

# 金融展望月刊

## Financial Outlook Monthly

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Ministry of Justice Anti-Corruption Hotline 0800-286-586  
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- Taiwan prepares to align with IFRS Sustainability Disclosure Standards to improve the quality and transparency of sustainability information
- FSC amends "Directions for Insurance Companies to Engage in Concluding Distance Insurance Contracts and Providing Insurance Services" and the "Directions for Insurance Agents and Insurance Brokers to Engage in Distance Insurance Contracts and Providing Insurance Service Business"
- FSC amends "Directions for Insurance Enterprises Engaging in Online Insurance Business" and the "Regulations Governing Online Insurance Business and Online Insurance Services of Insurance Agent Companies and Insurance Broker Companies"

### Policy and Law

#### *Taiwan prepares to align with IFRS Sustainability Disclosure Standards to improve the quality and transparency of sustainability information*

The FSC released the "Sustainable Development Action Plans for TWSE- and TPEX-Listed Companies" in March 2023 to further promote alignment with international standards with respect to sustainability disclosures. The IFRS Foundation's International Sustainability Standards Board (ISSB) on 26 June 2023 issued the IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate Related Disclosures) standards. IFRS S1 emphasizes the linkage between sustainability information and financial statement information, and requires the sustainability information to be reported at the same time as the financial statements. This will enable investors to give overall consideration to a company's value when making investment decisions. S2, in addition to integrating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), strengthens disclosures of transition plans, climate resilience, and GHG emissions, and incorporates industry-specific disclosure indicators. The aforementioned Sustainability Disclosure Standards provide a global baseline of disclosure standards, which will increase the comparability of sustainability information, and help to prevent greenwashing. The International Organization of Securities Commissions (IOSCO) has expressed support for ISSB's formulation of a comprehensive global baseline of sustainability disclosure standards. The FSC, as a member of IOSCO, will also refer to IOSCO's recommendations and international practices to promote the IFRS Sustainability Disclosure Standards.

Based on its previous experience in promoting the IFRS Accounting Standards, the FSC is going to set up a task force to undertake the translation of the IFRS Sustainability Disclosure Standards, analyze the gap between current sustainability reporting and the IFRS standards, and provide a set of best practice and related guidelines for external reference. The FSC is currently soliciting comments from stakeholders regarding sustainability disclosure rules and a proposed implementation timetable. The FSC will formally release relevant information after public consultation.

#### *FSC amends "Directions for Insurance Companies to Engage in Concluding Distance Insurance Contracts and Providing Insurance Services" and the "Directions for Insurance Agents and Insurance Brokers to Engage in Distance Insurance Contracts and Providing Insurance Service Business"*

To respond to FinTech development and enhance the convenience of online insurance purchases, the FSC on 4 July 2023 amended Points 6 and 15 of the "Directions for Insurance Companies to Engage in Concluding Distance Insurance Contracts and Providing Insurance Services" and the related provisions of the "Directions for Insurance Agents and Insurance Brokers to Engage in Distance Insurance Contracts and Providing Insurance Service Business." The amendments allow the insurers and insurance agents to use the financial FIDO

for customer identity authentication, and permit banks that concurrently operate insurance agent or insurance broker businesses to employ self-developed video recording software to conduct remote insurance underwriting and insurance services.

### ***FSC amends "Directions for Insurance Enterprises Engaging in Online Insurance Business" and the "Regulations Governing Online Insurance Business and Online Insurance Services of Insurance Agent Companies and Insurance Broker Companies"***

To support the development of insurance enterprises and provide consumers with more convenient services, the FSC on 29 June 2023 relaxed regulations to allow insurance enterprises, insurance agent companies, and insurance broker companies to conduct online insurance underwriting and online insurance services. Key points of the amendments are as follows:

1. Consumers can now use online bank accounts or digital deposit accounts for registration and identity authentication. They are no longer required consumers to use an account from a banking subsidiary of the same financial holding company.
2. Health management insurance incentives have been added as an item of online insurance services.
3. For insurance agent companies and insurance broker companies conducting online insurance underwriting and online insurance services, the identity authentication methods now additionally include the use of biometrics, mobile ID, and financial FIDO for identity confirmation.

