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- FSC strengthens supervision of bills finance companies' provision of guarantees to real estate firms
- FSC amends "Regulations Governing Securities Investment Trust Funds"
- FSC amends Point 2 of "Directions for Insurance Companies to Engage in Microinsurance Business"

Policy and Law

FSC issues "Guidelines for Information Sharing Among Financial Institutions"

To respond to fintech development, provide customers with greater convenience, bring about better risk control by financial institutions, and spur increased cooperation among financial institutions, the FSC on 23 December 2021 adopted a set of "Guidelines for Information Sharing Among Financial Institutions" (hereinafter, the "Guidelines") to set out principles regarding the types of information sharing that financial institutions are allowed to engage in, as follows:

1. The Guidelines were adopted in order to specify that except as information sharing among financial institutions is otherwise allowed by other legislation, such sharing shall be carried out in accordance with the Guidelines and the "Personal Data Protection Act," and all laws and regulations that allow for information sharing shall be disclosed on the FSC website. (Point 1)
2. To share information among themselves, financial institutions must first establish internal control rules, get them approved by the board of directors, and post their privacy policy on their website. (Points 3, 4)
3. The Guidelines apply to institutions in the following three categories: financial holding company groups (category 1), financial groups not owned by a financial holding company (category 2), and financial institutions not falling in either of the two preceding categories (category 3). (Point 5)
4. Financial institutions in categories 1 and 2 may share information for the purpose of risk identification and risk control, but they must obtain customers' consent and safeguard customer interests. They may also establish a database to facilitate risk control. (Point 6)
5. Category 1, 2, and 3 financial institutions may conduct information sharing in order to provide customers convenience or engage in business cooperation and establish business cooperation relationships, but they must obtain customers' consent and safeguard customer interests. (Point 7)

The sharing and reasonable use of information is of core importance to digital development, which the FSC will methodically promote and implement in accordance with the "FinTech Development Roadmap" in order to: (a) accommodate the need for cross-sector, cross-disciplinary and diversified financial scenes development of financial technologies; (b) create data value; and (c) enhance the international competitiveness of Taiwan's financial industry.

FSC strengthens supervision of bills finance companies' provision of guarantees to real estate firms

In order to strengthen the risk concentration control of the commercial paper guarantee business of bills finance companies and maintain the stability of the financial market, the FSC issued regulations declaring the ratio of the guarantee balance of bills finance companies for commercial paper issued by real estate firms to the total guarantee balance shall not exceed 30%. In addition, to coordinate with the Central Bank's credit control measures and prevent too great a share of bills finance company credit resources from flowing into real estate markets, the FSC has asked bills finance companies to take the guarantee conditions, limits, and other controls in line with the "Regulations Governing the Extension of Mortgage Loans by Financial Institutions" and incorporate them into internal business regulations and the handling guides of bills finance companies.

FSC amends "Regulations Governing Securities Investment Trust Funds"

To enable securities investment trust funds (hereinafter, "funds") to operate more flexibly, thereby making securities investment trust enterprises (SITEs) more competitive and ensuring safe and sound development of the asset management business, the FSC on 28 December 2021 amended the aforementioned Regulations. Key points of the amendment include the following:

1. To help funds participate appropriately in underwritten stocks investments, structure their investment portfolios more flexibly, and increase their opportunities to earn profits, the FSC has eased the limit on the total amount that a single fund, or all the funds managed by a single SITE, may invest in an underwriting of shares to 3%, or 10%, of the total shares underwritten, respectively.
2. To ensure consistency in regulatory provisions governing fund investments in domestic and overseas bonds, funds are now allowed to invest in domestic subordinated bonds that do not meet certain credit rating requirements or are unrated, provided that investment percentages must be in line with current restrictions on the amount that a fund is allowed to invest in non-investment grade bonds.
3. Financial institutions around the world have issued CoCo bonds and TLAC bonds in recent

years. To make bond funds more competitive, the amended Regulations allow bond funds to invest in these types of bonds. The total amount that a bond fund is allowed to invest in convertible corporate bonds, corporate bonds with warrants, exchangeable corporate bonds, and CoCo bonds is limited to no more than 10% of the bond fund's net worth. The limit on a bond fund's investments in TLAC bonds must be stipulated in its trust agreement on the basis of that fund's characteristics.

