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- FSC encourages SME lending by domestic banks
- Measures to enhance sustainability reports of listed companies and improve sustainability information
- FSC amends "Regulations Governing Foreign Investments by Insurance Companies"

Policy and Law

FSC encourages SME lending by domestic banks

To help small and medium enterprises obtain working capital, the FSC continues to implement the 19th phase of the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises" in 2024. A target has been set for the outstanding balance of SME loans to increase by NT\$420 billion, and incentive mechanisms have been implemented to encourage domestic banks to provide needed working capital to SMEs while considering the need for risk management. These efforts are designed to create a favorable financing environment for SMEs, enhance the competitiveness of domestic SMEs, and promote the nation's economic development. The Program was recorded by the Executive Yuan on 16 May 2024.

Measures to enhance sustainability reports of listed companies and improve sustainability information

To prevent greenwashing and improve the quality of sustainability information, the FSC issued a press release on 4 June 2024 as follows:

1. Urge companies to appreciate the importance of sustainability governance and to achieve it taking a top-down approach: Encourage listed companies to establish a "sustainable development committee" to discuss the company's sustainable development plans and report to the board of directors. The Taiwan Stock Exchange (TWSE) and Taipei Stock Exchange (TPEX) amended the "Rules Governing the Preparation and Filing of Sustainability Reports" to urge that it is advisable for a sustainability report to be approved by a company's board of directors, and that a report's passage by the board of directors should be treated as a corporate governance evaluation extra points award indicator.
2. Incorporate sustainability information management into internal control systems: The FSC requires listed companies to incorporate sustainability information management into their internal control systems, and to treat it as an item that absolutely must be audited each year, starting from 2025. The FSC also amended the "Checklist of Criteria for Assessing the Effectiveness of Internal Controls" to help companies establish sustainability information internal controls based on their own business conditions.
3. Enhance the quality of sustainability reports: Starting in 2024, every listed company will be selected for a review at least once every five years, and some reviewed companies will be further selected to undergo an in-depth review. If a review reveals a material disclosure deficiency regarding sustainability information, the FSC will impose a monetary penalty, require the company to take corrective action, and if necessary, will require the company to draft an improvement plan for its sustainability report preparation procedures, complete a specified number of hours of education and training, and treat the matter as a corporate governance evaluation point deduction indicator.
4. Improve management of sustainability report assurance institutions: If a corporate sustainability report contained a disclosure deficiency which was such that an assurance

opinion had to be obtained, then the TWSE or TPEX will requisition the working papers from the assurance institution and conduct a review to check whether the assurance procedures were compliant with regulations. If the procedures were non-compliant, the TWSE or the TPEX will instruct the assurance institution to avoid repeating the same mistakes when conducting future assurance engagements, and if the circumstances of the non-compliance were serious, the TWSE or the TPEX may order the assurance institution to cease accepting assurance engagements for a period of time. If the assurance institution does not accept the disposition, it may file an opinion to explain its reasons.

The FSC emphasized that besides helping to prevent greenwashing, improving the quality of sustainability information can also bolster public trust in companies, thereby establishing good corporate reputations and making companies more competitive. The FSC will keep paying close attention to international sustainability trends and continually refine related policies to lead listed companies toward sustainable development.

FSC amends "Regulations Governing Foreign Investments by Insurance Companies"

On 17 May 2024, the FSC amended the "Regulations Governing Foreign Investments by Insurance Companies." The amended Regulations include the following changes: (a) the range of channels by which insurers are able to raise capital overseas have been increased; (b) insurers are allowed to invest in overseas private equity funds issued by domestic private equity fund management institutions that have obtained a letter of eligibility from the National Development Council; and (c) for encouraging insurers to improve their capital structure in order to implement the new generation insurance solvency regime, under the prerequisite of not raising the caps on insurers' offshore investments, a set of newly added measures is introduced to increase insurers' asset allocation flexibility.

FSC amends "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises"

With an eye to constantly rising worldwide attention to ESG and related sustainability issues, the FSC in 2023 issued the "Sustainable Development Action Plan for Listed Companies" and the roadmap for Taiwan-listed companies to align with IFRS Sustainability Disclosure Standards. To improve the quality of insurers' sustainability disclosures, the FSC has amended the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises." Key points of the amended provisions are as follows:

1. In order to improve the quality of insurers' sustainability disclosures, thereby enhancing their ability to collect, use, and prepare sustainability data, the FSC has introduced a new provision requiring operational procedures to include procedures for the management of sustainability data.
2. To guide insurers to improve their management of sustainability data, the FSC has introduced a new provision requiring that insurers include sustainability data management in required disclosures for both general audits and internal audit reports.

