

## **FSC 2023 Policy Plan**

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.

Based on the governance principle of an equal emphasis on "financial stability" and "financial development," the FSC will continue building a financial environment characterized by stability, resilience, diversity on innovativeness, sustainable governance, and inclusivity. The FSC will maintain a prudent attitude and urge the financial industry to strengthen financial resilience with forward-looking strategies. In addition to implementing good corporate governance, enhancing legal compliance and internal controls, financial services firms are also advised to attach proper importance to ethics-oriented culture, environmental sustainability, social justice, concern for the disadvantaged, and other such public-spirited values. We expect them to promote value-based finance and become the drivers of economic growth as well as positive forces that create social well-being.

In accordance with the 2022 policy guidelines of the Executive Yuan and the approved budget, the FSC has outlined its policy plan for 2022. This policy plan gives due consideration to economic and societal changes and the future development of the FSC.

### **A. Annual Policy Objectives and Strategies**

1. Develop Taiwan as an Asian center for enterprise funding dispatch and high-asset customers wealth management.
  - (1) Assist domestic companies that have funding needs arising from international operations to open accounts for the purpose of handling loan-related receipts and disbursements in accordance with the Offshore Banking Act, which will enhance the convenience of fund allocations and the international competitiveness of domestic companies.
  - (2) Allow qualified banks to provide diversified financial products and consulting services to cater for the high-asset customers' wealth-management needs, which will enhance the competitiveness of domestic banks in the

international wealth management industry, promote the transformation of the industry's business model, and spur industrial upgrading.

- (3) Expand the scope of financial business, promote diversified financial products and investment channels, and meet needs for diversified products.
- (4) Create a sound environment for the operation and development of the domestic asset-management business, and put in place a complete set of relevant laws, regulations, and codes of practice.

## 2. Promote financial technology and establish an innovation-friendly well-governance environment.

- (1) Continue promoting a dual system comprising a regulatory sandbox system and a business trial program, enhance the function of FinTechSpace and accelerate FinTech development Taipei expos/forums through activities such as the Fintech.
- (2) Continuously implement policies outlined in the Fintech Development Roadmap and draft the 2nd version of the Roadmap by gathering the opinions of relevant ecosystem participants. The aim is to advance on existing achievements, to maintain momentum for innovation, and to facilitate more financial innovation.
- (3) Promote the application of MyData in the financial sectors (banking, securities and futures, and insurance) in order to provide fast and convenient financial services to citizens and enterprises.
- (4) Based on personal data protection, information security control and consumer rights protection, the FSC continues to encourage banks to provide Open Banking services to meet the needs of the public for diversified financial services.
- (5) In response to the opening of internet-only banks, the FSC encourages them to innovate and to provide the public with comprehensive financial services.
- (6) Continuously review the regulations authorized under the Act Governing Electronic Payment Institutions to create a friendly legal environment for electronic payment development and to facilitate convenient provision of payment services to consumers.
- (7) Continue reviewing the relevant regulations of online insurance business in order to create an environment for digital insurance to thrive and to enhance the accessibility of insurance services.

- (8) In response to the trend of issuing electronic insurance policies, and to optimize insurance services, the FSC continues encouraging insurers to promote electronic policy authentication and to establish third-party authentication agencies handling the insurance policy authentication and certification mechanisms and promoting insurance policies e-passbook, so as to provide consumers with more convenient services.
3. Establish and mobilize diverse financing markets and assist companies such as SMEs and categorized in the six core strategic industries to acquire funding.
- (1) In order to help SMEs and companies in the six core strategic industries obtain working capital, the FSC continues to implement programs to encourage domestic banks to lend to them.
- (2) Promote the Green Finance Action Plan 3.0, aiming to guide enterprises and investors to pay attention to sustainability issues through financial mechanisms and to create a sustainable finance ecosystem through public-private partnerships, together with the strength of financial institutions and relevant organizations. The objectives are to channel capital to green industries and industries or activities that align with sustainable development goals and to promote the transition to a net-zero economy and a sustainable future.
- (3) Assist new and innovative entrepreneurs to enter the capital market to raise funds.
- (4) Strengthen measures of corporate governance and sustainable development to enhance the competitiveness of Taiwan's capital market.
- (5) Enhance the Taiwanese capital market's international competitiveness and highlight Taiwan's importance and value on the global stage by strengthening the sustainable business practices of securities and futures enterprises, and by facilitating the transitioning of securities and futures enterprises.
- (6) Enhance the transparency of corporate financial information and the audit quality of CPAs.
- (7) To build up a diversified financing environment for supporting the development of the real economy, the FSC will supervise efforts made by the TWSE and TPEX to explore potential high-quality enterprises, and to hold and participate in industrial outreach activities and seminars. The idea is to help

high-quality enterprises to utilize the capital market to raise funds, thereby expanding the scale of the capital market.

