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- FSC amends "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance"
- FSC encourages cross-sector cooperation for high-tech fraud prevention

Policy and Law

FSC amends "Incentive Policy for Offshore Funds Development in Taiwan" to encourage offshore fund institutions to establish long-term fund operations in Taiwan and cultivate local talent

To encourage offshore fund institutions to expand the asset management business in Taiwan on a long-term basis and continuously invest resources to enhance Taiwan's core talent of asset management, the FSC on 2 April 2024 announced the amendments of the "Incentive Policy for Offshore Funds Development in Taiwan" (hereinafter referred to as the Policy) taking into account the views of the Securities Investment & Consulting Association and industry participants. The content of the amendments includes the following: (a) provide the flexibility to choose the preferential measures for those having been long-term recognized; (b) adjustment to the benchmark for measuring the size of assets managed by offshore fund institutions in Taiwan; (c) offshore fund institutions are encouraged to continue cultivating talent; and (d) adjustment to incentive measures. These amendments are expected to attract more offshore fund institutions to participate in the Policy, encourage them to develop diversified fund products, as well as increase the hiring of core talent in asset management, and further facilitate the robust development of Taiwan's asset management sector.

FSC amends "Regulations Governing Establishment of Internal Control Systems by Public Companies" and "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets"

With an eye to constantly raising worldwide attention to ESG and related sustainability issues, and to coordinate with the Taiwan government's efforts to push listed companies into enhancing sustainability disclosures in their annual reports and issuing sustainability reports, the FSC on 22 April 2024 amended certain provisions in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" as well as Articles 8, 14, and 39 of the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets." The amendments expressly provide that the internal control systems of listed companies and service enterprises in securities and futures markets must include "management of sustainability information," and incorporate "management of sustainable information" as a mandatory audit item. The amendments will come into force from 1 January 2025.

FSC lowers threshold for disclosure of substantial shareholding to 5%, advises investors to be aware of new threshold

On 30 January 2024, the FSC amended the "Regulations Governing the Declaration of

Acquisition of Shares in accordance with Article 43-1, Paragraph 1 of the Securities and Exchange Act" so that, beginning from 10 May 2024, the threshold for disclosure of substantial shareholding will be lowered from 10% to 5%, and the former paper-based declaration method will be replaced by an electronic declaration procedure. In addition, the FSC plans to commission the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEX) to handle declarations and public disclosures made by acquirers in accordance with the Regulations. The new system for substantial shareholding disclosures will help to increase the transparency of information on equity interest and enhance the quality of Taiwan's corporate governance. It is advisable for investors to understand the rules for declaration of a substantial shareholding in advance, so TWSE and TPEX have held numerous seminars to familiarize substantial shareholders (with holdings of over 5%) and shareholder services institutions with the new system for substantial shareholding disclosures, and TWSE and TPEX have also set up special sections on their websites that investors can visit to download educational materials and lectures.

FSC amends "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance"

In view of the number of residential earthquake insurance policies has been increasing each year, resulting in increased cumulative liability. To reduce the possibility of claim payment reductions to each insured and enhance the risk assumption capability of the residential earthquake insurance pool, the FSC has amended the "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance" to raise the limit on total risk assumption amounts of residential earthquake liabilities from NT\$100 billion to NT\$120 billion. Meanwhile, the basis for calculating the special reserve recovery threshold for members of the pool, which was formerly based on the average of each pool member's share of total residential earthquake insurance premium income over the previous three years, will after the amendment be based on each pool member's share of total pure premium of all pool members during all past years.

FSC issues interpretive rule on Article 145-1, paragraph 2 of the "Insurance Act"

To coordinate with the alignment of insurers with International Financial Reporting Standard 17 (IFRS 17) in 2026, with respect to "the amount of real estate appreciation that must be set aside by an insurer either as a special reserve under liabilities, or as a special reserve under owners' equity" as referred to in an order dated 30 November 2012 (ref: Order No. Jin-Guan-Bao-Tsai 10102515281), and with respect to "the special reserve that must be allocated for an investment property which is subsequently measured at fair value" as referred to in an order dated 11 May 2010 (ref: Order No. Jin-Guan-Bao-Tsai 10904917647), the FSC has issued the aforementioned interpretive rule regarding the handling of such procedures after alignment with IFRS 17 and has declared that the interpretive rule will come into force from 1 January 2026.

