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- FSC releases the roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards, to continue improving the quality and transparency of sustainability information
- FSC amends "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises"
- FSC to allow foreign firms from 28 August 2023 to use TWSE or TPEX listed stocks as collateral for overseas investments

Policy and Law

FSC releases the roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards, to continue improving the quality and transparency of sustainability information

The IFRS Foundation's International Sustainability Standards Board (ISSB) on 26 June 2023 issued two IFRS Sustainability Disclosure Standards, IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures" to provide an internationally consistent disclosure baseline, thus enhancing the comparability of sustainability information and preventing greenwashing. The International Organization of Securities Commissions (IOSCO) issued an endorsement of the S1 and S2 on 25 July 2023, and called on its 130 member jurisdictions to incorporate the ISSB Standards into their respective regulatory frameworks, thereby guiding capital markets to invest in enterprises committed to sustainable development and achieving the goal of sustainable finance.

The FSC disseminated questionnaires to solicit a broad range of views from listed companies, and on 8 August 2023 held a meeting to discuss the "Roadmap for Taiwan Listed Companies to Align with the IFRS Sustainability Disclosure Standards." The meeting was attended by relevant central government agencies (including the National Development Council, the Environmental Protection Administration, and the Industrial Development Bureau of the Ministry of Economic Affairs), listed companies, associations concerned with sustainability issues, the big four accounting firms, verification bodies, experts, and scholars to After extensive communication and consensus-building, the FSC on 17 August 2023 released the roadmap. The key points of the roadmap are as follows:

1. Alignment Approach: Considering the comparability with international sustainability information, the FSC is going to directly adopt IFRS Sustainability Disclosure Standards, which will become effective after being endorsed by the FSC. Starting from 2026, the initial application of IFRS Sustainability Disclosure Standards shall include IFRS S1 and IFRS S2. From 2027 onwards, the FSC will continue assessing and endorsing each upcoming set of standards issued by the ISSB, based on the development of IFRS Sustainability Standards.
2. Applicable Entities and Timeline: Considering the capacities and capabilities of Taiwan listed companies, the FSC will take a phase-in approach to adopt IFRS Sustainability Disclosure Standards starting from FY2026.
 - Phase I: Listed companies with capital over NT\$ 10 bn will be required to compile FY2026 information and report in 2027.
 - Phase II: Listed companies with capital over NT\$ 5 bn and less than NT\$ 10 bn will be required to compile FY2027 information and report in 2028.
 - Phase III: Other listed companies will be required to compile FY2028 information and report in 2029.
3. Location and Timing of Disclosures: In recent years, greenwashing risks have become an issue of international focus. And the trend in sustainability reporting has shifted from voluntary sustainability reports to mandatory legal reports. Thus, the FSC will amend the "Regulations Governing Information to be Published in Annual Reports of Public Companies"

by adding a sustainability information section, which will require companies to disclose sustainability information in accordance with IFRS Sustainability Disclosure Standards within the annual report's dedicated chapter. The disclosure will also be made concurrently with the financial statements.

4. Disclosure Content: Considering the varying levels of maturity in sustainability development of listed companies, and to provide them with sufficient flexibility to prepare for the adoption, the FSC will allow companies to use the transition reliefs under the sustainability standards, such as focusing solely on climate issues in the first year, postponing the disclosure of Scope 3 greenhouse gas emissions by one year, exempting the disclosure of comparative information in the initial year of application, and allowing regulatory authorities to establish different methods for measuring greenhouse gas emissions. In addition, for disclosure items that involve higher levels of quantification difficulty, such as the anticipated financial impacts of climate-related risks, climate scenario analysis and resilience assessment, companies can provide qualitative information commensurate with their skills, resources, and capabilities. Moreover, for disclosures items involving estimation, such as the amount and percentage of assets or operation activities vulnerable to climate-related risks and opportunities, as well as measurement of Scope 3 greenhouse gas emissions, companies can estimate based on reasonable and supportable information that can be substantiated at the reporting date without undue costs.