4. Align Taiwan's financial regime with international standards and promote expanding business presence in the target countries of the New Southbound Policy.

- (1) To strengthen the risk tolerance and international competitiveness of domestic banks, the FSC pays attention to international trends in financial supervisory reforms and changes in global economic and financial conditions, and makes reference to international regulations in adopting measures to ensure Taiwan's financial resilience and keep our practices in line with international standards.
- (2) The FSC aims to gradually build a barrier-free bilingual financial environment and to promote the internationalization of financial services. We continue to encourage financial institutions to enhance their employees' English capabilities, create friendly bilingual financial service environments, and establish pilot bilingual branches.
- (3) To strengthen global connections, the FSC continues signing financial supervisory/FinTech cooperation MoUs with other countries, deepening cross-border supervisory cooperation, and actively participating in international meetings and negotiations related to finance.
- (4) The FSC encourages domestic banks to provide financial services to offshore Taiwan-owned businesses and other customers based in New Southbound countries, and to establish or expand their presence there.
- (5) Deepen cross-border cooperation with foreign securities and futures regulators through diversified channels, and enhance capability of cross-border supervision, so as to enhance international visibility.
- (6) In response to the current international financial conditions, while taking care to maintain safe, efficient, and appropriately supervised use of funds, the FSC will allow insurance companies to utilize a wider range of investment channels so that they can improve the efficiency of funds usage. The FSC will also continue to amend regulations related to the use of funds.
- (7) To keep up with the worldwide development of solvency requirements for the insurance industry, and to help our insurers to maintain sound financial structure, the FSC will continue to study and promote a new solvency regime for insurance industry to align with international standards.

- (8) Keep guiding and working together with insurance enterprises to actively prepare for the adoption of IFRS 17 (Insurance Contracts).
  - (9) Enhance the competitiveness and improve the business environment of securities industry. Enhance the efficiency of the futures market and ensure the security of futures transactions.
5. Promote financial inclusion, ensure economic security, and strengthen the education of investors and financial consumers.
- (1) The FSC has issued financial inclusion measurement indicators to evaluate the development of financial inclusion in Taiwan and the effectiveness of policy implementation, and has continued to urge financial institutions to implement financial inclusion measures to enable the general public, especially people in remote areas, disadvantaged groups, and people with disabilities, to have access to convenient, equitable, and reasonable financial services.
  - (2) The FSC continues to implement the "Financial Literacy Program" to promote fundamental financial education. The FSC also carries out the "School and Community Financial Literacy Campaign" to enhance financial literacy and financial consumer protection.
  - (3) The FSC promotes the "Treating Customers Fairly (TCF) Principles," which require financial services providers to build a corporate culture centered on TCF and integrity throughout the organization at a top down approach.
  - (4) The FSC will keep on promoting the Trust 2.0 plan to reshape trust business units as a platform to integrate internal resources of financial institutions, to encourage cross-industry alliances, and to conduct appraisals and awards for trust enterprises with excellent performance and related meritorious personnel, thus spurring the trust industry to promote a full range of trust services.
  - (5) The FSC encourages financial institutions to expand various mobile payment businesses, such as mobile credit cards, mobile bank cards, mobile electronic stored value cards, and electronic payment accounts, in order to promote the development and innovation of non-cash payment transactions.
  - (6) Encourage insurers to develop innovative insurance products and services to meet the needs of the public and upgrade the quality of insurance services.

- (7) Continue promoting microinsurance to provide basic insurance protection for economically disadvantaged and people with a specific status.
  - (8) The FSC oversees efforts by the Financial Ombudsman Institution and other self-regulatory organizations to handle education and awareness programs regarding managing money wisely and protecting the elderly from fraud.
6. Maintain the discipline and stability of the financial markets and optimize financial supervision.
- (1) In accordance with the FSC Strategy Map for AML/CFT, the FSC continues to be in line with international standards, and implements risk-based supervision.
  - (2) The FSC continues to implement the "Financial Cyber Security Action Plan." It will supervise efforts by financial institutions to maintain the continuity of financial systems, and therefore provide customers with a reliable and secure transaction environment.
  - (3) Promote a culture of ethical corporate management in the banking industry, strengthen corporate governance, internal control and remuneration policy through the attention of boards of directors and senior managers, and shape a good code of conduct from top to the bottom.
  - (4) Improve the investor protection mechanism, strengthen the management of proxies for attendance at the shareholders meetings and the administration of shareholders services, and implement the surveillance of stock trading to ensure market discipline.
  - (5) Keep reviewing the solvency-related requirements for insurance sector to lead insurance companies to become more accountable in managing their solvency capability, and enhance their risk management, and internal control system.
  - (6) Strengthen the internal audit effectiveness of financial institutions.
    - ① The FSC will urge financial institutions to adopt a risk-based auditing approach and correct systemic deficiencies identified in financial examinations. The FSC will also strengthen communication with the internal audit departments of financial institutions.
    - ② Evaluate financial institutions' internal audit performance and the effectiveness of the internal audit function during on-site examinations.

