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Publisher Dr. Jin-Lung Peng

Advisor Dr. Yen-Liang Chen
Jean Chiu
Fu-Longe Tsai

Executive Editor
Department of Planning

Publishers & Editorial Office
Financial Supervisory
Commission

Add 18F., No.7, Sec. 2, Xiamin
Blvd., Banqiao Dist., New
Taipei City 22041, Taiwan,
Republic of China

Tel 8968-0899

Fax 8969-1271

E-mail planning@fsc.gov.tw

Website <http://www.fsc.gov.tw>

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- FSC amends "Directions for the Review of Life Insurance Products"
- FSC issues "Guidelines for the Use of Artificial Intelligence (AI) by Financial Services Enterprises"
- FSC encourages listed companies to appropriately raise employee salaries, share profits with employees, properly implement corporate social responsibility and sustainability

Policy and Law

FSC amends "Directions for the Review of Life Insurance Products"

To ensure that medical reimbursement insurance satisfies the principle of indemnity, the FSC on 27 June 2024 amended Points 48 and 57 of the "Directions for the Review of Life Insurance Products" to require that medical reimbursement insurance and accidental medical reimbursement insurance products must satisfy the principle of indemnity. The amended provisions further require that either in the insurance proposal form or in proposal documents, insurers must disclose claim settlement principles and special reminders, all of which the proposer must sign off on in order to ensure the customer's rights and interests.

Also, a new Point 40-3 was added to the Directions to require that death insurance benefits must not be lower than the stipulated insured amount, and Point 196 was amended to provide that for a participating life insurance product that is designed as comprehensive insurance, if it is a non-participating policy in which dividend participation is not granted, then the product constitutes a new-type life insurance product. This provision is intended to safeguard the rights and interests of customers.

FSC amends "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance" and "Regulations Governing the Taiwan Residential Earthquake Insurance Fund"

In preparation for the plan to have insurers adopt IFRS 17 in 2026, the FSC amended the "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance" and the "Regulations Governing the Taiwan Residential Earthquake Insurance Fund" on 24 June 2024 to revise legal requirements governing the setting aside of various reserves by members of the residential earthquake insurance pool and the Taiwan Residential Earthquake Insurance Fund.

FSC amends "Regulations Governing Pre-sale Procedures for Insurance Products" and adopts interpretive rule for Article 24 of the same Regulations

On 26 June 2024 the FSC amended Articles 21, 24, and 32 of the "Regulations Governing Pre-sale Procedures for Insurance Products," and adopted interpretive directions for Article 24 of the same Regulations. Key points of the amended provisions are as follows: (a) solvency-related conditions for special treatment in the product review process formerly required that an insurer applying to launch a new product have a solvency ratio of at least 250%, but this has been changed such that an applicant's capital adequacy ratio must be at least 1.25 times the ratio prescribed in Article 143-4 of the Insurance Act; and (b) to respond to the need for systems alignment after insurers adopt Taiwan's New Generation Insurance Solvency Regime (TW-ICS), the method used for analyzing the reasonableness of how an insurer prices its insurance products has been changed from the former method (described in an attachment) to a new method prescribed by the competent authority, which allows ample time to make adjustments.

FSC adopts a set of "Guidelines for Life Insurance Enterprises That Conduct Participating Life Insurance Business"

To enhance regulation of participating insurance policies, the FSC on 27 June 2024 adopted a set of "Directions for Life Insurance Enterprises to Engage in Participating Life Insurance Business" and coordinated by amending the "Directions for the Review of Life Insurance Products." Key provisions address the following matters: (1) management of segregated accounts for insurance products; (2) product design and post-sales management; (3) disclosures and sales behavior; (4) the duties of related personnel; and (5) protection of consumer rights and interests through enhanced supervision of participating policies.

FSC adopts "Formula for Insurers' Calculation of Adjusted Net Capital and Risk-Based Capital for the 1st Half of 2024"

On 28 June 2024 the FSC issued the "Formula for Insurers' Calculation of Adjusted Net Capital and Risk-Based Capital for the 1st Half of 2024." Key points of this amended version include the following: (a) the FSC adjusted the risk coefficients for REITs and Russian government bonds invested in by insurers; (b) in response to the "Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies" amended by the FSC on 6 March 2024, the FSC added a new provision that allows an insurer, with the approval of the FSC, to establish an overseas special-purpose vehicle (SPV) that is 100% owned by the insurance company and is dedicated to the issuance of bonds with capital characteristics and the use of funds, and to act via that enterprise to issue bonds with capital characteristics overseas. Related reporting forms and form completion guidelines have also been amended.

