

# 金融展望月刊

## Financial Outlook Monthly

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GPN 2009305443

ISSN 1992-2507

\*The Chinese version rules if  
any contradiction in meaning  
exists between the Chinese  
version and English versionl.

### November 2021

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- FSC raises the dollar value of the "certain amount" referred to in Article 29, Paragraph 2 of the "Financial Consumer Protection Act"
- FSC holds event to mark upcoming issuance of digital Quintuple Stimulus Vouchers
- FSC grants approval for Financial Information Service Co. to run inter-institution funds transfer clearing services and establish an inter-institution e-payments platform

### Policy and Law

#### *FSC raises the dollar value of the "certain amount" referred to in Article 29, Paragraph 2 of the "Financial Consumer Protection Act"*

The term "certain amount" as used in Article 29, Paragraph 2 of the "Financial Consumer Protection Act" can mean different amounts depending on the type of dispute at issue. The term until recently has meant either NT\$1 million (in the case of disputes involving investment products or services, payment of non-life insurance benefits, payment of life insurance benefits, or investment-linked insurance products) or NT\$100,000 (in the case of disputes involving non-investment products, disputes over payment of medical insurance benefits under multiple-payment insurance policies, or disputes not related to the payment of insurance benefits). The FSC announced on 17 September 2021 that these amounts have been raised to NT\$1.2 million and NT\$120,000 respectively.

In adjusting the dollar amounts upward, the FSC had the following five considerations in mind: (a) most disputes are resolved before they ever go to ombudsman proceedings; (b) a high percentage of financial institutions accept the ombudsman's decision even when the amount exceeds the "certain amount" described above; (c) raising the dollar amounts has the benefit of spurring financial institutions to make a serious effort to treat customers fairly; (d) the dollar amounts have been raised in a way that strikes a proper balance between the right of consumers to participate in dispute resolution proceedings and the right of financial institutions to institute litigation; and (e) it is best to amend legislation incrementally.

As for the question of when the higher dollar amounts should take effect, with reference to the principle that legislation must not have retroactive effect, as well as the principle of promissory estoppel, the higher dollar amounts will only apply to ombudsman decisions in cases filed after the higher dollar amounts were announced. For ombudsman cases filed prior to announcement of the higher dollar amounts, the previous dollar amounts will apply.

#### *FSC holds event to mark upcoming issuance of digital Quintuple Stimulus Vouchers*

On 14 September 2021, the FSC held an event to mark its upcoming issuance of digital Quintuple Stimulus Vouchers. Premier Su Tseng-chang delivered opening remarks at the event, which was attended by representatives of government agencies and financial services providers in charge of administering the voucher program, as well as the chairpersons or presidents of 49 financial institutions, including banks, specialized electronic payment institutions, and specialized credit card business institutions. Financial institutions are giving their full support to the policies that the government has adopted to stimulate the economy. In addition to allowing consumers to link the vouchers to debit cards, credit cards, e-payment or stored-value cards ("money cards"), and other such digital payment instruments, financial institutions are also providing extra benefits to get more people interested in using the Quintuple Stimulus Vouchers. The FSC thanked the relevant government agencies, the ROC Bankers Association, the ROC National Credit Card Center, the Financial Information Service Co., and financial institutions for their contributions to the program, and called for the public and private sectors to work hand-in-hand to ensure that the Quintuple Stimulus

Vouchers would be "easy to pick up, easy to use, and effective in stimulating the economy."

### ***FSC grants approval for Financial Information Service Co. to run inter-institution funds transfer clearing services and establish an inter-institution e-payments platform***

In order to meet the need for safe and convenient payment methods during the current pandemic, and to build a good environment for the development of non-cash and mobile payments, the FSC on 17 September 2021 approved an application by the Financial Information Service Co. (FISC) to run inter-institution funds transfer clearing services and establish an inter-institution e-payments platform.

The FSC solicited the views of the Central Bank before approving the FISC application. With regard to the inter-institution e-payments platform that FISC is planning to operate, the FSC — giving balanced consideration to the developmental needs of e-payment institutions as well as the need of consumers for convenient payments — approved the following functions and launch dates:

1. "Account transfer" function: This function enables convenient transfer of funds between institutions. In accordance with Article 13 of the "Rules Governing the Administration of Electronic Payment Business," a specialized electronic payment institution is required in principle to complete preparations to support this function by 30 September 2021, so that the function can be launched in October 2021.
2. Fee payment and tax payment functions: These two functions provide users with a convenient electronic channel to pay fees and taxes. Expanding the range of use scenarios for e-payments can make it much more convenient for members of the public to make payments. Specialized electronic payment institutions are encouraged to support these functions, which are expected to be launched in the 4th quarter of 2021.