3. Considering the fact that it will take insurers some time to make the necessary adjustments to establish internal controls for the sustainability management and to incorporate them into their annual internal audit plans, the FSC has stipulated that the amended provisions will come into force on January 1, 2025, providing insurers with ample preparation time.

FSC amends "Directions for the Review of Non-life Insurance Products"

In preparation for Taiwan's upcoming adoption of IFRS 17 in 2026, the FSC on 9 August 2023 amended the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" to eliminate the requirement for insurers to set aside premium deficiency reserves and liability adequacy reserves. To coordinate with this change, the FSC on 28 May 2024 amended the "Directions for the Review of Non-life Insurance Products" to remove the following text: "premium deficiency reserves." This amendment will synchronously enter into force on 1 January 2026.

FSC issues "Reference Guidelines for Financial Institutions to Prevent Greenwashing"

The FSC published the "Reference Guidelines for Financial Institutions to Prevent Greenwashing" on 30 May 2024. The Guidelines provides related illustrations to help financial institutions carry out self-inspections and solve problems at an early stage, before they have a chance to get out of control.

The FSC also explained that the main purpose of the Guidelines is to remind financial institutions that they, and the products and services they provide, must be compliant with applicable laws and regulations. When a financial institution uses words like "sustainable" or "green" in public-facing statements (including publicity, advertising, or public declarations of any sort), they are advised to carefully note the accuracy, completeness, and comparability of the statements, and to ensure that they meet the following principles:

1. Any public statement should be true and accurate and backed by evidence, and its accuracy should be periodically reviewed.
2. Any public statement should be direct and easily understood.
3. The content of any public statement should be complete. There should not be any omission or concealment of material information.
4. Any public statement that involves a comparison should be fair and comparable.
5. Any public statement should be compliant with sustainability requirements.

The FSC provides 10 illustrative unreal examples of public statements in the Reference Guidelines for financial institutions, to help them avoid getting involved in greenwashing.

FSC issues the "Financial Supervisory Commission Operation Directions for Subsidies (Donations) by Domestic Non-profit Juridical Persons to Promote the Financial Literacy Program"

To enhance the financial knowledge of the general public and spur the widespread conduct of financial literacy activities, the FSC has issued the "Financial Supervisory Commission Operation Directions for Subsidies (Donations) by Domestic Non-profit Juridical Persons to

Promote the Financial Literacy Program" (hereinafter, the Operation Directions). By providing monetary assistance to help non-profit juridical persons hold financial literacy activities, each juridical person applicant can receive up to a maximum of NT\$1.5 million if approved. Eligible non-profits are welcome to apply for assistance.

International Activities

FSC joins Global Cooperation Arrangement for Privacy Enforcement (Global CAPE)

To better protect the privacy of personal data, the FSC applied for admission to the Global CAPE in late 2023 with the assistance of the National Development Council, and in March 2024 the FSC was notified by Japan's Ministry of Economy, Trade and Industry (METI) that its application had been approved. In the future, the FSC can look forward to working via the Global CAPE to engage in cross-border law enforcement actions together with other members, thereby strengthening personal data protections in Taiwan.

Industry Updates

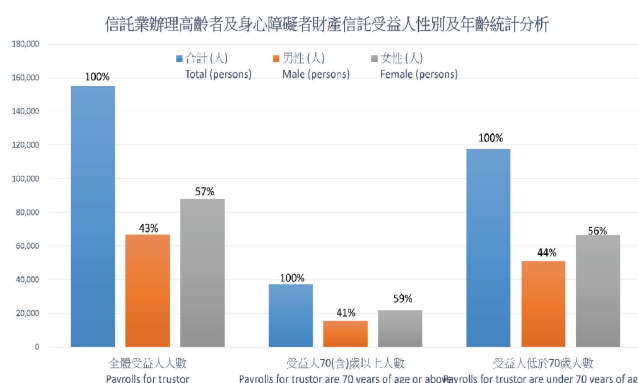
May-God Human Resources Co. receives permit to provide small-amount remittance services for foreign migrant workers

On 13 May 2024, the FSC granted permission for May-God Human Resources Co., Ltd. to provide small-amount outward remittance services for foreign migrant workers. On 4 June, the FSC then issued the company a business permit.

An overview of the wealth management business for high-asset customers in the banking sector

Since the FSC began to allow banks to conduct wealth management business for high-asset customers in 2020, twelve banks have received permission to conduct wealth management business for high-asset customers, and all of them have already launched related services. As of the end of April 2024, banks have reviewed and ascertained 8,330 persons to be high-asset customers, who have placed a combined total of NT\$1,038.7 billion in assets under management (AUM) with banks, up by a factor of 5 from the end of 2021. As of the end of April 2024, six banks acting upon the request of high-asset customers had issued multiple foreign currency-denominated bank debentures that are linked to financial derivatives or are processed as structured notes, where the range of linked instruments has been expanded from the interest and exchange rate derivatives to additionally include equity derivatives. In addition, the overseas branches of two banks have issued multiple customized offshore structured products for high-asset customers to include in their asset portfolios.