FSC approves "Electric Vehicle Exclusive Insurance Reference Clause"

Electrifying transportation is pivotal in combating global climate change and achieving net-zero emissions. Electric vehicles (EV) present different features in structure, performance, maintenance, and risk compared to conventional vehicles. Recognizing this, the Non-Life Insurance Association of the Republic of China (NLIA) has introduced the "Electric Vehicle Exclusive Insurance Reference Clause" along with some additional clauses. The Reference Clauses have been

approved by the FSC and will be implemented on July 1, 2024. The key points of the clauses are as follows:

1. The Reference Clauses cover physical damage to EVs caused by accidents, while physical damage caused by battery spontaneous combustion or explosions is not covered as these incidents fall under the purview of product liability insurance. Instead, coverage for such events is provided through the "Automobile Physical Damage Insurance - Battery Spontaneous Combustion Additional Clause," which EV owners can choose to purchase separately for additional coverage.
2. To offer EV owners more comprehensive insurance coverage, they may choose to take out the "Automobile Physical Damage Insurance - Charging Period Additional Clause" and "Third-party Liability Insurance-Charging Period Additional Clause," covering damage or loss to the EV and liability compensation caused by charging.

Simultaneously, the FSC has revised the "Template of Standard Form Contract for Automobile Insurance" to exclude its application to EV. And the Taiwan Insurance Institute is scheduled to provide EV insurance reference rates by the end of the second quarter of 2024. These rates will serve as a reference for insurers in developing new EV insurance products.

International Activities

Delegation from S&P Global Ratings visits FSC

Vice Chairperson Ms. Jean Chiu met with a delegation from S&P Global Ratings on 10 April 2024 and responded to their questions on issues relating to the development of Taiwan's financial markets and major regulatory measures for the banking industry.

Industry Updates

FSC encourages cross-sector cooperation for high-tech fraud prevention

To prevent scams and financial crimes, the FSC is promoting the use of technology for big data analysis to improve overall results and reduce manpower requirements. Accordingly, the FSC on 2 February 2024 held a fintech forum on "Preventing Fraud and Financial Crimes" to encourage cooperation among financial institutions, telecom operators, and tech firms.

Investment fraud, installment plan cancellation through ATM (IPCA), and fake online sales have been the most common types of scams in Taiwan in recent years. To prevent scams and financial crimes, the FSC is encouraging financial services firms to make use of digital identity authentication, artificial intelligence, data sharing, privacy enhancement technologies, and other innovative techniques to reduce the risk of fraud. Taiwan's Ministry of Digital Affairs has tightened its regulation of third-party payment service operators and adopted measures such as inter-ministerial joint audits, and the removal of fraudulent online investment ads. Financial institutions, telecoms operators, and tech firms are also applying technology such as biometrics, federated learning, natural language processing, machine learning, and network analysis to authenticate customer identity, detect abnormal transactions and dummy accounts, block malicious webpages and scam messages, identify new types of scams, and carry out beneficial owner due diligence, thereby enhancing the effectiveness and accuracy of fraud prevention measures.

FSC recognizes top performing insurers in promoting the program for improving insurance protection for the people, microinsurance business, and investments in the "five plus

two" key innovative industries and public infrastructure projects

To ensure that insurance properly fulfills its protection function and provides citizens with adequate life insurance coverage, and to encourage insurers to develop microinsurance business, the FSC is conducting the "Program for Improving Insurance Protection for the People" and "Directions for Insurance Companies to Engage in Microinsurance Business." For insurers that have performed especially well, the incentive measures include allowing a number of products that would normally undergo prior approval to be reviewed under use-and-file rules instead, the names of top-performing insurers would be periodically released, and priority review of related applications. In addition, to guide insurers to invest in the "five plus two" key innovative industries and public infrastructure projects that have been targeted by the government for support, insurers whose investment performance in these areas was especially good have also been rewarded with a number of products which would ordinarily have been reviewed under prior approval rules will instead be reviewed under use-and-file rules.