- (7) In order to allocate examination resources effectively, the FSC implements a differential examination mechanism to examine and regulate financial institutions based on their risk levels.
- (8) In response to supervisory needs, market conditions, and public concerns, the FSC increase targeted examinations on specific financial businesses or items. These targeted examinations are designed to mesh well with regular full-scope examinations.
- (9) The FSC holds "Financial Supervisory Liaison Group" meetings with the Central Bank (CBC), the Bureau of Agricultural Finance (BOAF), and the Central Deposit Insurance Corporation (CDIC) on a regular basis to fully coordinate and communicate on matters related to financial systems and policies.
- (10) The FSC continues to enhance the digital regulatory reporting mechanism of financial institutions to increase the effectiveness of regulatory reporting.

## B. Key Plans for the Year

| Focus of plan               | Item                                 | Category | Content of plan  |
|-----------------------------|--------------------------------------|----------|--|
| Sound financial development | Green Finance Action Plan 3.0        | Other    | It is aimed to guide the financial industry to pay attention to the issue of climate change and enhance financial resilience in response to climate change risks. Also, through the development of Taiwan's taxonomy, the FSC will encourage the financial industry and investors to support sustainable economic activities to create a virtuous cycle for industries to pursue sustainability. |
|                             | FinTech Development Roadmap V2       | Other    | Draft Fintech Development Roadmap version 2 by gathering the opinions of relevant ecosystem participants. The aim is to advance on existing achievements, maintain momentum for innovation, and enhance financial innovation.  |
|                             | Financial Cyber Security Action Plan | Other    | The framework of the action plan consists of the enhancement of supervision by the authority, the intensification of cybersecurity governance, the robustness of operational resilience of individual financial institutions, and the collaboration of sector-wide cyber defense. It will supervise the efforts of financial institutions to maintain the continuity of financial systems, and   |

| Focus of plan                  | Item  | Category | Content of plan   |
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|                                |   |          | therefore provide customers with a reliable and secure transaction environment.   |
|                                | The sixth Financial Literacy Program (110-112)                          | Other    | <ol style="list-style-type: none"> <li>1. Through the continuous promotion of new types of financial knowledge promotion activities, the Financial Literacy Program provides a wide range of basic financial education and information to improve consumers' financial knowledge.</li> <li>2. The Program continues to integrate the resources of financial peripheral institutions and financial industry associations and jointly promote the popularization of financial knowledge.</li> </ol> |
| Banking supervision            | Provide diversified financial services and support economic development | Other    | In order to help SMEs and six core strategic industries obtain working capital, the FSC continues to encourage domestic banks to lend to SMEs and six core strategic industries.  |
|                                | Strengthen financial education and financial consumer protection        | Other    | To build up financial education and knowledge, the FSC continues to carry out the "School and Community Financial Literacy Campaign."   |
|                                | Promote the development of non-cash transactions                        | Other    | Continuously review and amend the related regulations, enhance the convenience of payment instruments, and expand the utilization of channels, so as to promote the development of non-cash transactions.   |
|                                | Promote wealth management business for high-asset customers             | Other    | Allow qualified banks to provide diversified financial products and consulting services based on high-asset customers' wealth-management needs so as to enhance the competitiveness of domestic banks in the international wealth management industry and to promote the transformation of the industry's business model and industrial upgrading.  |
| Securities and futures markets | Build up a diversified financing  | Other    | <ol style="list-style-type: none"> <li>1. The FSC has constructed multilayer capital markets. To continue to enhance the competitiveness of our domestic capital</li> </ol>   |