### ***FSC and Bankers Association hold meeting to encourage issuance and use of digital Quintuple Stimulus Vouchers***

On 1 September 2021, to encourage the issuance and use of digital Quintuple Stimulus Vouchers, the FSC and the Bankers Association jointly held a meeting that was attended by senior management from domestic banks, specialized credit card business institutions, and specialized electronic payment institutions. During the meeting, FSC Chairperson Tien-Mu Huang called on financial institutions to support the digital Quintuple Stimulus Vouchers program, and technical aspects of the program were explained to the financial institutions by the Ministry of Economic Affairs, the ROC National Credit Card Center, Financial Information Service Co., and Trade-Van Information Services Co. The FSC encouraged financial institutions to give their full support to the digital Quintuple Stimulus Vouchers program, and to capitalize on add-on incentives from various central government agencies to actively market the program, get more consumers to use digital Quintuple Stimulus Vouchers, and perfect the system interfacing operations. This approach will ensure that the system runs smoothly and stably, will promote non-cash payments and mobile payments, and will provide the public with safe and diverse payment services.

### ***FSC issues interpretive rule on Article 146-1, Paragraph 1, Subparagraph 4 of Insurance Act***

On 16 September 2021, the FSC issued an interpretive rule on the phrase "a company rated by a rating agency at no lower than a specified rating" as used in Article 146-1, Paragraph 1, Subparagraph 4 of the Insurance Act. According to the interpretive rule, this phrase means an issuer of corporate bonds and non-guaranteed commercial paper that has received a credit rating of

BBB- or higher from any of five specified credit rating agencies, including Standard & Poor's Corporation.

## **International Activities**

### ***FSC Chairperson Huang opened "2021 Israel-Taiwan FinTech Webinar"***

The FSC and the Israeli Economic and Trade Mission in Taipei co-hosted the "2021 Israel-Taiwan FinTech Webinar" at the FinTechSpace in physical and video conference mode on the afternoon of October 6th. Dr. Tien-Mu Huang, Chairperson of the FSC, Mr. Omer Caspi, Representative of the Israel Economic and Cultural Office in Taipei (ISECO), and Mr. Tslil Lahav, Head of the Israeli Economic and Trade Mission in Taipei, jointly opened the webinar. During the proceedings, officials from both sides briefed participants on the current status of their respective domestic measures to promote FinTech development, and participants from both sides' FinTech-related businesses attended the event, thus contributing to the deepening of FinTech exchanges between Taiwan and Israel.

## **Industry Updates**

### ***Financial institution investments in FinTech development reach new high***

Total FinTech investments by domestic financial institutions in 2020 amounted to an all-time high of NT\$18.21 billion, for an average of NT\$60.5 million per institution. Average investments per institution finished up by 9.52% from NT\$55.24 million in 2019.

Total FinTech investments by domestic financial institutions in 2021 are expected to rise by 29% to a figure of NT\$23.5 billion. Total operating funds allocated to FinTech in 2020 increased by 10.25% from the previous year. These figures stand in sharp contrast to a report from KPMG, which pointed out that worldwide FinTech investments fell by 36.66% in 2020 from the year before. The number of employees engaged in FinTech work has risen in each of the past two years in all sectors of the financial industry, an indication that financial institutions continue to attach growing importance to FinTech talent. As for cooperation between financial institutions and FinTech firms, we continue to see especially active cooperation in the fields of cybersecurity, payments, and big data, which shows that cybersecurity remains the field of greatest importance amid the process of digitization. The numbers of FinTech patent applications and approvals have trended generally upward in the past two years. A total of more than 2,400 FinTech patents have been obtained so far.

The FSC will continue taking active measures to promote FinTech development, and will encourage further cooperation between financial institutions and FinTech firms to accelerate the launch of convenient digital financial services. By pushing ahead with FinTech development, we hope to create a friendly and inclusive financial services environment.

### ***Government launches Online Platform for Protection-Type Insurance Products***

The FSC asked the Taiwan Depository & Clearing Corporation (TDCC) to draw up plans for a Retirement Planning Platform that will promote insurance protections, facilitate retirement investing, and serve the public interest. In addition, the FSC also hired FundRich Securities to set up (within the Retirement Planning Platform) the

Online Platform for Protection-Type Insurance Products, and this latter was launched on 23 September 2021 ([www.fundrich.com.tw/event/pensionplatform](http://www.fundrich.com.tw/event/pensionplatform)).

The Online Platform for Protection-Type Insurance Products will present links to insurance company websites, and will facilitate selection among the following three types of insurance products: (a) term life insurance; (b) micro-whole-life insurance; and (c) critical illness health insurance. A total of nine insurance companies are taking part in the platform. Consumers can use the platform to select among products and insurers, then link to the special section for protection-type insurance products on the website of a selected insurer, and then complete the online purchase of an insurance product. If a person needs any further information or services, the insurance company can provide it.