FSC amends Point 2 of "Directions for Insurance Companies to Engage in Microinsurance Business"

The purpose of microinsurance is to enable the economically disadvantaged and people with special status to obtain basic insurance protections at affordable annual premiums. To continue helping the economically disadvantaged and people with special status to become more able to withstand risk, the FSC amended Point 2 of the "Directions for Insurance Companies to Engage in Microinsurance Business" on 16 December 2021, and the amended provisions took effect on that same day. The main revisions affected Point 2, Paragraph 2, Subparagraphs 1 and 2. Prior to the amendment, these Subparagraphs defined "economically disadvantaged" to mean a spouseless person whose gross annual consolidated income is less than NT\$350,000 or a married couple whose gross annual consolidated income is less than NT\$700,000. These two subparagraphs, following amendment, now define "economically disadvantaged" to mean a spouseless person or a married couple for whose gross annual consolidated income is less than the combined sum of the following three figures of individual income tax: (a) exemptions; (b) standard deductions; and (c) special deductions for employment income, as announced by Ministry of Finance.

FSC amends "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises"

In order to improve risk management mechanisms and management of the trading activities of enterprise personnel at securities investment trust enterprises (SITEs), and to increase the number of channels that a SITE can use to hire salespersons, the FSC on 30 December 2021 amended the aforementioned Regulations. Key points of the amendment include the following:

1. In recognition of the fact that risk management personnel play an important corporate governance role at SITEs, the Regulations has added "risk management" as one of the types of function that associated persons should conduct. The Regulations expressly require a SITE to hire a sufficient number of properly qualified risk management personnel, set out a list of qualification requirements that risk management personnel must fulfill, require specific personnel to conduct the function, and require that they satisfy these requirements by 31 December 2022.
2. In light of the fact that SITEs are qualified institutional investors, when they offer investment trusts to the public or they handle the investment of assets under management that have been entrusted to them by investors, these activities have a significant bearing on the interests of investors. To avoid conflicts of interest and ensure professional management, the amended Regulations expressly provide that SITE personnel are not allowed to act on behalf of others to invest in securities or trade securities-related products.
3. To facilitate the number of channels that SITEs and SITE fund distributors can use to hire salespersons, thus further developing their investment trust business, the amended Regulations provide that the selling of funds may be conducted by personnel who have passed an examination on investment-orientation insurance product representative or securities investment trust and consulting regulations.

FSC encourages audit firms to prepare and make public transparency reports to enhance audit quality and transparency

The FSC released its "Principles for Preparation of Transparency Reports by Audit Firms" (hereinafter, the "Principles") on 30 December 2021 as the basis of making public transparency reports for audit firms, and to ensure that the enhancement of transparency of audit firms would promote an increase of overall audit quality. The content of the transparency report shall include the overview, legal and governance structure, risk management and audit quality-related indicators. The FSC is taking a two-stage approach to implement this policy. At stage one, the big four audit firms will make public their first copies of transparency reports from 2023. At stage two, the FSC will review the result of the implementation for the big four audit firms to look into the possibility of extending application to non-big four audit firms from 2023.

From 2023, public companies can refer to the transparency report published voluntarily by audit firms to assess the governance and audit quality of the audit firms so as to appoint suitable audit firms.

FSC amends "Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises"

On 24 December 2021, the FSC amended the "Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social

Welfare Enterprises" in order to: (a) encourage insurers to invest in public utilities and the "five plus two" innovative industries; (b) provide insurers with a more diverse range of investment channels; and (c) coordinate with a 26 May 2021 amendment to Article 146-5 of the "Insurance Act," which provides that where an insurance enterprise or its representative serves as director or supervisor of an invested enterprise, the number of directors or supervisors appointed by the insurance enterprise shall not exceed two thirds of the total number (which is higher than the pre-amendment limit). The amended Regulations allow insurers to invest in private equity funds. They also require an insurer to formulate procedures for: (a) assignment of directors and supervisors and the management system of investee companies; and (b) exercising post-investment management over such invested enterprises.

International Activities

FSC holds "International Conference on Senior Financial Consumer Protection in the Insurance Industry"

In order to better safeguard the right of elderly customers to purchase insurance, the FSC and the Taiwan Insurance Institute (TII) co-hosted the "International Conference on Senior Financial Consumer Protection in the Insurance Industry" on 14 December 2021 in Taipei at the Grand Hotel. The conference was attended virtually by representatives of the Life Insurance Association of Japan and the Dai-ichi Life Insurance Company, Limited, who shared the experience of Japan's life insurers in protecting the interests of elderly consumers, and the impact of their efforts on this front. In addition, members of the Financial Services Consumer Panel (FSCP) of the UK were also invited to share information on what authorities in the UK are doing to protect underprivileged financial consumers.