### ***FSC adjusts RBC measurement scheme for insurance industry for the 1st half of 2023***

To facilitate smooth adoption by insurers of the international standards in 2026, the FSC, making reference to the Insurance Capital Standard (ICS) issued by the IAIS, has formulated the New Generation Insurance Solvency Regime and adopted a five-year plan for gradually moving toward the ICS framework each year. On 29 June 2023, the FSC issued the RBC measurement scheme for insurance industry for the 1st half of 2023. The amendments include the following: (a) the lowest multiple (X) of "the maximum year-end adjusted interest rate risk capital for traditional insurance policies over the last five years" used in the calculation of the interest rate risk capital of traditional insurance policies remain at 0.8 as of 2022; (b) for insurance companies with a ratio of ICS interest rate risk capital to RBC interest rate risk capital greater than 4 times, it is necessary to add an additional 0.6 to the multiple of "the maximum year-end adjusted interest rate risk capital for traditional insurance policies over the last five years."

### ***FSC amends "Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises" and the "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises"***

With an eye to the importance of environmental issues and the growing international concern over climate change, and making reference to the "Sustainable Development Guidemap for TWSE- and TPEX-Listed Companies" issued on 3 March 2022, the FSC has required insurance companies meeting certain criteria to disclose climate-related information, and amended Article 8, Paragraph 1, Subparagraph 15 of the two abovementioned Regulations, with the addition of Appendix I to specify the format for disclosing information. Also, the Regulations authorize the competent authority to establish standards for the criteria and to specify the timetable for insurers to follow in conducting phased disclosures.

### ***FSC issues Interpretation to Article 8 of "Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises" and Article 8 of "Regulations Governing Public Disclosure of Information by Life Insurance Enterprises"***

Considering the early implementation phase of the amendment to the abovementioned Regulations, insurers need time to collect relevant information and build up capabilities to conduct GHG inventories. Therefore, the FSC has decided to allow a buffer period of one year. Starting from 2024, insurers will be required to carry out Scope 1 and Scope 2 GHG inventories and assurance processes in phases based on the size of their capital.

### ***FSC amends "Standards for the Levy Rates of the Life and Non-life Insurance Guaranty Funds"***

These levy rates are determined by a two-factor matrix composed of "capital adequacy ratios" and "business management performance indicators." Therein, the content of the "business management performance indicators" must be amended each year to align with the applicable fiscal year. Considering that most amendments are routine and simple in nature, the FSC has amended the standards to enable insurers to promptly adopt new indicators in response to changes in the business environment. Furthermore, considering that some insurers' capital adequacy ratios may not meet the statutory requirements due to significant changes caused by the pandemic, but have already carried out capital increases to strengthen their financial conditions, the FSC has amended the rules governing the calculation of the levy rates to urge insurers to actively conduct capital increases.

### ***FSC issues results of "Financial Inclusion Indicators for Taiwan (2022)" and adjusts the 2023 indicators***

On 20 June 2023 the FSC issued the results of the "Financial Inclusion Indicators for Taiwan (2022)" to help the public understand the status of financial inclusion in Taiwan and the effectiveness of the government's policy implementation efforts. In addition, based on the financial development and the achievement of the 2022 indicators, the FSC also adjusted the performance indicators and observatory indicators for 2023.

The results of 2022 show that Taiwan outperformed the global average in several indicators. For example, there were an average of 17 commercial bank branches and 169 ATMs for every 100,000 adults in Taiwan, which is higher than the global averages of 11.2 branches and 39.69 ATMs. Besides, the percentages of adults holding a bank account and using electronic payments stood at 92.1% and 95.5%, respectively, which is higher than the global averages of 76.2% and 64%. And out of every 1000 adults in Taiwan, 732 persons hold a life insurance policy, compared to the global average of 329 persons. These figures show that people in Taiwan enjoy relatively convenient access to financial services, and they make relatively more extensive use of financial products.

