengthen the protection of the rights and interests of securities investors and futures traders. 2. Improve the management of proxies for attendance at shareholders meeting and the administration of shareholder services. 3. Actively implement the surveillance of stock market trading activities and

Name of working plan	Item	category	contents
	to ensure orderly market trading		investigate market misconduct.
	Relax the restrictions and regulations related to Securities Investment Trust Funds in order to enhance the competitiveness of the securities market and improve the development of domestic asset-management industry	other	Continuously review and amend relevant restrictions of rules to improve the operations and enhance the competitiveness of SITEs.
	Enhance the transparency of companies' financial information and link up our accounting, auditing and related	other	<ol style="list-style-type: none"> 1. Continuously review the regulations on accounting, auditing and internal control of public companies. 2. Conduct CPA firm inspection and monitor CPA firms to implement their quality control system. 3. Participate in international organizations and link up our supervision measures with international practice.

Name of working plan	Item	category	contents
	supervision measures with international practice		4. Invite CPA Association and others for assistance in deliberation on relevant measures to enhance audit quality of CPAs.
	Improve the efficiency of the futures market, expand the scope of the futures industry and ensure the security of transactions	other	<ol style="list-style-type: none"> 1. Work with the TAIFEX to modify the futures market system and to establish a centralized settlement system for OTC derivatives to be in line with international standards. 2. Broaden the scope of business or products operated by the futures industry and implement risk management.
Insurance Supervision	Strengthen the supervision of the insurance industry's solvency and enterprise risk management	other	<ol style="list-style-type: none"> 1. Continuously review the supervision regime for the solvency of the insurance industry and develop the capital classification method of the insurance industry's capital in order to strengthen the supervision of the insurance industry's solvency. 2. Keep engaged in promoting our insurance industry to actively prepare for the adoption of IFRS17 Insurance Contract. 3. Continuously supervise the insurance industry to strengthen enterprise risk management and internal control. 4. Review and strengthen the profit test, declared interest rate and post-sales management mechanism for the insurance product review procedure to ensure the company's stable operation.

Name of working plan	Item	category	contents
	Continuously review the relevant laws and regulations on the use of funds in the insurance industry to improve the efficiency of fund utilization	other	Continuously review the relevant laws and regulations on the use of funds in the insurance industry.
	Encourage insurers to develop diversified insurance products and services	other	<ol style="list-style-type: none"> 1. Encourage insurers to grasp the social and economic trend and actively develop diversified and guaranteed insurance products to meet the needs of the public. 2. Review the insurance product regulations, establish the traditional life insurance corridor to guide the insurance industry to gradually adjust the product structure and sell more guaranteed and aging insurance products, for the purpose of returning to the nature of insurance protection.
	Encourage insurers to actively promote online insurance business to increase efficiency of e-	other	<ol style="list-style-type: none"> 1. Continuously review the effectiveness of e-commerce insurance business and promote e-commerce insurance to boost the development of the insurance market step-by-step. 2. Encourage insurers to actively engage in the online insurance business and increase the quality of insurance service.

Name of working plan	Item	category	contents
	commerce insurance business		
	Review the Risk Spreading Mechanism of Residential Earthquake Insurance	other	Drafting a proposal to increase total risk assumption limit on the risk spreading mechanism of residential earthquake insurance in order to reduce the occurrence of pro-rata basis payment to the insured when the total losses exceed the total risk assumption limit, which is to protect the interests of the insured.
	Strengthen the discipline of insurance market	other	Review the regulations related to solicitation and strengthen the discipline of insurance market.
	Implement the amendments of the Insurance Act to enhance the protection of insurance consumer rights	other	Supervise insurers to implement the amendments of the Insurance Act to enhance the protection of insurance consumer rights.
Financial Examination	Improve the effectiveness of financial examinations, and conduct more targeted examinations	society development	<ol style="list-style-type: none"> 1. In response to supervisory needs, market conditions and public concerns, the FSC increases targeted examinations on specific financial businesses or items. 2. In order to allocate the examination resources effectively, the FSC adopts the proportionate examination mechanism for

Name of working plan	Item	category	contents
	according to financial market situation		<p>conducting financial examinations.</p> <p>3. Implement the tracking mechanisms of reviewing improvements on examination findings.</p> <p>4. In order to strengthen the communication with financial institutions continuously, the FSC holds internal audit forums.</p> <p>5. Disclose information of financial examinations in public.</p> <p>6. Review the financial examination system and improve the inspecting skills.</p>