In addition to affording conference participants an opportunity to share their views, the conference also helped participants to better understand the methods employed in Japan and the UK to deal with issues involving elderly consumers. FSC Chairperson Huang stated that protecting the interests of elderly financial consumers is more than just a matter of caring for the needs of the elderly; it is also about looking out for the interests of the younger generations, because keeping the elderly out of financial difficulties means that they won't impose a burden on younger persons. To help people develop a relatively comprehensive understanding, such matters could accomplish through protecting elderly consumers, carrying out financial education, and engaging in intergenerational thinking. Chairperson Huang expressed hope that this conference would encourage insurers to learn from overseas experience and continue upgrading service quality in order to protect the interests of elderly consumers.

FSC officials and insurers interacted during the conference with the overseas speakers and shared information on FSC supervisory policies on protection of elderly consumers. In the future, the FSC will draw up measures to better protect the right of elderly consumers to purchase insurance, and in doing so will make reference to overseas experience while also taking note of patterns in disputes in Taiwan involving the right of elderly consumers to purchase insurance.

Industry Updates

FSC holds a symposium on gender equality to promote sustainable finance

In order to raise consciousness regarding sustainable finance and gender equality, and to improve financial services firms' performance in the area of gender equality and related matters, the FSC on 21 December 2021 invited the Executive Yuan's Department of Gender Equality and senior executives from 16 financial holding companies to share their thoughts on gender equality and how they seek to ensure it. In remarks at the conference, FSC Chairperson Huang praised financial holding companies for their long-term support for gender-friendly workplaces, and he also expressed hope that financial holding companies will continue to pay attention to gender equality concerns while they work to promote sustainable development. Chairperson Huang also called on financial holding companies to raise the percentage of female board members and executive officers as a means of increasing women's participation in decision making processes, thereby acting on the "S" aspect (social concerns) in ESG.

The FSC will continue encouraging financial institutions to promote gender-friendly workplaces, build a culture of gender equality, work together to achieve a gender-equal goal of financial sustainability, and to fulfill their social responsibilities and reap the benefits of synergy through diversity and inclusion, thereby carrying out core values in each aspect of ESG.

NPL Ratio for Domestic Banks as of the End of December 2021

The total outstanding loans extended by the current 38 domestic banks increased by NT\$145 billion (US\$5.25 billion) as compared to the figure of previous month and amounted to NT\$33.68 trillion (US\$1,216.1 billion) at the end of December 2021. Meanwhile, the NPLs of these

banks totaled at NT\$58.7 billion (US\$2.12 billion) which decreased by NT\$3.5 billion (US\$0.13 billion) from NT\$62.2 billion (US\$2.24 billion) as of the end of the previous month.

With a slight decrease of 0.02 percentage point, the average NPL ratio of the 38 banks fell to 0.17% down from 0.19% 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 46.8 percentage points and therefore rose to a figure of 776.24 % from 729.44 % of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of December 2021. The FSC will request banks to undertake measures to improve asset quality and financial structure on an ongoing basis.

NPL situation of credit cooperatives at the end of December 2021

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.433 billion as of the end of December 2021, generating an NPL ratio of 0.08%, down by 0.01 percentage points from the figure of 0.09% at the end of previous month. The NPL coverage ratio was 2,619.58%, up by 241.02 percentage points from 2,378.56% at the end of November 2021.

Net foreign and mainland China investment in listed shares

As of the end of December 2021, foreign investors had bought around NT\$22.2647 trillion and sold around NT\$22.7137 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of around NT\$449.0 billion. In addition, foreign investors had bought around NT\$3.5423 trillion and sold around NT\$3.5903 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$48.0 billion. Meanwhile, mainland China investors had bought around NT\$9.3 billion and sold around NT\$10.7 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\$600 million and sold around NT\$1.1 billion 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 December 2021 stood at approximately US\$229.5 billion, up by around US\$4.7 billion from US\$224.8 billion at the end of November 2021. The figure for cumulative net inward remittances by mainland China investors was US\$41 million, up by around US\$10 million from the US\$31 million at the end of November 2021.