To further improve Taiwan's Financial Inclusion Indicators system, the FSC makes rolling adjustments to 2023 financial inclusion indicators. The revised version includes 24 performance indicators as well as 4 observatory indicators. In addition to annually publishing the results of the "Financial Inclusion Indicators for Taiwan" and making timely adjustments to the indicators based on the development status of the financial industry in the future, the FSC will also continue to enhance financial inclusion policy and actively implement related measures to meet the needs of different social sectors and ethnic groups for financial products and services, thereby promoting fair and inclusive growth, and cultivating a deeper commitment to inclusive finance.

## Industry Updates

### *FSC, Ministry of Finance, and Ministry of Health and Welfare jointly conduct on-site visits to the barrier-free facilities and services of financial institutions*

On 28 June 2023, the FSC Chairperson Tien-Mu Huang, the Minister of the Ministry of Finance Tsui-Yun Chuang and the Deputy Minister of Ministry of Health and Welfare Li-Feng Lee, visited the Xinsheng Branch of E.Sun Commercial Bank and the Zhongshan Branch of First Commercial Bank to inspect the achievements in implementing barrier-free facilities and services at these two branches.

To be in line with the spirit of equal financial rights of the United Nations Convention on the Rights of Persons with Disabilities (CRPD), and to ensure that persons with disabilities can fully enjoy their basic rights and have access to equal and reasonably convenient financial services, the FSC, in 2016, oversaw the ROC Bankers Association to work with disability rights groups to formulate a set of "Guidelines for Friendly Banking Services" to facilitate the efforts of banks to promote barrier-free financial services and facilities. To further enhance the quality of barrier-free financial services, the FSC, in November 2022, invited the League for Persons With Disabilities and other disability rights groups as well as representatives from the Ministry of Health and Welfare, the Ministry of the Interior, and the ROC Bankers Association to conduct on-site visits to 10 domestic banks and the Chunghwa Post Co. to inspect their barrier-free financial services and facilities. In addition to providing suggestions for further improvements for the visited financial institutions, the FSC invited the Ministry of Finance and the Ministry of Health and Welfare to jointly conduct the 28 June visits described here to further encourage financial institutions to continue enhancing their barrier-free financial services.

### *FSC encourages SITES, SITE fund sub-distributors, and custodian banks to participate in the Onshore Fund Centralized Settlement System*

To facilitate the operational efficiency of the payment and collection of securities investment trust funds, the FSC on 12 May 2022 approved the Taiwan Depository & Clearing Corporation (TDCC) to conduct the "lump-sum transfer services for centralized clearing of securities investment trust funds." In addition, the FSC also announced that it would oversee a project by the TDCC to establish an onshore fund centralized settlement system, promoting a lump-sum transfers mechanism for centralized clearing of domestic fund and providing fund transfer services among fund sub-distributors, SITES, and custodian banks.

The TDCC has completed the establishment of the centralized settlement system, which went online on 26 June 2023. To reap maximum benefit from centralized fund transfers, the FSC encourages SITES, fund sub-distributors, and custodian banks to participate in the centralized settlement system. This will help to standardize and automate fund transfer in the fund market, enhance the competitiveness of the fund market, and increase the efficiency of capital utilization, thereby facilitating the active and stable growth of fund trading.

### *FSC grants approval for Chang Hwa Bank to apply to establish a branch in Sydney*

Australia is one of the 18 countries targeted by the Taiwan government's New Southbound Policy. It has close economic and trade ties with Taiwan, and is an important market for Taiwanese banks seeking to expand their international business presence. Chang Hwa Bank, in order to provide offshore Taiwanese companies with high-quality financial services, and to share in the fruits of regional economic growth as well as the

benefits of diversified asset allocations, has decided to establish a branch in Sydney, and received approval from the FSC on 20 June 2023 to apply with the Australian authorities for permission to establish a Sydney branch.

