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- FSC eases restrictions on terms of issuing bonds with capital characteristics by insurers and issues an interpretive rule on the definition of funds to enhance the fundraising channels and flexibility of the insurers
- FSC works with other government agencies to prevent fraud and improve the security of transactions

Policy and Law

FSC amends Articles 43-1, 178-1, and 183 of the "Securities and Exchange Act"

The Securities and Exchange Act has been amended to ensure timely and full disclosure of any material change in the ownership of company shares and that such disclosures conform to the latest legislative trends overseas. The amendments aim to improve the legal compliance of securities firms, securities service enterprises, and securities-related institutions, and to ensure that sanctions have a dissuasive effect. The amendments passed their third reading at the Legislative Yuan on 21 April 2023 and were promulgated by the President on 10 May 2023. Key points of the amendments include the following: (1) the reporting and disclosure threshold for large shareholdings has been lowered from 10% to 5%, and a grace period of one year has been granted; and (2) the minimum administrative fine for violations by securities firms, securities service enterprises, and securities-related institutions has been raised from NT\$240,000 to NT\$300,000 while the maximum administrative fine has been raised from NT\$4.8 million to NT\$6 million.

FSC eases restrictions on terms of issuing bonds with capital characteristics by insurers and issues an interpretive rule on the definition of funds to enhance the fundraising channels and flexibility of the insurers

To strengthen insurers' capital structure and enhance their fundraising flexibility, while simultaneously paying due attention that the issuance of bonds with capital characteristics must conform with the international Insurance Capital Standard (ICS), the FSC on 14 April 2023 amended Point 2 of the "Directions Governing the Issuance of Corporate Bonds as Capital Instruments by Insurance Companies." The amended Point 2 allows insurers to issue long-term corporate bonds with maturities of 10 years or longer and which shall be qualified as Tier 2 Capital as set out in the Insurance Capital Standard. This amendment will provide insurers with a more diverse range of capital raising channels, strengthen their capital structure, and bring Taiwan's insurers more closely in line with international practices.

FSC works with other government agencies to prevent fraud and improve the security of transactions

Rampant fraud has recently affected people's lives and property security. The Executive Yuan, to demonstrate the government's determination to stamp out fraud, in July 2022 approved a "New Generation Anti-Fraud Strategy Action Agenda," which promotes cross-agency cooperation through four aspects, including "Recognize Fraud," "Block Fraud," "Prevent Fraud," and "Punish Fraud." The aspect of "Prevent Fraud" focuses on preventing the flow of illicit funds. To achieve this goal, the FSC collaborating with eight central government agencies, including the Ministry of Digital Affairs, the Ministry of Economic Affairs, the Ministry of Transportation and Communications, and the Ministry of Finance to devise related strategies.

To strengthen the government's capacity to combat fraud, the Executive Yuan in February 2023 announced its intention to allocate more resources to promote version 1.5 of the aforementioned Action Agenda. The relevant agencies in the aspect of Prevent Fraud have proposed a number of enhancement measures, which include: (1) strengthening anti-fraud measures for applications to make payments by designated account transfer; (2) making virtual asset trading platforms enterprises subject to regulation; (3) dealing at the source with fake online investment advertisements; (4) introducing card lock and internal control mechanisms to prevent scams that make use of online game points; (5) requiring third-party payment services providers to establish customer due diligence mechanisms; and (6) requiring financial institutions to conduct public campaigns nationwide.

Financial institutions play a crucial role as intermediaries between the supply and demand of funds in financial markets. By implementing measures to prevent financial fraud and money laundering, they ensure that lawful economic and financial activities can proceed smoothly. The FSC hopes to prevent fraud and illegal money flows more effectively, reduce public property losses, and safeguard the security of lawful economic activities through various anti-fraud enhancement measures, thereby ensuring the sound development of Taiwan's industries.

FSC issues an interpretive rule on Article 167-1, Paragraph 1 of the "Insurance Act"

To safeguard the interests of fishing vessel crew members and in line with the restraint principle of the criminal law, the FSC issued an interpretive rule on 13 April 2023 (ref: Jin-Guan-Bao-Zong-Zi-11104688811), which clarifies that the term "any person who provides agent, broker, or solicitor services for insurance enterprises or foreign insurance enterprises not approved under the Act" in Article 167-1, Paragraph 1 of the Insurance Act does not include an insurance agent or insurance broker that, in soliciting the business of profit-seeking enterprises, seeks to sell them any of the following overseas insurance products:

1. Marine and commercial aviation insurance: Includes the insurance covers shipped goods, the equipment used to ship goods, and any liabilities arising in connection therewith.
2. International transshipment cargo insurance.
3. Protection & Indemnity Insurance (P&I Insurance).