FSC amends "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises"

In preparation for Taiwan's upcoming adoption of IFRS17 (Insurance Contracts) in 2026, the FSC amended the aforementioned Regulations to ensure that various reserves conform with applicable IFRS standards, and stipulated that the amended Regulations would enter into force on 1 January 2026. It is expected that the amended Regulations can address the issue of over-emphasis on premium income, which has led to excessive market competition. The amendment is expected to prompt insurers to shift their focus from market share to the actual profit generated by products, and to guide the transformation of insurance product structures towards protection-type products that emphasize contractual service margin (CSM, i.e. the estimates unearned profit the insurer expects to earn as it provides services in the future). This will help insurance companies return to their core values, ensure sound operations, and protect policyholders' rights and interests.

FSC to allow foreign firms from 28 August 2023 to use TWSE or TPEX listed stocks as collateral for overseas investments

To attract foreign companies to continue investing in Taiwan's stock markets, the FSC on 30 March 2023, acting in accordance with Article 21 of the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals," allowed foreign firms to use stocks listed on the Taiwan Stock Exchange (TWSE) or the Taipei Exchange (TPEX) as collateral for overseas investments, and accepted the filing of the "Regulations Governing the Use by Overseas Chinese and Foreign Nationals of Domestic Securities as Collateral for Offshore Investment Activities" by the TWSE for recordation. With the efforts put into systems development and installation by the TWSE and Taiwan Depository and Clearing Corporation (TDCC), this measure entered into force on 28 August 2023.

After the implementation of this measure, both parties engaged in overseas transactions will be required to registered as be qualified foreign institutional investors in Taiwan. And those who meet the

requirement will be able to use eligible stocks listed in Taiwan as collateral for offshore investment activities, without the need to sell their own holdings in Taiwan stocks. This arrangement offers foreign investors greater flexibility in capital utilization, increases their willingness to hold positions in Taiwanese stocks, and makes them less likely to sell off domestic stocks as a source of funds, thereby helping to spur greater financial market liquidity, and strengthening the stability of securities markets.

International Activities

FSC receives the visit from EBRD Fintech delegation on 5 September 2023

On 5 September 2023, the European Bank for Reconstruction and Development (EBRD) Fintech delegation visited the FSC, where the two sides engaged in a comprehensive exchange of views on important Fintech supervisory issues, including regulatory sandboxes, e-payments, internet-only banks, and cryptocurrencies. The two sides also expressed their expectation to continue strengthening exchanges and cooperation moving forward.

Industry Updates

FSC holds "2023 Awards Ceremony for Outstanding Financial Literacy Teaching Plans and Courses," hoping that the awarded organizations spread correct financial knowledge like the wind carrying dandelion seeds

On 11 September 2023, the FSC held the "2023 Awards Ceremony for Outstanding Financial Literacy Teaching Plans and Courses" and a seminar at the Taiwan Academy of Banking and Finance. FSC Chairperson Huang personally commended the entities selected to receive the awards, and also presented trophies and certificates of appreciation. During his remarks, Chairperson Huang stated that financial industry peripheral organizations, financial industry associations, and financial institutions have been devoting their efforts to improve financial literacy in remote areas and among children, persons with disabilities, and the elderly. Through these efforts, they have made significant contributions to financial inclusion and have demonstrated the financial industry's commitment to public service and financial education.