### *FSC promotes launch of eNotice platform in late June for delivery of electronic notifications of dividend payments*

To promote the application of financial technology in Taiwan's securities markets and implement sustainable development policy, and to gradually promote the digitization of shareholder services, the FSC in late 2022 granted approval for the Taiwan Depository & Clearing Corporation (TDCC) to conduct the "eNotice Service for dividend payments of public companies." The FSC has overseen the efforts by TDCC to establish the eNotice Platform for the service, which officially launched on 30 June 2023. The platform enables TWSE- and TPEX-listed companies, emerging-stock companies, and publicly listed companies with stock agents to replace the hardcopy dividend notices with electronic ones via the platform. As a result, investors can obtain instant notification of dividend payments, while companies are able to show their concrete actions to support net-zero transition and implement ESG and sustainable development practices. The FSC encourages investors to actively support sustainable policies on energy conservation and carbon reduction by opting for electronic notification services.

### *NPL Ratio for Domestic Banks as of the End of June 2023*

The total outstanding loans extended by the current 38 domestic banks decreased by NT\$144.3 billion (US\$4.63 billion) from the end of the previous month and amounted to NT\$37.15 trillion (US\$1,193 billion) at the end of June 2023. Meanwhile, the NPLs of these banks totaled NT\$58.73 billion (US\$1.89 billion), down by NT\$1.19 billion (US\$38.19 million) from NT\$59.91 billion (US\$1.92 billion) as of the end of the previous month. The average NPL ratio of the 38 banks remained at 0.16%, the same as the previous month and the same month last year.

The coverage ratios of allowances for NPLs increased by 23.6 percentage points and therefore rose to a figure of 860.27%, up from 836.67% in the previous month. The asset quality of domestic banks remained manageable according to the above figures as of the end of June 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 June 2023*

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.512 billion as of the end of June 2023, generating an NPL ratio of 0.09%, down by 0.01 percentage points from 0.10% at the end of May 2023. The NPL coverage ratio was 2,558.35%, up by 259.84 percentage points from 2,298.51% at the end of May 2023.

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

As of the end of June 2023, foreign investors in the year to date had bought around NT\$8.6971 trillion and sold around NT\$8.3532 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$343.9 billion. In addition, foreign investors in the year to date had bought around NT\$1.6241 trillion and sold around NT\$1.6457 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$21.6 billion. Meanwhile, mainland China investors had bought around NT\$0.666 billion and sold around NT\$0.683 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.017 billion; and mainland China investors had bought around NT\$0.23 billion and sold around NT\$0.364 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.134 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 June 2023 stood at approximately US\$240.3 billion, up by around US\$3.5 billion from US\$236.8 billion at the end of May 2023. The figure for cumulative net inward remittances by mainland China investors was US\$0.0294 billion, down by roughly US\$0.0036 billion from US\$0.033 billion at the end of May 2023.

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

The sales statistics of foreign-currency denominated products by the life insurance industry as of the end of April 2023 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$89.412 billion, down by 57% from NT\$210.134 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$19.449 billion (around 22% of the total), down by 74% from NT\$76.176 billion year-on-year, and the sales of traditional insurance products totaled NT\$69.963 billion (around 78% of the total), down by 48% from NT\$133.958 billion year-on-year.

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

The pre-tax profit of all insurance enterprises at the end of May 2023 was NT\$-7.3 billion, down by NT\$167.2 billion or 104.6% compared to the previous year; the pre-tax profit of life insurance enterprises was NT\$-9.5 billion, down by NT\$179 billion or 105.6% compared to the previous year, while the pre-tax loss of non-life insurance enterprises was NT\$2.2 billion, up by NT\$11.8 billion or 122.9% compared to the previous year.