FSC issues an interpretive rule on Article 146, Paragraph 2 of the "Insurance Act"

Article 146, Paragraph 2 of the "Insurance Act" provides that the funds of an insurance enterprise include "owner's equity" and "various reserve funds." However, the funds from an insurer's issuance of capital instruments with debt characteristics, such as bonds with capital characteristics and debt-type preferred shares, can be classed as regulatory capital and used for calculating capital adequacy ratios. The funds should also be managed and utilized similar to the own capital held by a company in other forms, and subject to the same regulations regarding funds utilization. The FSC did a comprehensive study of the aforementioned conditions and issued an interpretive rule to include "bonds with capital characteristics and debt-type preferred shares" in the term "owner's equity" under Article 146, Paragraph 2 of the Insurance Act, in order to align the definition of funds in insurance company with practical operations.

International Activities

The FSC re-elected as board member of International Forum of Independent Audit Regulators (IFIAR)

The FSC is an active participant in international organizations. After being elected as an IFIAR board member in 2019, the FSC was successfully re-elected during the 2023 IFIAR plenary meeting. As a board member, the FSC will further engage in international audit regulatory affairs. In addition to the existing IFIAR Enforcement Working Group and Sustainability Assurance Task Force, the FSC will strive to join the Audit and Finance Committee (AFC) under the IFIAR Board, to enhance both global and domestic audit quality and financial information transparency.

Industry Updates

FSC grants approval for Taipei Fubon Commercial Bank to apply with Australian authorities to establish a branch in Sydney

Taipei Fubon Commercial Bank (the Bank) received the FSC's approval for setting up its Sydney Representative Office in Australia on April 22, 2020. To take into account the importance of Australia's position in the Asia-Pacific financial market, the Bank plans to upgrade its Sydney Representative Office to Sydney Branch in order to expand its global reach, continuously develop foreign-currency assets, and create new sources of revenue. The FSC reviewed and agreed on 20 April 2023 that the Bank may file an application to the competent authority of Australia for the establishment of its Sydney Branch in Australia.

"Financial Industry Anti-Fraud Summit" launches nationwide anti-fraud campaign

To continue combating fraud through cross-agency cooperation mechanisms, the FSC on 11 May 2023 joined with the National Police Agency, the Taiwan High Prosecutors Office, and the Ministry of Justice Investigation Bureau in overseeing an effort by the ROC Bankers Association (BAROC) to hold a "Financial Industry Anti-Fraud Summit." Premier Chen was invited to confer awards and deliver an address at the Summit. During the proceedings, by giving special recognition to 10 financial institution personnel who had done an outstanding job of providing care and making inquiries to customers at the counter, all financial professionals are encouraged to actively continue preventing fraud and safeguarding the public's assets.

To further improve financial institutions' anti-fraud expertise, encourage front-line financial institution personnel to alertly prevent fraud, and spur the general public awareness in combating fraud, the FSC asked BAROC to launch a "Financial Industry Nationwide Anti-Fraud Campaign in 368 Townships", and held a launch ceremony at the Anti-Fraud Summit. The campaign aims to strengthen the public's ability to identify fraud by holding anti-fraud activities at each of Taiwan's 368 townships through the collaboration between domestic banks and local police precincts.

Combating fraud is an important government policy, and the assistance of financial institutions in helping law enforcement authorities prevent financial crimes is a crucial aspect of these efforts. The FSC will continue to provide guidance to financial

institutions in implementing anti-fraud measures. Additionally, the FSC will collaborate with law enforcement authorities and relevant government agencies to enhance anti-fraud measures, aiming to effectively preventing illegal money flows and safeguarding people's wealth.

NPL Ratio for Domestic Banks as of the End of April 2023

The total outstanding loans extended by the current 38 domestic banks increased by NT\$101.7 billion (US\$3.31 billion) as compared to the figure of previous month and amounted to NT\$37.17 trillion (US\$1,209 billion) at the end of April 2023. Meanwhile, the NPLs of these banks totaled at NT\$59.5 billion (US\$1.94 billion) which increased by NT\$2.6 billion (US\$0.08 billion) from NT\$56.88 billion (US\$1.85 billion) as of the end of the previous month. The average NPL ratio of the 38 banks increased by 0.01 percentage points and therefore rose to a figure of 0.16% from 0.15% of the previous month, and was at the same figure compared to the same month last year.