In the review meeting, the outstanding cases were evaluated based on the following four criteria: practicality; innovativeness; inclusiveness; and effectiveness. Award winners in Group 1 (financial industry peripheral organizations & financial industry associations) were the following: Central Deposit Insurance Corporation; Trust Association of ROC; Securities and Futures Institute; Taiwan Academy of Banking and Finance; and Financial Ombudsman Institution. These award-winning teaching plans and courses not only focused on fraud prevention but also innovatively design auxiliary teaching materials to transmit and share financial knowledge and experience. Award winners in Group 2 (financial institutions) were the following: Taipei Fubon Bank; PCA Life Assurance; Cathay Life Insurance; Tokio Marine Nawa Insurance; and Taiwan Business Bank. The award-winning teaching plans and courses reminded senior citizens to be wary of fraud, strengthened financial literacy for children, and improved the financial capabilities of the visually impaired as well as children in remote districts. These efforts are of significant importance in fostering the public's ability to spot financial risks and building up correct financial concepts.

The FSC stated that it expanded the Outstanding Financial Literacy Teaching Plans and Courses event for the first time this year, and will continue to carry it out in the future to encourage entities in all different sectors to devote resources to financial literacy work.

Financial institutions show concern for walk-in customers to protect people's property

Service counter personnel at financial institutions have showed concern for walk-in customers to avoid scams and have successfully prevented more than NT\$700 million to transfer in both May and June of 2023, with the number of scams foiled exceeding 1,000 in each of those months. From January through June of 2023, financial institutions foiled 5,050 scams, amounting to a total of NT\$3.378 billion. The total dollar amount of foiled scams was double that of the previous year, and the number was up by 57%, which demonstrates that financial institutions are safeguarding people's property. The "Financial Industry Nationwide Anti-Fraud Campaign in 368 Townships" launched at the Financial Industry Anti-Fraud Summit on 11 May 2023, leveraged the resources of financial institutions and local police authorities to continuously promote anti-fraud awareness activities. As of the end of July 2023, the activities had been carried out in 200 townships and cities throughout Taiwan, with a total participation of roughly 10,325 individuals.

The FSC thanks financial services personnel for the efforts they paid to protect the public from scams, and for helping to fight crime. Furthermore, the FSC will continue to align with the policies of the Executive Yuan, and will work with related government agencies and financial institutions to enhance anti-fraud measures in hopes of acting more effectively to prevent illegal money flows, reduce the amount of wealth lost by people, and protect lawful economic activity.

Inter-institution E-payments Platform set to launch shopping function in 3rd quarter

The FSC on 21 December 2022 approved the addition of a new shopping function to the Inter-institution E-payments Platform, which is administered by the Financial Information Service Co. And on 2 August 2023, the FSC further agreed the new shopping function to have electronic payment accounts linked with credit cards. Beginning from the third quarter of 2023, specialized electronic payment institutions can enable their users to use electronic payment accounts for shopping at participating entities that have contracted with other electronic payment institutions.

FSC approves E.Sun Commercial Bank to apply to establish a representative office in Kuala Lumpur, Malaysia

On 5 September 2023, the FSC granted approval for E.Sun Commercial Bank to apply to Malaysian financial authorities to establish a representative office in Kuala Lumpur. E.Sun Commercial Bank intends to set up a representative office because Malaysia is an important member of ASEAN and also one of the important countries where a large number of Taiwanese firms have chosen to set up operations. Having a representative office in Kuala Lumpur will enable E.Sun Commercial Bank to keep close tabs on the Malaysian economy and meet the consulting services needs of its customers.

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

The total outstanding loans extended by the current 38 domestic banks increased by NT\$245.1 billion (US\$7.69 billion) as compared to the figure of previous month and amounted to NT\$37.82 trillion (US\$1,187 billion) at the end of August 2023. Meanwhile, the NPLs of these banks totaled at NT\$56.63 billion (US\$1.78 billion) which decreased by NT\$1,587 million (US\$49.82 million) from NT\$58.22 billion (US\$1.83 billion) as of the end of the previous month. The average NPL ratio of the 38 banks remained at 0.15% compared to the previous month, and was down by 0.01 percentage points compared to the same month last year.