FSC strengthens mechanisms for preventing conflicts of interest among domestic equity investment staff at insurance enterprises

On 30 December 2021, the FSC issued an interpretation regarding mechanisms for preventing conflicts of interest among domestic equity investment staff at insurance enterprises. The interpretation raises currently existing self-regulatory rules to a higher level within the hierarchy of law. Making reference to the content of legislation governing investment trust firms, the FSC uses regulations to require that insurers adopt management mechanisms for domestic equity investment staff in order to prompt insurers to improve their internal control and management mechanisms for preventing conflicts of interest among equity investment staff. Also on 30 December, Taiwan's Non-Life Insurance Association and Life Insurance Association each filed a set of "Self-Regulatory Rules for the Asset Management of Insurance Enterprises" with the FSC for recordation. Key points of the amendments include the following: (a) insurers are required to set qualification requirements for equity investment staff, and any previous punishment for violation of financial legislation, or investigation of a person for possible conflict of interest, are now included among the matters that must be taken into account in the making of hiring decisions; (b) insurers are required to establish a screening system for conflicts of interest, management rules of network, information and communications equipment for equity investment staff, a management system for the independence of the placement of orders by trading rooms and trading staff, and a control mechanism of night-time placement of orders for trading of overseas equities.

FSC clarifies purpose and content of policy decision to allow establishment of internet-only insurance companies

The FSC issued an announcement on 21 December 2021 to explain the direction of its policy decision to allow establishment of internet-only insurance companies. The purpose of this policy is to: (a) help Taiwanese insurers achieve a digital transformation; (b) promote the development of innovative new insurance products; (c) provide people in Taiwan with a quick, convenient, self-directed, and inclusive service experience; (d) provide people in Taiwan with better insurance protections; and (e) make Taiwan's insurance industry more competitive. Key points include the following:

1. Minimum paid-in capital: For internet-only non-life insurers, minimum paid-in capital is NT\$1 billion, and for life insurers it is NT\$2 billion. In reviewing future applications to establish internet-only insurance enterprises, the FSC will base its decisions regarding minimum paid-

in capital on the business plan submitted by the applicant.

2. Business scope: The business conducted by non-life insurers consists mainly of innovative new products that satisfy consumer needs. Life insurers, meanwhile, mainly sell products that do not offer living benefits or maturity benefits, where the premiums are only used for insurance protections.

3. Requirements of promoters: Financial institutions and fintech firms must be included among the promoters, as follows:

(1) Financial institutions: Among the promoters there must be one insurance company (or one financial holding company with an insurance subsidiary) whose share subscription accounts for more than 25% of the new company's shares, and the combined share subscriptions of all financial-institution promoters must account for 40% or more of the new company's paid-in capital.

(2) FinTech enterprises: Among the promoters there must be fintech firms engaged in big data analysis, interface design, software development, the Internet of Things, or wireless communications, and such promoters must put forward successful business models.

4. Suitability of proposed responsible persons and major shareholders:

(1) Responsible persons: The responsible persons must satisfy requirements regarding ethics, integrity, and lawfulness, must reasonably explain any relationship of interest with the insurance company, and must satisfy all relevant provisions of the "Regulations Governing Qualification Requirements and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of Insurance Enterprises."

(2) Major shareholders: Where the proposed shareholdings of any single party or single group of related parties exceed 10%, the competent authority's approval must be obtained in accordance with the provisions of Article 139-1 of the "Insurance Act" at the time of application for approval to establish the insurance company.

5. Physical presence: An internet-only insurer may not establish any physical business locations other than the company headquarters and a customer service center.

6. Supervisory principles: Internet-only insurers are subject to the same legislative and supervisory requirements applicable to conventional insurers.

The FSC stated that all interested parties were welcome at any time prior to 21 January 2022 to submit suggestions regarding the plan described above, and further stated that a public hearing would be held at an appropriate time to solicit views that will serve as reference in the ongoing planning process.

Profit/loss, net value, exchange gains/losses, hedging gains and losses, and foreign exchange volatility reserves of insurance enterprises as of end-November 2021

The pre-tax profit of insurance enterprises at the end of November 2021 was NT\$408.8 billion, up by NT\$184.8 billion, or 82.5%, year-on-year. Breaking down that figure, the pre-tax profit of life insurance enterprises was NT\$386.5 billion, up NT\$178.4 billion, or 85.7%, year-on-year, while the pre-tax profit of non-life insurance enterprises was NT\$22.3 billion, up NT\$6.4 billion, or 40.3%, year-on-year.