| Focus of plan | Item   | Category | Content of plan  |
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| supervision   | environment and expand the scale of the capital markets.   |          | <p>markets, build up a diversified financing environment, and support the development of the real economy, the FSC will supervise efforts made by TWSE and TPEX to participate in industrial promotion and seminars and explore potential industries through telephone or on-site visits, thereby expanding the scale of the capital markets.</p> <p>2. To assist new and innovative entrepreneurs to enter the capital market to raise funds, the FSC will actively supervise efforts made by TWSE and TPEX to explore the needs of new-type and innovative entrepreneurs and guide them to list on the GISA to raise funds, thereby supporting the development of innovative industries.</p> <p>3. The FSC will enhance the competitiveness of Taiwan's capital markets by improving corporate governance, enhancing board functions, promoting shareholder activism, strengthening information transparency, and enhancing the corporate social responsibility of listed companies.</p> |
|               | Enhance the competitiveness of securities firms and promote the internationalization of domestic securities and futures markets. | Other    | <p>1. Deliberate on the amendment of relevant regulations supervising securities firms, allow the provision of diversified financial products, improve the development of financial markets, and enhance the sector competitiveness of securities industry.</p> <p>2. The FSC and self-regulatory organizations will actively participate in international conferences and engage in bilateral or multilateral dialogues, thereby deepening exchanges of views and cooperation with international regulators, and raising our global visibility.</p>   |
|               | Improve the investor protection mechanism, strengthen the  | Other    | <p>1. Improve investor protection mechanisms, and supervise efforts made by the SFIPC to implement measures to protect the rights and interests of securities investors and futures traders.</p> <p>2. Strengthen the management of proxies for</p>  |

| Focus of plan | Item   | Category | Content of plan  |
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|               | management of proxies for attendance at shareholders meetings and the administration of shareholder services, and implement the surveillance of stock trading to ensure market discipline. |          | attendance at the shareholders meetings and the administration of shareholders services.<br>3. Implement the stock market surveillance system and illegal transaction investigations, and strengthen cross-market supervision.   |
|               | Improve the operation and development of the domestic asset management industry, and establishing a comprehensive laws and regulations system and codes of practice.                       | Other    | 1. Continue amending regulations related to the Securities Investment Trust and Consulting Act, to improve the operations of domestic asset management firms.<br>2. Continue reviewing restrictions on the domestic asset management industry and securities investment trust funds, to enhance their competitiveness. |
|               | Enhance the transparency of financial information and align accounting,  | Other    | 1. Continue reviewing regulations governing accounting, auditing, and internal control of public companies.<br>2. Strengthen supervision of CPAs and enhance audit quality.<br>3. Participate in international organizations and   |

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|                       | auditing, and related supervision measures with international practices.  |          | align supervisory measures with international practices.  |
|                       | Enhance the efficiency of the futures market, expand the scope of the futures industry businesses, and ensure the security of transactions. | Other    | <ol style="list-style-type: none"> <li>1. Continue supervising efforts made by the TAIEX to establish a central clearing mechanism for OTC derivatives transactions.</li> <li>2. Broaden the scope of businesses conducted by or products sold by futures firms, and enhance their risk management.</li> </ol>  |
| Insurance supervision | Strengthen the supervision of insurers' solvency and risk management.   | Other    | <ol style="list-style-type: none"> <li>1. Keep reviewing supervisory requirements with regard to the soundness of the solvency regime applied to insurance industry, including deliberate on following the development of Insurance Capital Standard(ICS) issued by the IAIS.</li> <li>2. Keep guiding and working together with insurance enterprises to smoothly and actively prepare for the adoption of IFRS17 (Insurance Contracts).</li> <li>3. Keep monitoring and overseeing insurance companies to strengthen the effectiveness of their risk management and internal controls.</li> </ol> |
|                       | To improve insurance companies' efficiency of funds usage, the FSC continues to amend regulations   | Other    | Conduct regular reviews of the laws and regulations governing the use of funds in the insurance industry.   |

| Focus of plan         | Item   | Category         | Content of plan   |
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|                       | governing the use of funds.  |                  |   |
|                       | Encourage insurers to develop innovative insurance products and services.  | Other            | Continue encouraging insurers to catch up with the social and economic trends grasp, industrial development patterns and related environmental issues, and actively develop diversified and innovative insurance products to meet the needs of the public.  |
|                       | Encourage insurers to actively promote online insurance business and promote the efficiency of online insurance business.                          | Other            | <ol style="list-style-type: none"> <li>1. Continue reviewing regulations applying to online insurance business, create an environment conducive to digital insurance, and make it more convenient to obtain policies.</li> <li>2. Encourage insurers to actively engage in online insurance business and improve the quality of insurance service.</li> </ol>   |
|                       | Strengthen discipline of the insurance market.   | Other            | Review regulations governing solicitation, and adopt supervisory measures to prevent mis-selling.   |
| Financial examination | Improve the effectiveness of financial examinations, and increase conducting targeted examinations in accordance with financial market conditions. | Social condition | <ol style="list-style-type: none"> <li>1. In response to supervisory needs, market conditions, and public concerns, the FSC will increase targeted examinations on specific financial businesses or items.</li> <li>2. In order to allocate examination resources effectively, the FSC will implement a differential examination mechanism based on financial institutions' risk levels.</li> <li>3. In order to strengthen communication with financial institutions and other supervisory authorities, the FSC will hold audit forums or coordination meetings. The FSC will also urge financial institutions to take corrective action in response to examination findings.</li> </ol> |