FSC analyzes gender and age distribution of beneficiaries of trust property trusts for seniors and persons with disabilities



As of the end of December 2023, beneficiaries of property trusts for seniors and persons with disabilities (care trusts) had a total of 155,069 trust beneficiaries, of whom 43% were male and 57% were female. Among trust beneficiaries aged 70 or above, 41% were male and 59% were female, while among trust beneficiaries aged under 70, 44% were male and 56% were female.

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

Unit: NT\$1 billion / percentage points

	31 May 2024	30 April 2024	Increase/Decrease
Total outstanding loans	40,185	39,894	Increased by 291.8 billion
NPL ratio	0.17%	0.17%	-
Coverage Ratio	811.56%	808.07%	Increased by 3.49 percentage points

As of the end of May 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 May 2024

Unit: NT\$1 billion / percentage points

	End-May2024	End-April 2024	Increase/Decrease
NPL	0.71	0.59	Increased by NT\$ 0.12 billion
NPL ratio	0.12%	0.10%	Increased by 0.02 percentage points
Coverage Ratio	2,049.23%	2,459.06%	Decreased by 409.83 percentage points

As of the end of May 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-May 2024		TWSE-listed shares	TPEX-listed shares
Foreign	Bought	13,154.5	2,113.2
	Sold	13,087	2,162.3
	Net bought (sold)	67.5	(49.1)
PRC	Bought	1.458	0.109
	Sold	1.643	0.212
	Net bought (sold)	(0.185)	(0.103)

2. Cumulative net (outward) inward remittances by foreign and mainland China investors

Unit: NT\$1 billion

	End-May 2024	End-April 2024	Increase (Decrease)
Cumulative net (outward) inward remittances by offshore foreign institutional investors, and offshore overseas Chinese and foreign individual investors	271.1	259.4	11.7
Cumulative net (outward) inward remittances by mainland China investors	0.043970	0.039973	0.003997

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

Unit: NT\$1 billion

	End- March 2024	End- March 2023	Increase (Decrease) (%)
Investment-linked insurance	9.302	15.081	(38%)
Traditional life insurance	64.735	54.591	19%
New-policy premium income (total)	74.037	69.672	6%

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

1. Pre-tax profit of insurance enterprises

Unit: NT\$1 billion

	End-April 2024	End- April 2023	Increase (decrease) (%)
Pre-tax profit of life insurers	143.2	(8.3)	1,825.3%
Pre-tax profit of non-life insurers	10.7	(0.5)	2,240%
Pre-tax profit of all insurers (total)	153.9	(8.8)	1,848.9%

2. Owners' equity of insurance enterprises

Unit: NT\$1 billion

	End- April 2024	End- April 2023	Increase (Decrease) (%)
Owners' equity of life insurers	2,370.5	1,908.7	24.2%
Owners' equity of non-life insurers	138.2	76.1	81.6%
Owners' equity of all insurers (total)	2,508.7	1,984.8	26.4%

3. As of the end of April 2024, the NT Dollar had depreciated by 5.55% 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\$203.3 billion, up by NT\$111.3 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\$-47.8 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\$421.6 billion.

Investor and Consumer Protection

2024 Financial Literacy Campaign for the Campus and Community

In June 2024, the FSC held 68 activities at different locations, including the Kaohsiung Municipal Kaohsiung School for Students with Disabilities, as part of the 2024 Financial Literacy Campaign for the Campus and Community, attracting 5,649 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 announces 2023 "Financial Inclusion Indicators for Taiwan" and simultaneously adjusts the indicators for 2024

On 16 May 2024 the FSC issued the "Financial Inclusion Indicators for Taiwan (2023)," many of which outperformed the global average. In addition, there were 12 indicators for which targets were set in 2023, all of which reached the targets. Also, the data for five indicators in 2023 showed significant growth compared to 2022, including "the ratio of multilingual ATMs," "encouraging banks to set up bilingual branches," "mobile money transactions per 100,000 adults," "digital savings accounts per 1,000 adults," and "the number of insurance policies sold online."

The FSC has adjusted the 2024 financial inclusion indicators and added or elevated targets. The FSC has also stated that the improvement of financial literacy quality is crucial for the development of financial inclusion. The indicators related to satisfaction and effectiveness of financial literacy courses are newly added for the 2024 indicators, which is advantageous for enhancing the quality of financial literacy activities and, consequently, improving access to financial literacy.

Personnel Changes

President Lai Ching-te specially appointed Jin-Lung Peng as the FSC Chairperson and Yen-Liang Chen as FSC Vice Chairperson. Both assumed their new positions on 20 May 2024.