As part of its "Program for Improving Insurance Protection for the People" in 2023, the FSC singled out 15 life insurance companies to receive rewards for outstanding performance in the conduct of microinsurance business, as follows: PCA Life Assurance Co., Cathay Life Insurance Co., KGI Life Insurance Co., Nan Shan Life Insurance, Fubon Life Insurance Co., Mercuries Life Insurance Co., Farglory Life Insurance Co., Allianz Taiwan Life Insurance, First Life Insurance Co., BNP Paribas Cardif TCB Life Insurance Co., TransGlobe Life Insurance, Yuanta Life, Chubb Life, AIA Taiwan, and Cardif Taiwan. Another 7 life insurance companies were honored for their excellent conduct of microinsurance business, as follows: BankTaiwan Life Insurance Co., Cathay Life Insurance Co., KGI Life Insurance Co., Nan Shan Life Insurance Co., Shin Kong Life Insurance Co., Fubon Life Insurance Co., and TransGlobe Life Insurance. Meanwhile, the following 5 non-life insurers received similar recognition: Chung Kuo Insurance; Fubon Insurance, Hotai Insurance, Taian Insurance Co., and Cathay Century Insurance Co. In addition, a total of 8 life insurance companies were recognized for outstanding performance in investing in the "five plus two" key innovative industries as well as public infrastructure, as follows: Taiwan Life Insurance Co., Cathay Life Insurance Co., KGI Life Insurance Co., Fubon Life Insurance Co., Farglory Life Insurance Co., Hontai Life Insurance Co., Taishin Life Insurance, and TransGlobe Life Insurance.

FSC grants approval for Far Eastern International Bank to apply for establishing a branch in Singapore

Recognizing the significance of expanding into Southeast Asian markets and following the trend of domestic banks establishing a presence in ASEAN countries, and taking into account the close bilateral trade ties between Singapore and Taiwan, Far Eastern International Bank (FEIB) decided to upgrade its Singapore representative office to a branch to further build up its international business network and expand its overseas assets. The FSC reviewed the bank's plan and granted approval on 12 April 2024 for FEIB to apply with the Singapore authorities for the establishment of a branch.

FSC grants approval for Taipei Fubon Commercial Bank to apply for establishing a Representative Office in Seoul

In order to expand its overseas presence and increase the overall synergy of the group, Taipei Fubon Commercial Bank has planned to establish a Representative Office in Seoul. The FSC agreed on 21 March 2024 that the bank may file an application with the competent

authority of Korea for the establishment of its Seoul Representative Office.

The situation of overdue loans in domestic banks at the end of March 2024

Unit: NT\$1 billion / percentage points

	31 March 2024	29 February 2024	Increase/Decrease
Total outstanding loans	39,591	39,128	Increased by 463.4 billion
NPL ratio	0.16%	0.16%	--
Coverage Ratio	825.58%	847.96%	Decreased by 22.38 percentage points

As of the end of March 2024, there were 38 domestic banks in Taiwan, and their asset quality continuously remained manageable according to the above figures. The FSC will require banks to undertake measures to improve asset quality and financial structure on an ongoing basis.

NPL situation of credit cooperatives at the end of March 2024

Unit: NT\$1 billion / percentage points

	End-March 2024	End-February 2024	Increase/Decrease
NPL	0.61	0.66	Decreased by NT\$ 0.05 billion
NPL ratio	0.10%	0.11%	Decreased by 0.01 percentage points
Coverage Ratio	2,358.80%	2,152.95%	Increased by 205.85 percentage points

As of the end of March 2024, there were 23 credit cooperatives in Taiwan, and their asset quality continuously remained manageable according to the above figures. The FSC will require credit cooperatives to undertake measures to improve asset quality and financial structure on an ongoing basis.

The overall situation of net purchases and sales of listed stocks by foreign and mainland China investors, as well as the inflow and outflow of funds.

1. Net foreign and mainland China investment in listed shares

Unit: NT\$1 billion

	End-March 2024	TWSE-listed shares	TPEX-listed shares
Foreign	Bought	6,943.6	1,145.3
	Sold	6,835.9	1,184.1
	Net bought (sold)	107.7	(38.8)
PRC	Bought	0.733	0.098
	Sold	0.831	0.190
	Net bought (sold)	(0.098)	(0.092)

2. Net inward remittances by foreign and mainland China investors

Unit: NT\$1 billion

	End-March 2024	End-February 2024	Increase (Decrease)
Cumulative net (outward) inward remittances by offshore foreign institutional investors, and offshore overseas Chinese and foreign individual investors	260.7	254	6.7
Cumulative net (outward) inward remittances by mainland China investors	0.044156	0.045955	(0.001799)

Sales statistics of foreign-currency denominated products by life insurance industry as of the end of January 2024