The owners' equity of all insurance enterprises at the end of November 2021 was NT\$2,811.2 billion, up by NT\$202.9 billion, or 7.8% over the corresponding period. Breaking down that figure, the owners' equity of life insurance enterprises was NT\$2,652.7 billion, an increase of NT\$187.2 billion, or 7.6%, and the owners' equity of non-life insurance enterprises was NT\$158.5 billion, up by NT\$15.7 billion or 11.0%.

As of the end of November 2021, the NT Dollar had appreciated by 2.4% 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\$37.9 billion, down by NT\$8.3 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\$197.2 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\$730.3 billion.

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

The sales statistics of foreign-currency denominated products by life insurers as of the end of October 2021 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$495.582 billion, up by 22% from NT\$406.804 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$241.046 billion (around 49% of the total), up by 109% from NT\$115.219 billion year-on-year, and sales of traditional insurance products totaled NT\$254.536 billion (around 51% of the total), down by 13% from NT\$291.585 billion year-on-year.

Investor and Consumer Protection

FSC calls on financial institutions to show concern for the underprivileged by acting on the "S" aspect (social concerns) in ESG

Financial services are all about "putting people first," primarily in order to meet customer needs, spur economic development, and serve the public interest. In recent years, the international community has made an increased use of the influence of financial markets to guide companies and society to: (a) jointly pursue sustainable development; and (b) properly appreciate the importance of environmental, social, and governance (ESG) issues. The FSC, too, emphasizes the great importance of the "S" aspect of ESG, and calls on financial institutions to show still greater concern for the needs of underprivileged financial consumers, to promote social fairness, and to achieve inclusive growth. In recognition of the fact that persons with disabilities, the economically disadvantaged, migrant laborers, and other disadvantaged persons face more difficulties than most other people in the course of their daily lives, the FSC has addressed the situation over the past year with a number of measures, including the following: (a) accepted filings by Taiwan's Non-Life Insurance Association and Life Insurance Association of their respective "Mechanisms for Insurance Solicitors to Assist Persons with Disabilities to Conclude Insurance Contracts" in order to safeguard the interests of persons with disabilities to purchase insurance; (b) declared that elderly persons who qualify to receive a living allowance for mid- or low-income are eligible (along with their family members) for coverage under microinsurance policies; and (c) adopted the "Regulations Governing Small Amount Remittance Services for Foreign Migrant Workers" to enable foreign migrant workers to continue benefitting from relatively low-cost, convenient remittance services.

In the future, the FSC will continue urging financial services firms to empathize with others, ensure that financial services act as a force for good in society, and make sure that this force is felt by those in need, so that the financial industry and society can cultivate a shared well-being.

FSC approves participation by life insurers in "Preferential-Rate Policy Loan Stimulus Program"

In April 2021 the FSC granted permission for life insurers to provide low-interest policy loans to economically disadvantaged customers from July through September. Some 160,000 policyholders have benefitted from these policy loans with low interest rates, and now, with an eye to the fact that many people in Taiwan will have short-term cash needs during the upcoming lunar New Year holidays, the FSC has granted permission for life insurers to take part in the "Preferential-Rate Policy Loan Stimulus Program" (hereinafter, the "Program") in order to ease the cash flow difficulties of economically disadvantaged policyholders and help them obtain needed funds for the holidays.

The content of the Program filed by life insurers beginning in 2022 is summarized as follows:

1. Duration: Every year from 1 January to 31 March
2. Loan applicant qualifications: must be a policyholder who is with disability; is eligible for a member of a low- or medium-low-income household, or a member of a family in hardship as defined in the "Act of Assistance for Family in Hardship"; is experiencing economic difficulties, and can furnish related documentary proof.
3. Eligible insurance policies: Any policy that has accumulated sufficient non-forfeiture value, and is an NT Dollar in-force policy that the company has not excluded from the Program.
4. Loan limit: A single policyholder's combined total borrowings may not exceed a maximum of NT\$100,000.
5. Interest rate: 3-year fixed interest, based on the Labor Pension Relief Loan annual interest rate as announced by the Ministry of Labor.

The FSC encourages insurers to voluntarily provide eligible policyholders with assistance, so that policyholders can actually sense the warmth and concern from Taiwan's domestic insurers as these latter work to fulfill their environmental, social, and governance (ESG) obligations.

2022 Financial Literacy Campaign for the Campus and Community

During the year 2021, the FSC held a total of 486 activities around Taiwan as part of the 2021 Financial Literacy Campaign for the Campus and Community, attracting a total of 43,539 participants. The events are free of charge, and have struck a chord with many people since their inception in 2006. As of December 2021, a total of 7,351 events had been held and over 1.1 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 2022. 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) 8968-9710 or 8968-9711.

