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《Chinese version please refer to page 1》

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- FSC amends "Rules Governing the Administration of Electronic Payment Business"
- FSC allows professional investors to invest in foreign virtual asset ETFs via sub-brokerage investment accounts
- FSC amends the formula for insurers' calculation of adjusted net capital and risk-based capital

Policy and Law

FSC amends "Rules Governing the Administration of Electronic Payment Business"

The Financial Supervisory Commission (FSC) amended the "Rules Governing the Administration of Electronic Payment Business" on 11 October 2024. The FSC amended 13 articles and added one new article. Key points of the amended provisions are as follows:

1. The Rules allow electronic payment institutions to provide users with automatic actual transaction payment deduction service for non-specific amounts. (amendment to Article 11)
2. The definition of the term "contracted institutions" has been expanded. (amendment to Articles 2 and 15)
3. The Rules amend the eligibility criteria for screening of electronic payment institutions that apply to engage in small-amount international remittances service. (amendment to Article 14)
4. A newly added provision allows for funds received from users to be returned to "a registered stored value card of the same electronic payment institution." (amendment to Article 26)
5. For an electronic payment institution that assists with the selling of gift certificates or tickets, the amended Rules provide that it may only accept payments from users through their registered stored value cards. (amendment to Article 31)
6. New provisions have been added regarding the outsourcing of cloud-based services. (addition of new Article 45-1)

The FSC will continue actively promoting the popularization of electronic payments, and creating a good environment for non-cash and mobile payments in Taiwan.

FSC allows professional investors to invest in foreign virtual asset ETFs via sub-brokerage investment accounts

In order to allow investors to choose between many different investment products and to inject increased liquidity into the market for securities investments made via sub-brokerage investment accounts, and in view of the relatively high risk of investing in foreign virtual asset ETFs, the FSC on 1 October 2024 issued an interpretive rule declaring that professional investors will be allowed to invest in foreign virtual asset ETFs via sub-brokerage investment accounts. The content of the interpretive rule is summarized as follows:

1. Investor eligibility restrictions: Virtual assets are complex in nature and subject to sharp price volatility, so investments in virtual asset ETFs are relatively risky. Accordingly, the principals who may entrust securities firms to execute brokered trades in virtual asset ETFs are limited to professional investors. The term "principals" includes professional institutional investors, high-net-worth corporate investors, high-asset customers, juristic persons or funds that qualify as professional investors, and natural persons that qualify as professional investors.
2. Enhancement of KYC procedures: A securities firm must establish an appropriate system for ensuring the suitability of virtual asset ETFs and must report the system to its board of directors for approval, and before a principal first places a trading order the securities firm must evaluate whether the principal possesses professional knowledge regarding investing in virtual assets and related products, and whether they have a certain level of investment experience, in order to be sure of the suitability of the customer seeking to place a purchase order.
3. Signing of risk disclosure statement: Unless the principal is a professional institutional investor, the principal must sign a risk disclosure statement before placing a purchase order for the first time, and only then may the securities firm accept the order.
4. Provision of product information: Unless the principal is a professional institutional investor, a securities firm must provide information on virtual asset ETFs before a principal places a purchase order for the first time.
5. Periodic education and training: A securities firm must provide its associated persons with periodic education and training regarding virtual asset and related products to help associated persons better understand such products.

FSC amends "Regulations Governing Securities Investment Consulting Enterprises"

The number of firms providing securities investment consulting services with automated tools ("robo-advisor services"), the amount of their assets under management, and the number of their customers have all risen sharply. In order to elevate legislation related to robo-advisor services to a higher level in the hierarchy of the law, to increase supervisory rigor, and to protect investors, the FSC has amended the "Regulations Governing Securities Investment Consulting

Enterprises." In addition to incorporating important self-regulatory rules, the amended Regulations also expressly provide financial and operational requirements, internal management systems or internal control systems, and external supervisory rules for robo-advisor services. At the same time, the amended Regulations also allow banks that operate trust enterprises as a sideline business to cite capital adequacy as its financial eligibility condition for conducting securities investment consulting business dealing with foreign securities and providing robo-advisor services.