Unit: NT\$1 billion

	End-January 2024	End-January 2023	Increase (Decrease) (%)
Investment-linked insurance	2.694	3.676	(27%)
Traditional life insurance	26.546	15.890	67%
New-policy premium income (total)	29.240	19.566	49%

Profit/loss, net value and exchange gains/losses, hedging gains and losses, and foreign exchange volatility reserves of insurance enterprises as of February 2024

1. Pre-tax profit of insurance enterprises

Unit: NT\$1 billion

	End-February 2024	End-February 2023	Increase (Decrease) (%)
Pre-tax profit of life insurers	52.9	25.3	309.1%
Pre-tax profit of non-life insurers	5.8	(0.1)	5,900%
Pre-tax profit of all insurers (total)	58.7	(25.4)	331.1%

2. Owners' equity of insurance enterprises

Unit: NT\$1 billion

	End-February 2024	End-February 2023	Increase (Decrease) (%)
Owners' equity of life insurers	2,304.7	1,795.4	28.4%
Owners' equity of non-life insurers	133.4	70	90.6%
Owners' equity of all insurers (total)	2,438.1	1,865.4	30.7%

3. As of the end of February 2024, the NT Dollar had depreciated by 2.67% against the US Dollar since the end of 2023, and the cumulative balance of the foreign exchange valuation reserve of life insurance enterprises was NT\$130.6 billion, up by NT\$38.6 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserve of life insurance enterprises was NT\$-40.2 billion. Over the same period, the overseas investments of life insurers resulted in net gains (including exchange gains/losses and hedging gains/losses, but not including the net effect of volatility on the foreign exchange valuation reserve) of NT\$164.9 billion.

Investor and Consumer Protection

2024 Financial Literacy Campaign for the Campus and Community

In the month of April 2024, the FSC held 125 activities at different locations, including the Pingtung County Veterans Service Office, as part of the 2024 Financial Literacy Campaign for the Campus and Community, attracting 8,276 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 2023, a total of 8,509 events had been held and over 1.19 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, firefighters, coast guard personnel, and taxi drivers.

The Banking Bureau of the FSC will continue to promote the financial literacy campaign in 2024. 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) 8968-9708.

FSC reminds investors that ETFs are not risk-free, and that one must note product characteristics and risks before investing

As of the end of February 2024, there were 227 ETFs listed in Taiwan with total assets under management of NT\$4.2 trillion, which shows that ETFs have become a key wealth management product for people here. But before investing in an ETF, members of the public are advised to first familiarize themselves with the product's characteristics and to note its risks.

ETFs are not substitutes for certificates of deposit; common risks include market risk, premium/discount risk, and concentration risk. Market risk arises from the possibility that an ETF's price might be affected by market factors. Premium/discount risk arises from the fact that a premium or discount may arise vis-à-vis market price in the secondary market and the primary market net asset value of an ETF (which is traded differently from how a mutual-fund is traded). Concentration risk arises when an ETF invests heavily in a specific industry. An ETF that touts frequent fund distributions as a selling point may have to bear relatively high transaction and fund distribution costs, and fund distributions are determined by the fund management company on the basis of fund earnings, which means that distributions will not necessarily be the same each time.

The FSC reminds members of the public that any investment has risks and investors must carefully assess the characteristics and risks of a fund (including an ETF) before investing in it. There have been recent reports of people borrowing money to invest, or people using ETFs as securities to make investments, and the FSC wishes to remind such persons to prudently consider their debt repayment ability and avoid relying too heavily on credit.

FSC reminds the public to carefully assess risks associated with virtual asset transactions

The price of virtual assets such as Bitcoin has experienced drastic fluctuations, leading to substantial losses for traders. The FSC reminds the public to be cautious of the risks associated with virtual asset trading and issues the following appeals:

1. Virtual assets are highly speculative "virtual commodities" and not currencies. They lack intrinsic value, their prices are not subject to limits on fluctuations, and thus may rise or fall precipitously, which means that transaction risks are high. Before engaging in transactions of this type, members of the public should fully understand their operational mechanisms and carefully evaluate the potential risks.

2. If individuals conduct transactions via offshore virtual asset trading platforms, those platforms are not established institutions under the laws and regulations of Taiwan, and they may possibly not be regulated by foreign authorities, either. Moreover, their products are provided offshore, and information about virtual assets trading may lack transparency. Therefore, it is advisable for the public to exercise caution and consider these factors carefully.