This platform frees consumers from the constraints of space and time. As long as they have access to the Internet, they can select a protection-type product that suits their needs. The fact this whole process takes place online reduces direct contact with other persons during the pandemic. In addition, for products made available via the Online Platform for Protection-Type Insurance Products, the expense loading factors are subject to caps and the insurer can receive a higher policy reserve interest rate. These measures enable consumers to enjoy basic insurance protections at relatively low premium rates.

#### ***NPL Ratio for Domestic Banks as of the End of September 2021***

The total outstanding loans extended by the current 38 domestic banks increased by NT\$74.1 billion (US\$2.66 billion) as compared to the figure of previous month and amounted to NT\$33.14 trillion (US\$1,189.38 billion) at the end of September 2021. Meanwhile, the NPLs of these banks totaled at NT\$63.8 billion (US\$2.29 billion) which decreased by NT\$1.9 billion (US\$0.07 billion) from NT\$65.7 billion (US\$2.36 billion) as of the end of the previous month. With a slight decrease of 0.01 percentage point, the average NPL ratio of the 38 banks fell to 0.19% down from 0.2% at the end of previous month, and was down by 0.05 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 23.31 percentage points and therefore rose to a figure of 703.99% from 680.68% of the previous month.

#### ***NPL situation of credit cooperatives at the end of September 2021***

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.481 billion as of the end of September 2021, generating an NPL ratio of 0.09%, the same as the ratio at the end of August 2021. The NPL coverage ratio was 2,315.79%, up by 62.72 percentage points from 2,253.07% at the end of August 2021.

#### ***Net foreign and mainland China investment in listed shares***

As of the end of September 2021, foreign investors had bought around NT\$16,952.3 billion and sold around NT\$17,440.5 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$488.2 billion. In addition, foreign investors had bought around NT\$2,469.4 billion and sold around NT\$2,488.8 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$19.4 billion. Meanwhile, mainland China investors had bought around NT\$8.9 billion and

sold around NT\$10.3 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$1.4 billion; and mainland China investors had bought around NT\$400 million and sold around NT\$900 million worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$500 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 September 2021 stood at approximately US\$218.9 billion, up by around US\$2.9 billion from US\$216 billion at the end of August 2021. The figure for cumulative net inward remittances by mainland China investors was US\$29 million, down by around US\$12 million from US\$41 million at the end of August 2021.

#### ***Sales statistics of foreign-currency denominated products by life insurance industry as of the end of July 2021***

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of July 2021 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$338.761 billion, up by 9% from NT\$311.98 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$169.197 billion (around 50% of the total), up by 130% from NT\$73.432 billion year-on-year, and the sales of traditional insurance products totaled NT\$169.564 billion (around 50% of the total), down by 29% from NT\$238.548 billion year-on-year.

#### ***Profit/loss, net value and exchange gains/losses of the insurance industry as of end-August 2021***

The pre-tax profit of insurance enterprises at the end of August 2021 was NT\$356.1 billion, up by NT\$156.8 billion, or 78.7%, year-on-year. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$338.6 billion, increasing by NT\$151.8 billion, or 81.3% over the corresponding period of last year, while the pre-tax profit of non-life insurance enterprises was NT\$17.5 billion, rising up by NT\$5 billion or 40%.

The owners' equity of all insurance enterprises at the end of August 2021 was NT\$2,845.6 billion, up by NT\$405.2 billion, or 16.6% over the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,691.6 billion, an increase of NT\$388.7 billion, or 16.9%, and the owners' equity of non-life insurance enterprises was NT\$154 billion, up by NT\$16.5 billion or 12%.

As of the end of August 2021, the NT Dollar had appreciated by 2.6% against the US Dollar since the end of 2020, and the cumulative balance of the foreign exchange valuation reserves of life insurance enterprises was NT\$28.9 billion, down by NT\$17.3 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises was a negative NT\$169 billion. Over the same period, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$526.8 billion.

## Investor and Consumer Protection

### *FSC again urges investors to rely only on licensed financial services providers*

Illicit financial services providers often contact investors by telephone, text message, or LINE to tout "red-hot stocks," unlisted stocks, or foreign penny stocks. They also pass themselves off as legitimate firms or experts from the financial industry or academia to trick people into making unadvisable investments. To prevent investors from suffering losses due to such practices, the FSC has once again reminded investors to be more wary of shady operators and carefully evaluate investment-related information that is offered to them. The FSC Securities and Futures Bureau has a special section on its website (Investors Information/Preventing Illegal Securities and Futures Practitioners) that an investor can use to check lists that give the names of FSC-approved securities firms, futures enterprises, securities investment trusts enterprises, and securities investment consulting enterprises in order to safeguard their investment rights and interests.