The coverage ratios of allowances for NPLs increased by 29.88 percentage points and therefore rose to a figure of 907.15% from 877.27% of the previous month. The asset quality of domestic

banks continuously remained manageable according to the above figures as of the end of August 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 August 2023

Total NPLs at Taiwan's 23 credit cooperatives stood at approximately NT\$0.718 billion as of the end of August 2023, generating an NPL ratio of 0.12%, same as the end of July 2023. The NPL coverage ratio was 1,862.07%, up by 36.44 percentage points from 1,825.63% at the end of July 2023.

Net foreign and mainland China investment in listed shares

As of the end of August 2023, foreign investors in the year to date had bought around NT\$13.2631 trillion and sold around NT\$13.1179 trillion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-buy of around NT\$145.2 billion. In addition, foreign investors in the year to date had bought around NT\$2.4548 trillion and sold around NT\$2.5087 trillion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$53.9 billion. Meanwhile, mainland China investors had bought around NT\$1.043 billion and sold around NT\$1.289 billion worth of shares listed on the Taiwan Stock Exchange, amounting to a net-sell of about NT\$0.246 billion; and mainland China investors had bought NT\$0.493 billion and sold around NT\$0.573 billion worth of shares listed on the Taipei Exchange, amounting to a net-sell of around NT\$0.08 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 August 2023 stood at approximately US\$229.8 billion, down by around US\$5.8 billion from US\$235.6 billion at the end of July 2023. The figure for cumulative net inward remittances by mainland China investors was US\$0.0299 billion, up by roughly US\$0.0043 billion from US\$0.0256 billion at the end of July 2023.

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

The sales statistics of foreign-currency denominated products by life insurance industry as of the end of June 2023 were as follows: premium revenues from new foreign-currency denominated policies amounted to around NT\$141.508 billion, down by 47% from NT\$269.355 billion year-on-year. Within these figures, investment-linked insurance products accounted for NT\$34.395 billion (around 24% of the total), down by 62% from NT\$91.202 billion year-on-year, and the sales of traditional insurance products totaled NT\$107.113 billion (around 76% of the total), down by 40% from NT\$178.153 billion year-on-year.

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

The pre-tax profit of all insurance enterprises at the end of July 2023 was NT\$129.5 billion, down by NT\$56.8 billion or 30.5% from the previous year; the pre-tax profit of life insurance enterprises was NT\$123.1 billion, down by NT\$118.2 billion or 49% from the previous year, while the pre-tax profit of non-life insurance enterprises was NT\$6.4 billion, up by NT\$61.4 billion or 111.6% from the previous year.

The owners' equity of insurance enterprises at the end of July 2023 was NT\$2,286.6 billion, up by NT\$661.2 billion or 40.7% from the previous year; the owners' equity of life insurance enterprises was NT\$2,167.4 billion, up by NT\$639.6 billion or 41.9% from the previous year, while the owners' equity of non-life insurance enterprises was NT\$119.2 billion, up by NT\$21.6 billion or 22.1%.

As of the end of July 2023, the NT Dollar had depreciated by 2.3%

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\$215.1 billion, down by NT\$13.8 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\$-98 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\$415.6 billion.

Investor and Consumer Protection

FSC reminds people with disabilities to utilize formal channels for making complaints when they suffer unfair treatment by insurers

To protect the rights of persons with disabilities to equal access to insurance, the FSC has implemented multiple measures which prohibit insurers from treating them unfairly. If a person applies for insurance and is refused purely because of disabilities, or if an insurance agent declines to accept an application, declines to forward an application to an insurer, or persuades an applicant not to buy insurance at the solicitation stage, the person may call the FSC's "1998 Financial Service Hotline" or contact the FSC via email or the postal service to state a complaint, which will be forwarded to the Insurance Bureau of the FSC. Alternatively, the person may contact the Non-Life Insurance Association of the R.O.C (NLIA) or the Life Insurance Association of the R.O.C (LIA-ROC) via either of those organizations' Complaint Hotline for Persons With Disabilities (NLIA: 0800-221-783 / LIA-ROC: 0800-221-348), or may report the matter via the customer services channels (e.g. the 0800 phone number, company website, or customer service center) of an insurance company to which the insurance agent belongs to protect their rights.