The coverage ratios of allowances for NPLs decreased by 40.73 percentage points and therefore declined to a figure of 838.98% from 879.71% of the previous month. The asset quality of domestic banks continuously remained manageable according to the above figures as of the end of April 2023. 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 April 2023

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.655 billion as of the end of April 2023, generating an NPL ratio of 0.11%, the same as the end of March 2023. The NPL coverage ratio was 1,976.53%, down by 35.3 percentage points from 2,011.83% at the end of March 2023.

Net foreign and mainland China investment in listed shares

As of the end of April 2023, foreign investors in the year to date had bought around NT\$4,904.2 billion and sold around NT\$ 4,727.2 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$177 billion. In addition, foreign investors in the year to date had bought around NT\$1,003.4 billion and sold around NT\$1,001.2 billion worth of shares listed on the Taipei Exchange, amounting to a net-buy of around NT\$2.2 billion. Meanwhile, mainland China investors had bought around NT\$0.451 billion and sold around NT\$0.459 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.008 billion; and mainland China investors had bought NT\$0.119 billion and sold around NT\$0.137 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.018 billion. 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 April 2023 stood at approximately US\$229.4 billion, down by around US\$0.5 billion from US\$229.9 billion at the end of March 2023. The figure for cumulative net inward remittances by mainland China investors was US\$0.0326 billion, up by roughly US\$0.001 billion from US\$0.0316 billion at the end of March 2023.

Sales statistics of foreign-currency denominated products by the life insurance industry as of the end of February 2023

The sales statistics of foreign-currency denominated products by the life insurance industry as of the end of February 2023 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$41.039 billion, down by 63% from NT\$109.962 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$8.375 billion (around 20% of the total), down by 80% from NT\$42.11 billion year-on-year, and the sales of traditional insurance products totaled NT\$32.664 billion (around 80% of the total), down by 52% from NT\$67.852 billion year-on-year.

Sales of spillover-effect insurance products and provision of in-kind benefits by life insurers in the first quarter of 2023

The FSC has approved or accepted registrations of 176 spillover-effect insurance products from 12 life insurance companies. In total, 272,763 contracts for such products were sold in first quarter of 2023, up by 24% from 219,101 compared to the same period of 2022. The first-year premium income was NT\$4,699.52 million, up by 45% from NT\$3,246.76 million compared to the same period of 2022.

The FSC has approved or accepted registrations of 40 in-kind payment insurance products from 6 life insurance companies. In total, 43,423 new contracts for such products had been sold in the first quarter of 2023, down by 1% from 43,982 in the same period of 2022. The first-year premium income was NT\$637.83 million, down by 9% from NT\$697.38 million in the same period of 2022.

Profit/loss, net value and exchange gains/losses of the insurance industry in March 2023

The pre-tax profit of all insurance enterprises at the end of March 2023 was NT\$-29.5 billion, down by NT\$165.1 billion or 121.8% compared to the previous year; the pre-tax profit of life insurance enterprises was NT\$-26.3 billion, down by NT\$155.1 billion or 120.4% compared to the previous year, while the pre-tax loss of non-life insurance enterprises was NT\$-3.2 billion, down by NT\$10 billion or 147.1% compared to the previous year.

The owners' equity of insurance enterprises at the end of March 2023 was NT\$1,977.4 billion, down by NT\$372.3 billion or 15.8% compared to the previous year; the owners' equity of life insurance enterprises was NT\$1,903.4 billion, down by NT\$289.6 billion or 13.2% compared to the previous year, while the owners' equity of non-life insurance enterprises was NT\$74 billion, down by NT\$82.7 billion or 52.8%.

As of the end of March 2023, the NT Dollar had appreciated by 0.83% against the US Dollar since the end of 2022, and the cumulative balance of the foreign exchange valuation reserve of life insurance enterprises was NT\$203 billion, down by NT\$25.9 billion compared to the end of 2022. 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 NT\$-104.5 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\$83.4 billion.