FSC issues "Guidelines for the Use of Artificial Intelligence (AI) by Financial Services Enterprises"

In order to encourage financial institutions to harness technology effectively with responsible innovation at its core and to employ trustworthy artificial intelligence (AI) in the development of financial services that better meet public needs, the FSC on 20 June 2024 issued the "Guidelines for the Use of Artificial Intelligence (AI) by Financial Services Enterprises."

The "Guidelines for the Use of Artificial Intelligence (AI) by Financial Services Enterprises" issued on 20 June 2024 consists of a "General Principles" section and six main chapters. The "General Principles" section primarily outlines common considerations such as AI-related definitions, the AI system life cycle, factors considered in risk assessments, a risk-based approach to implementation of the core principles, and the supervision of third-party entities. The six main chapters respectively illustrate recommended measures for implementing the six core principles released on 17 October 2023 in the financial industry based on the assessed risks in the AI life cycle. Each chapter covers the purpose, key concepts, relevant considerations for each principle, and suggested approaches or measures for implementation.

The Guidelines primarily provides considerations for financial institutions when adopting or utilizing AI and falls under the category of administrative guidance. In the future, if financial industry associations establish self-regulatory standards for AI usage, they can incorporate relevant key considerations and measures from the guideline. In cases where no specific self-regulatory standards are established, the FSC suggests that associations refer to the Guideline for the adoption, utilization, and management of AI systems. When a financial institution is using an AI system to conduct innovative financial business, if necessary, the FSC encourages the financial institution to use a fintech sandbox experiment or a financial business trial to engage in testing.

Moving forward, the FSC will continue to monitor the challenges and opportunities faced by the financial industry in adopting AI technology, urge financial institutions to strengthen risk management, consumer protection, information security, and digital rights for vulnerable groups, while guiding the financial industry to actively adopt technological innovation in a way that gives balanced consideration to consumer rights, ethical standards, financial market order, technological innovation, quality, and competitiveness.

FSC encourages listed companies to appropriately raise employee salaries, share profits with employees, properly implement corporate social responsibility and sustainability

The FSC encourages listed companies to implement their corporate social responsibilities by caring for the needs of employees. Meanwhile the FSC will use the below-mentioned "information disclosure" and "incentive measure" mechanisms while tapping into the power of market oversight to guide companies to raise employee salaries and share profits:

1. Information disclosure: Enhance disclosure of employee

compensation, and enhance disclosure of director and supervisor compensation.

2. Incentive measures: Policies on employee compensation and enhanced director/supervisor compensation are addressed in the corporate governance evaluation system, and related indicators have been adopted, including the "Taiwan HC 100 Index and the "Compensation Index."

3. Ongoing improvement measures:

(1) Enhancement of the oversight mechanism for ensuring the reasonableness of compensation paid to companies' directors and supervisors.

(2) Ongoing expansion of the conditions under which individual directors and supervisors are subject to compulsory disclosure of their compensation. This will enhance the transparency of the compensation paid to directors and supervisors.

(3) Enhanced disclosure of compensation paid to employees, directors, and supervisors

To encourage companies to actively care for employee needs even as they are creating profits, distributing shareholder dividends, and paying out director/supervisor compensation, the FSC, the Taiwan Stock Exchange (TWSE), and the Taipei Stock Exchange (TPEX) will continue to oversee compensation disclosures by listed companies. By means of the market oversight mechanism, and by promoting related incentive measures, these three authorities will seek to ensure a reasonable relationship between employee compensation, company profits, and director/supervisor compensation. They will also encourage profitable companies to spur growth in employee salaries, enhancing corporate social responsibility and sustainability through a positive approach.

Industry Updates

FSC Approves Taipei Fubon Commercial Bank to Apply for Establishing Tokyo Branch in Japan

Considering that Japan is one of the major economies, and noting the close bilateral trade between Taiwan and Japan, Taipei Fubon Commercial Bank decided to apply to set up a branch in Tokyo to extend the reach of its financial services to Northeast Asia and gradually build up a comprehensive overseas financial service network. The FSC granted approval to Taipei Fubon Commercial Bank on 2 July 2024 to apply to financial authorities in Japan to set up a branch in Tokyo.

FSC, in collaboration with the TDCC and six financial institutions, has established the "Real-World Asset Tokenization Task Force"

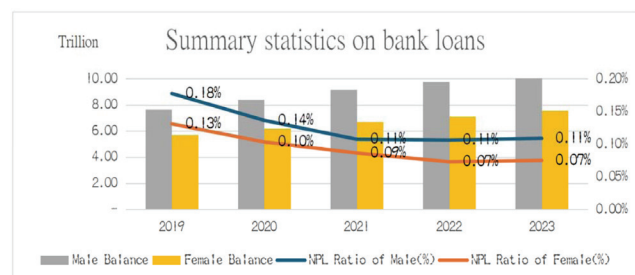
To explore the preparations needed for the promotion of real world asset (RWA) tokenization in Taiwan, the Financial Supervisory Commission (FSC), in collaboration with the Taiwan Depository & Clearing Corporation (TDCC, which is the convenor of the FinTech Co-creation Platform's "RegTech and Research Application Group"), and six financial institutions, has established the "Real World Assets (RWA) Tokenization Task Force." The inaugural meeting was held on June 13, 2024.