2023 Financial Literacy Campaign for the Campus and Community

In the month of September 2023, the FSC held 52 activities at different locations, including the Taipei Detention Center of the Agency of Corrections of the Ministry of Justice, as part of the 2023 Financial Literacy Campaign for the Campus and Community, attracting 4,206 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 sanctions on Fubon Asset Management Company Limited

The FSC recently discovered that former fund managers at Fubon Asset Management Company Limited had violated personal trading rules while employed with the company, revealing that there was a material deficiency in the design and execution of the company's internal control system, and the company had failed to exercise due care and fiduciary responsibility or observe the principle of good faith in conducting its business. These failures were found to constitute

violations of Article 7 Paragraph 1, Article 69, Article 77 Paragraphs 1 and 2, Article 103 Subparagraph 1, and Article 111 Subparagraph 7 of the "Securities Investment Trust and Consulting Act," Article 13 Paragraph 2 Subparagraph 1, and Article 14 Paragraphs 1 and 2 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises," Article 2 Paragraph 2 of the "Regulations Governing Securities Investment Trust Enterprises," and Article 6 Paragraph 2 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." The FSC issued a warning to Fubon Asset Management Company pursuant to Article 103, Subparagraph 1 of the "Securities Investment Trust and Consulting Act," and imposed an administrative fine of NT\$1.8 million in accordance with Article 111, Subparagraph 7 of the same Act. Also, acting in accordance with Article 104 of the "Securities Investment Trust and Consulting Act," the FSC ordered Fubon Asset Management Company to dismiss former fund managers surnamed Lin and Lai.

FSC imposes sanctions on PGIM SITE

The FSC recently discovered that a former fund (or investment) manager at PGIM Securities Investment Trust Enterprise ("PGIM SITE") had violated personal trading rules while employed with the company, revealing that there was a material deficiency in the design and execution of the company's internal control system, and the company had failed to exercise due care and fiduciary responsibility or observe the principle of good faith in conducting its business. These failures were found to constitute violations of Article 7 Paragraph 1, Article 59 Subparagraph 1, Article 69, Article 71 Paragraph 1, Article 77 Paragraphs 1 and 2, Article 103 Subparagraph 1, and Article 111 Subparagraph 7 of the "Securities Investment Trust and Consulting Act," Article 13 Paragraph 2 Subparagraph 1, and Article 14 Paragraphs 1 and 2 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises," Article 2 Paragraph 2 of the "Regulations Governing Securities Investment Trust Enterprises," Article 6 Paragraph 2 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," and Articles 19 and 19-1 of the "Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises." The FSC issued a warning to PGIM SITE pursuant to Article 103, Subparagraph 1 of the "Securities Investment Trust and Consulting Act," and imposed an administrative fine of NT\$1.2 million in accordance with Article 111, Subparagraph 7 of the same Act. Also, acting in accordance with Article 104 of the "Securities Investment Trust and Consulting Act," the FSC ordered PGIM SITE to dismiss a former fund (or investment) manager surnamed Lai.

FSC imposes sanctions on President Capital Management Corp.

The FSC recently discovered that the former president of President Capital Management Corp. had engaged in investment analysis via mass media without the necessary qualifications as a securities investment analyst, which showed that the company's internal controls lacked effectiveness and had not been properly implemented. These failures were found to constitute violations of Article 6, Paragraph 2 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets" and Article 5, Paragraph 2 of the "Regulations Governing Responsible Persons and Associated Persons of Securities Investment Consulting Enterprises." The FSC imposed an administrative fine of NT\$600,000 on President Capital Management Corp. in accordance with Article 111, Subparagraph 7 of the "Securities Investment Trust and Consulting Act," and in accordance with Article 104 of the same Act ordered the company to suspend its president from duties for six months.