Investor and Consumer Protection

FSC continues urging financial institutions to enhance digital financial services for vulnerable groups

The FSC has long attached great importance to safeguarding the rights and interests of persons with physical and mental disabilities. In addition to holding meetings with disabled people's groups to discuss and formulate the "Guidelines for Friendly Banking Services" for financial institutions to comply with, the FSC conducted on-site visits in 2022 to inspect barrier-free facilities at financial institutions. Also, the FSC actively oversees the efforts of financial institutions to improve their barrier-free software, physical facilities, and services in response to recommendations put forward by disabled people's groups and other observers. Related measures and methods employed to provide friendlier financial services include the following:

(1) continuing to expand online barrier-free financial services; (2) studying on adding voice-enabled ATMs for the visually impaired, and the expansion of text-based customer services; (3) strengthening the digital financial services capabilities of community financial institutions in remote locations, promoting the establishment of a credit cooperative information sharing platform, and strengthening of the digital financial services capabilities of credit cooperatives; (4) paying attention to the needs of persons with disabilities by asking financial institutions to invite visually impaired persons to take part in testing prior to the launch of new website or mobile app functions or version upgrades; (5) overseeing financial industry associations to adopt "guidelines for friendly banking services" which require financial institutions to provide annual training programs for their employees on friendly banking practices, aiming to ensure that the concept of friendly banking services becomes an code of conduct for front-line service personnel; and (6) instructing financial industry associations to adopt self-regulatory rules which require that, in providing financial services to elderly customers, a financial services firm must adopt communication methods that the elderly can understand easily, make contract language easily readable, and arrange training for employees in the provision of friendly financial services in order to better protect elderly persons.

The FSC, acting in line with the spirit of the United Nations Convention on the Rights of Persons with Disabilities (CRPD), will continue attaching importance to the right of persons with disabilities to access financial services, and will cooperate with disabled persons' groups and financial institutions to further improve their barrier-free software and physical facilities, and to create friendly environments to ensure that persons with disabilities have access to equal and friendly services.

FSC urges consumers to exercise caution when paying insurance premiums

The FSC reminds consumers that when purchasing insurance and paying insurance premiums, they should request receipts from insurance solicitors. To best protect their interests, they can make payments through credit cards, direct debit arrangements, or crossed and non-transferable checks that are made payable to the insurance company. In addition, consumers need to be aware of the following

legal provisions:

1. Article 3 of the "Enforcement Rules for the Insurance Act" requires the head office or a branch office of an insurer to issue formal receipts after collecting insurance premiums.
2. Point 2 of the "Directions for Collecting Premiums Authorized by Insurance Enterprises" provides that when insurance enterprises receives premiums paid in cash or by check, they should give the policyholder a payment voucher or receipt, and state the time of payment thereon. Besides, when an insurance enterprise authorizes its insurance solicitors, insurance agents, or their insurance solicitors to collect insurance premiums on its behalf, they should also give the policyholder a payment voucher or receipt according to the regulations, and the insurance enterprise shall assume the responsibility of an authorizer.
3. When a consumer uses a credit card or a direct debit arrangement to make a premium payment, attention should be paid to the correctness of relevant information on the Power of Attorney, and the authorizer should place its signature personally in the signature field. Also, Article 115 of the "Insurance Act" provides that any interested party may pay the premium on behalf of the insured. If a premium payment is made using a credit card or a direct debit account of someone other than the insured, it is necessary to inquire with the insurance company about the relationship proof documents that should be provided.

Even when the solicitor is a friend or relative, the FSC advises consumers to get a receipt from the insurance solicitor and check whether the payment amount and relevant information have been accurately recorded, and if any irregularities are discovered, consumers should protect their interests by asking the insurance company to check into the matter.

2023 Financial Literacy Campaign for the Campus and Community

In the month of May 2023, the FSC held 28 activities at different locations, including the Lienchiang County Nangan Township's 10th Coastal Patrol Team of the Kinmen-Matsu-Penghu Branch of the Coast Guard Administration, and various schools and other groups, as part of the 2023 Financial Literacy Campaign for the Campus and Community, attracting 1,652 participants. The Financial Literacy Campaign is free of charge, and has struck a chord with many people since its inception in 2006. As of the end of 2022, a total of 7,846 events had been held and over 1.14 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 2023. Schools or community groups interested in the campaign are invited to register on the website of the Banking Bureau. For more information, please contact us at (02) 8968-9710.