To explore the preparations needed for promoting RWA tokenization in Taiwan and to advance fintech in a more forward-looking and comprehensive manner, the FSC, in collaboration with the TDCC and six interested financial institutions (Taishin Bank, Taipei Fubon Bank, CTBC Bank, Cathay Securities, Cathay SITE, and Yuanta Financial Holdings), has established the "RWA Tokenization Task Force" to jointly study related initiatives.

To ensure the smooth implementation of the various tasks of the "RWA Tokenization Task Force," the FSC will involve staff from relevant bureaus in addition to its Financial Technology Development and Innovation Center. This is to help understand the professional knowledge and practical operations of RWA tokenization, as well as

to discuss policies and regulations that may be involved. The parties have already reached a consensus on the operational methods of the "RWA Tokenization Task Force." The plan is to select two assets as tokenization targets, with members meeting around every three to four weeks. Besides discussing tokenization methods, the task force will also analyze the custody and trading of assets. The goal is for participating financial institutions to propose Proof of Concept (POC) initiatives and apply for business trials or innovative experiments (i.e. conduct regulatory sandbox experiments).

Summary statistics on bank loans by gender



Over the past five years, the total outstanding loans extended by domestic banks have been on an upward trend. The total outstanding loans increased by NT\$4.68 trillion, rising from NT\$13.37 trillion at the end of 2019 to NT\$18.05 trillion at the end of 2023. The summary statistics on the total outstanding loans by gender show that the balance for males (Male Balance) increased by NT\$2.82 trillion, while the balance for females (Female Balance) increased by NT\$1.87 trillion. Over the past five years, the average non-performing loan (NPL) by gender shows a decrease from 0.18% to 0.11% for loans to males, and from 0.13% to 0.07% for loans to females.

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

Unit: NT\$1 billion / percentage points

	30 June 2024	31 May 2024	Increase/Decrease
Total outstanding loans	40,239	40,185.3	Increased by 54 billion
NPL ratio	0.16%	0.17%	Decreased by 0.01 percentage points
Coverage Ratio	841.45%	811.56%	Increased by 29.89 percentage points

As of the end of June 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 June 2024

Unit: NT\$1 billion / percentage points

	End-June 2024	End-May 2024	Increase/Decrease
NPL	0.76	0.71	Increased by 0.05 billion
NPL ratio	0.12%	0.12%	--
Coverage Ratio	1,932.10%	2,049.23%	Decreased by 117.13 percentage points

As of the end of June 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-June 2024	TWSE-listed shares	TPEX-listed shares
Foreign	Bought	16,234.728	2,587.755
	Sold	16,167.450	2,627.059
	Net bought (sold)	67.278	(39.304)
PRC	Bought	2.333	0.110
	Sold	1.863	0.258
	Net bought (sold)	0.470	(0.148)
Total	67.748	(39.452)	

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

Unit: NT\$1 billion

	End-June 2024	End-May 2024	Increase (Decrease)
Cumulative net (outward) inward remittances by offshore foreign institutional investors, and offshore overseas Chinese and foreign individual investors	277.727	271.1	6.638
Cumulative net (outward) inward remittances by mainland China investors	0.067	0.043	0.024
Total	277.794	271.133	6.661

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

Unit: NT\$1 billion

	End-April 2024	End-April 2023	Increase (Decrease)
Investment-linked insurance	14.165	19.449	-27%
Traditional life insurance	81.948	69.963	17%
New-policy premium income (total)	96.113	89.412	7%

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

1. Pre-tax profit of insurance enterprises

Unit: NT\$1 billion

	End-May 2024	End-May 2023	Increase (Decrease)
Pre-tax profit of life insurers	164	(9.5)	1,826.3%
Pre-tax profit of non-life insurers	12.5	2.2	468.2%
Pre-tax profit of all insurers (total)	176.5	(7.3)	2,517.8%

2. Owners' equity of insurance enterprises

Unit: NT\$1 billion

	End-May 2024	End-May 2023	Increase (Decrease)
Owners' equity of life insurers	2,475.2	1,927.6	28.4%
Owners' equity of non-life insurers	137.2	91.4	50.1%
Owners' equity of all insurers (total)	2,612.4	2,019	29.4%

3. As of the end of May 2024, the NT Dollar had depreciated by 5.20% 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\$188.4 billion, increasing by NT\$96.4 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\$-86.2 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\$452.4 billion.