The owners' equity of insurance enterprises at the end of May 2023 was NT\$2,019 billion, up by NT\$244 billion or 13.7% compared to the previous year; the owners' equity of life insurance enterprises was NT\$1,927.6 billion, up by NT\$280.4 billion or 17.0% compared to the previous year, while the owners' equity of non-life insurance enterprises was NT\$91.4 billion, down by NT\$36.4 billion or 28.5%.

As of the end of May 2023, the NT Dollar had depreciated by 0.19% 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\$202.8 billion, down by NT\$26.1 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\$-138.7 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\$201.8 billion.

## **Investor and Consumer Protection**

### **FSC urges consumers not to buy offshore insurance products that have not been approved by the competent authorities to safeguard their own interests**

The FSC stated that if the public receive solicitations of unapproved investment-type insurance policies that claiming are appropriate as long-term investments and will yield excellent returns in the name of an asset management company or a financial consulting firm, please DO NOT take the bait! These companies have not been approved by the FSC to conduct insurance business in Taiwan, and the insurance products they offer (commonly referred to as "black market insurance policy") have not been examined and approved by the FSC. If consumers buy these offshore insurance policies, they may face the following risks: (1) The consumer may not enjoy the full protections

of Taiwan's insurance legislation; (2) In the event of a claim dispute, the consumer may find there is no way to lodge a complaint or seek compensation; (3) The insurance policy is written in English and thus difficult to understand; (4) The consumer will not enjoy any tax benefits afforded under Taiwan's tax legislation.

The FSC once again urges consumers not to purchase such offshore insurance products that have not been approved by the competent authority to protect their own interests. At the same time, if consumers has specific evidence of solicitation for offshore insurance policies, they may report to law enforcement authorities or the FSC with supporting evidence.

### **2023 Financial Literacy Campaign for the Campus and Community**

In the month of July 2023, the FSC held 25 activities at different locations, including the New Taipei City E-Zhi Long-Term Care Association, as part of the 2023 Financial Literacy Campaign for the Campus and Community, attracting 1,088 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.

## **Major Enforcement Actions**

### **FSC imposes fine on Fuscom Insurance Agency Co., Ltd**

Fuscom Insurance Agency Co., Ltd. had previously failed to submit information regarding its conduct of anti-money laundering education and training activities in the second half of 2020 and during the entire year, and then it ceased business operations without informing the FSC and moved to an unknown location. On 15 July 2022, the FSC ordered the company to take prompt corrective action and imposed an administrative fine of NT\$100,000. To this date, however, the company has not taken any corrective action, and has not submitted a report on its 2021 business operations and financial reports within the period prescribed by law, which constitutes a violation of Article 43, Paragraph 1 of the "Regulations Governing Insurance Agents," which were issued upon the authority of Article 163, Paragraph 4 of the "Insurance Act." Considering that it is a clear and serious violation of the law, the FSC revoked the company's business permit and canceled its practice license in accordance with the provisions of Article 167-2 of the Insurance Act.

### **FSC imposes fine on JKO Asset Management Co., Ltd**

JKO Asset Management Co., Ltd. (JKO) failed to treat all fund investors fairly, violated Article 6, Paragraph 2 and Article 33, Paragraph 3 of the Regulations Governing Futures Trust Enterprises, and was previously fined NT\$600,000 by the FSC on September 29, 2020. However, the FSC later discovered that, from October to December 2020, JKO still did not treat all fund investors fairly in accordance with its internal control system requirements and Article 15 of the "Procedures for the offering, issuance, sale, subscriptions and redemptions of futures trust funds by the Chinese National Futures Association." Accordingly, the FSC issued JKO a warning and an administrative fine of NT\$1.2 million pursuant to Article 100, Subparagraph 1 and Article 119, Paragraph 1, Subparagraph 2 of the "Futures Trading Act."