To facilitate the efficient handling of scam activity involving securities and futures, the FSC as well as prosecutorial and law enforcement authorities have already established channels for close communications and cooperation. To prevent financial scams, the FSC joined with the Criminal Investigation Bureau to hold a conference on the prevention of investment fraud. During the proceedings, the two sides agreed to establish a real-time liaison channel to support closer cooperation. The FSC and the various industry associations, financial institutions, and self-regulatory organizations under its jurisdiction will continue improving methods for collecting information on investment scams and other illegal activity in order to assist the National Police Agency and judiciary authorities in handling cases. Anyone who discovers a possible financial scam can call the 165 hotline, visit the 165 Scam Prevention System on the National Police Agency website (<https://165.npa.gov.tw/#/report/statement>), or visit the special crime reporting section on the website of the Ministry of Justice Investigation Bureau ([www.mjib.gov.tw/Poll?Module=2](http://www.mjib.gov.tw/Poll?Module=2)) to report the details. Alternatively, members of the public can also submit tips to the FSC, which will forward the information to the proper agencies. In addition, the FSC and the National Police Agency are also planning to collaborate in conducting outreach activities to get the general public to be more wary of possible investment scams.

### *FSC reminds consumers to exercise caution when purchasing auto insurance via a dealer-owned insurance agency*

The FSC recently reminded consumers that when they buy auto insurance via a dealer-owned insurance agency, in addition to understanding the type of insurance they are buying and whether the scope of coverage suits their needs, they are also free to choose which insurer they want to buy from, and do not have to simply let the insurance agent decide.

When consumers purchase automobiles they usually buy auto insurance via a dealer-owned insurance agency, which will commonly represent multiple insurers. To help consumers be fully informed of their right to choose among insurers, the FSC last year notified dealer-owned insurance agencies that when selling insurance products on behalf of an auto dealer, beginning from 1 June 2020, a solicitor would be required to disclose to each buyer all the companies they represent when they sell to that buyer for the first time or when that buyer switches to a policy from a different insurer, and the solicitor must allow the buyer to check a box to

indicate which insurer they wish to buy from. This measure reinforces the consumer's right to choose.

### *2021 Financial Literacy Campaign for the Campus and Community*

In the month of October 2021, the FSC held a total of 71 activities around Taiwan (including Qiaotou Elementary School in Changhua County) as part of the 2021 Financial Literacy Campaign for the Campus and Community, attracting a total of 7,696 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of December 2020, a total of 6,865 events had been held and over 1.06 million people had attended. The target participants include students at all levels, communities, women's groups, indigenous people, immigrants, military service personnel, correctional institutions, social welfare groups, senior citizens' groups, police, fire fighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue to promote the financial literacy campaign in 2021. Schools or community groups interested in the campaign are invited to register through the website of the Banking Bureau. For more information, please contact us at (02) 8968-9711.

## Major Enforcement Actions

### *FSC imposes sanctions on Chubb Taiwan for violations of insurance legislation*

The FSC recently imposed sanctions on Chubb Taiwan after discovering that Chubb, in conducting its travel insurance business, had: (a) failed to properly manage its insurance agents; (b) broken the law in doing business with airline companies; (c) adopted commission rates exceeding those otherwise justified by its anticipated expense loading factors; (d) failed to recover the originals of insurance application forms, and was unable to furnish evidence (signed by an insurance agent) proving that it had completed its underwriting review before making underwriting decisions; (e) lacked comprehensive procedures for handling operations from the processing of a policy application on through to the making of a decision to approve the application and issue the policy; and (f) failed to ensure that related company divisions would effectively establish and implement a self-audit system, compliance system, and internal audit system, i.e. the three lines of defense in effective risk management and control. The FSC imposed an administrative fine of NT\$6 million on Chubb Taiwan in accordance with Article 171-1, Paragraph 4 of the Insurance Act, handed the company an official reprimand in accordance with Article 149, Paragraph 1 of the same Act, and ordered a 6-month suspension of sales of the company's comprehensive travel insurance, travel accident insurance, and similar insurance products, to begin from the day next following delivery of the FSC's administrative ruling. After the 6-month period has elapsed, such sales may not be resumed until after the company has furnished a detailed corrective action plan and it has been approved by the FSC.

### *FSC imposes sanctions on MIB Insurance*

The FSC recently imposed sanctions on MIB Insurance after learning that the company, in conducting insurance agent business, had launched online insurance sales without a permit and had failed to carefully review insurance applications, in violation of the Insurance Act. The FSC, acting in accordance with the provisions of Article 167-2 of the Insurance Act, ordered the company take corrective action within one month, and handed the company an administrative fine of NT\$1.4 million.