Investor and Consumer Protection

2024 Financial Literacy Campaign for the Campus and Community

In July 2024, the FSC held 51 activities at different locations, including the Taiwan Association of Women and Children, as part of the 2024 Financial Literacy Campaign for the Campus and Community, attracting 3,202 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.

FSC strengthens anti-fraud measures for applications to make payments by preset transfer accounts

In order to quickly discover the use of designated accounts for suspicious funds transfers, thereby preventing illegal money flows, the FSC asked the Financial Information Service Co. to develop a "Designated Account Reporting Platform," and the platform went online in the first quarter of 2024. Notifications are now being sent out to domestic banks, and preliminary results have been achieved. With this platform, when the remitting bank processes a request from customer to transfer funds to a designated account, that bank may opt to act via the Designated Account Reporting Platform to request the receiving bank to provide risk data on the designated account so that the financial institution can have a real-time understanding of potential risks and can make any concerns known to the customer, thus helping to prevent scams. In the first month (April 2024) since the Designated Account Reporting Platform was launched, remitting banks have stepped in to show concern and ask probing questions in 6,170 cases, and these interventions led to the cancellation of 1,196 fund transfers to designated accounts. Furthermore, receiving banks discovered in 136 of those cases that the designated account showed clear signs of having likely been used for illegal transactions.

Securities markets scheduled to shorten the matching interval of securities market intraday odd-lot share trading on 2 December 2024

In order to further enhance the trading opportunities for investors, the matching interval of intraday odd-lot trading will be shortened from one minute to five seconds, starting from 2 December 2024. It is expected that this shortening of the matching interval of intraday odd-lot trading to 5 seconds will further promote the liquidity of intraday odd-lot share trading and provide more investment opportunities for odd-lot share trading. The FSC will also continue to supervise the Taiwan Stock Exchange (TWSE) and the Taipei Stock Exchange (TPEX) to step up outreach efforts to familiarize securities firms and investors. The FSC also reminds that investors should carefully evaluate the transaction

costs and their own financial situation, understand the company's financial and business fundamentals and pay attention to relevant investment risks.

FSC promotes measures to ensure ability of persons with disabilities to obtain insurance

If a person with a disability encounters a situation in which an insurance solicitor peremptorily refuses to accept an application, refuses to assist with the submission of an application, or urges them not to apply, or is refused by the insurance company simply because they have a disability, the aggrieved party may file a complaint via the FSC, the ROC Non-Life Insurance Association, or the complaint channel of the insurance company in question. Please note the following:

1. The aggrieved party may call the "1998 Financial Service Hotline" or contact the FSC via email or the postal service to file a complaint, which will be forwarded to the FSC Insurance Bureau (Address: 17F., No.7, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City). In addition, please indicate that you have a disability to help the FSC understand whether you have received unfair treatment.
2. The aggrieved party may contact the ROC Non-Life Insurance Association (NLIA) or the ROC Life Insurance Association (LIA-ROC) via either of those organizations' Complaint Hotline for Persons With Disabilities (NLIA: 0800-221-783 / LIA-ROC: 0800-221-348). The FSC recently has asked the members of the ROC Non-Life Insurance Association and the ROC Life Insurance Association to establish a special contact window so that related complaints can be handled promptly.
3. The aggrieved party may state their case to the insurance company's customer service unit (e.g. by via an 0800 number, the company's website, or by contacting the customer service center).

The FSC urges insurers to properly conduct insurance underwriting procedures when a person with a disability seeks to obtain insurance, and to work together with their own insurance solicitors and cooperating channels to better safeguard the rights and interests of persons with disabilities, so as to protect the right of persons with disabilities to obtain insurance. The FSC will continue to oversee the efforts of insurers to improve measures aimed at safeguarding the rights of persons with disabilities to obtain insurance, and to provide more friendly insurance services.

FSC welcomes public to attend Financial Literacy Digital Experience Courses to develop ability to use digital tools

In response to domestic economic development, to meet the financial needs of the public, and to create a digital financial environment that is both friendly and convenient, the FSC has decided to allow financial institutions to conduct a number of different digital financial lines of business, such as online applications for account openings, credit cards, loans, insurance purchases. Many people are not very familiar with how mobile devices, computers, and the internet can be used to handle financial matters, so in order to better familiarize them with such things, the FSC, acting in line with the "Seventh Financial Literacy Program (2024-2026)" and the "FinTech Development Roadmap 2.0," has collaborated with the Taiwan Academy of Banking and Finance (TABF) to offer courses for people who are less adept at use of the internet or at using digital financial services. TABF has completed course plans, will prepare short videos in the latter half of this year to publicize the courses, and will then proceed to hold the courses for all those interested.

Personnel Changes

Yi-Jong Jiang retired on 16 July 2024 as Chief Secretary of the FSC Financial Examination Bureau.