Major Enforcement Actions

FSC imposes fine on CTBC Bank

The FSC recently imposed a fine on CTBC Bank after discovering that a former relationship manager at the bank had engaged in abnormal fund transactions with customers that revealed deficiencies in the bank's handling of anti-money laundering operations and a failure to properly establish and sufficiently implement internal controls. These failures constituted a violation of Article 45-1, Paragraph 1 of the "Banking Act." The FSC therefore imposed an administrative fine of NT\$14 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.

FSC imposes sanctions on Chubb Taiwan and Matrix Pacific Insurance Agency for violations of insurance legislation

The FSC recently imposed sanctions on Chubb Taiwan after discovering the following violations of the "Insurance Act" during a full-scope examination of Chubb: (1) Personnel, in order to pad their performance, had violated the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and the company's own accounting system. When Matrix Pacific failed to turn over insurance premiums it had collected, Chubb did not recognize and book the transactions. This made it impossible for Chubb's accounting system to accurately reflect the company's financial condition, and the company did not actively deal with the situation, thus allowing Matrix opportunities to embezzle the premiums. (2) Having hired Eastern Property & Casualty Insurance Agency and Taishin International Bank to conduct telemarketing on its behalf, in addition to paying contractually stipulated commissions, Chubb also paid for advertising expenses and made other non-arm's length payments. This activity revealed that Chubb had failed to properly control fees and business operations, which resulted in the payment of extra channel fees. (3) In settling claims submitted via mobile devices, Chubb's automatic claims approval criteria, system handling procedures, and other internal claims investigation procedures were not thorough or complete. (4) When it entered into an advertising contract with an affiliate of its main insurance agency, Chubb had failed to first stipulate the method for calculating advertising fees, failed to assess the reasonability of billed fees, and failed to conduct a cost-benefit assessment. In light of the above deficiencies, the FSC imposed administrative fines totaling NT\$9 million on Chubb Taiwan in accordance with Article 171-1, Paragraphs 4 and 5 of the "Insurance Act." The FSC also ordered Chubb to adjust its financial reports in accordance with Article 5, Paragraph 2 of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises" and recover the non-arm's length payments it had made over the years. In addition, with regard to solicitation by Matrix Pacific of Chubb Taiwan's insurance products and its collection of premium payments on Chubb's behalf without forwarding the payment to Chubb, the FSC imposed an administrative fine of NT\$3 million on Matrix Pacific and ordered the company to suspend collection of premiums for new insurance policies for six months. After the 6-month period has elapsed, such premium collections may not be resumed until after the company has furnished detailed information on corrective actions and the FSC determines that proper corrective action has been taken.

FSC imposes fine on Bank SinoPac

The FSC recently imposed a fine on Bank SinoPac after discovering that a former employee at the bank had misappropriated customers' funds and engaged in abnormal fund transactions with customers that revealed a failure to properly establish and sufficiently implement internal controls. This failure constituted a violation Article 45-1, Paragraph 1 of the "Banking Act." The FSC therefore imposed an administrative fine of NT\$4 million on the bank in accordance with Article 129, Subparagraph 7 of the same Act.

FSC imposes sanctions on AIA Taiwan, Eastern Insurance Agency, Taiwan Business Bank, Mega International Commercial Bank, and Taishin International Bank

The FSC recently discovered in the course of a routine financial examination that AIA Taiwan had: (a) paid commissions to parties that had not actually solicited its insurance products; (b) failed to properly inform insurance agents that actually solicited its products that they must not act in a non-arm's length manner by collecting money from it in the name of other expense items; and (c) failed to establish a system for checking the legality of its methods for collecting personal information. In response, the FSC handed AIA Taiwan an administrative fine of NT\$1.8 million, issued an official reprimand, and ordered the company to recover the non-arm's length payments it had made. Meanwhile, it came to light that Eastern Insurance Agency, Taiwan Business Bank, and Mega International Commercial Bank had collected commissions or business service fees without actually engaging in insurance solicitation. With Eastern Insurance Agency, the FSC imposed an administrative fine of NT\$600,000 and ordered it to take corrective action within one month. With the Taiwan Business Bank and Mega International Commercial Bank, the FSC imposed administrative fines of NT\$1.5 million and ordered corrective action within one month. With Taishin International Bank, the FSC imposed an administrative fine of NT\$3 million, ordered corrective action within one month, and ordered it to disgorge its non-arm's length receipts.