Notice of draft "Regulations Governing Anti-Money Laundering Registration of Enterprises or Persons That Provide Virtual Asset Services" and draft amendment to the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction"

The FSC has completed a draft set of "Regulations Governing Anti-Money Laundering Registration of Enterprises or Persons That Provide Virtual Asset Services" (hereinafter, "Regulations Governing Registration of VASPs"), and has also completed a draft amendment to the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platform or Transaction" (hereinafter, "AML/CFT Regulations for VASPs"). The FSC has issued the public consultation process to solicit public input on both of these draft Regulations on 4 October 2024. Additionally, after the implementation of the VASP registration system, the current compliance declaration system will be simultaneously terminated. Regardless whether businesses have already completed the compliance declaration, they must register in accordance with the provisions of the "Regulations Governing Registration of VASPs." The FSC reminds businesses intending to operate as VASPs to consider whether to wait until the registration system is in effect before submitting their applications, in order to avoid the inconvenience of having to reapply under different regulations within a short period of time. The draft secondary legislation referred to here will be published in the Executive Yuan Gazette. In addition, the FSC website will also provide an overall description and a comparison chart of the pre- and post-amendment provisions of the latter Regulations. Anyone wishing to express opinions is welcome to visit the FSC website or contact the FSC Securities and Futures Bureau at any time during the 30-day period starting from the day next after commencement of the public consultation process to air their views.

FSC amends the formula for insurers' calculation of adjusted net capital and risk-based capital

To coordinate with the Executive Yuan's "Trillion Yuan National Infrastructure Program," which is designed to guide insurers to invest in domestic infrastructure projects, the FSC issued its amended "2024 formula for insurers' calculation of adjusted net capital and risk-based capital" on 12 September. The 2024 formula reduces the risk coefficients that apply to investments that insurers make 100% of their infrastructure investments via domestic private equity funds. The risk coefficients that apply to such indirect investments in infrastructure projects has been reduced from 10.18% to 1.28%, which is the same rate that applies to direct investments in infrastructure projects by insurers.

FSC eases restrictions on ownership of bonds with capital characteristics issued by insurers

On 1 October 2024, the FSC amended Point 2 of the "Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies" to allow that long-term corporate bonds (those having a maturity of 10 years or longer) with capital characteristics issued by an insurance company may be held by natural persons who have a relationship with the issuer, which brings Taiwan's legal provisions more closely in line with international regulations, and have made it possible for Taiwanese firms to raise capital more flexibly, strengthen their capital, and align with international systems.

FSC issues interpretive rule on Article 7, paragraph 1, subparagraph 12, item 4 of the "Regulations Governing Business Solicitation, Policy Underwriting and Claim Adjusting of Insurance Enterprises"

The Ministry of Finance announced early in 2024 that the standard deduction for funeral expenses would be raised this year to NT\$1.38 million. To coordinate with this announcement, as well as the content of Articles 107 and 107-1 of the "Insurance Act," the FSC has issued an interpretive rule on 9 September 2024 to provide that—with respect to insured persons who are minors who have not yet reached the age of 15 or are still subject to a declaration of guardianship and such declaration has not yet been withdrawn—there shall be a cap on insurance benefits

paid to any such insured person who obtains travel accident insurance without being required to sign for it personally.

FSC issues interpretive rule on Articles 6 and 9 of the "Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises"

To coordinate with the government's policy of encouraging private-sector domestic investments, the FSC has issued an interpretive rule regarding the "Regulations Governing Use of Insurer's Funds in Special Projects, Public Utilities and Social Welfare Enterprises." The interpretive rule sets out certain requirement that an insurance enterprise must abide by when investing in public infrastructure projects.

International Activities

Secretary General of the Basel Committee on Banking Supervision, Mr. Neil Esho, Delivers a Keynote Speech in Taiwan

The FSC invited Mr. Neil Esho, Secretary General of the Basel Committee on Banking Supervision (BCBS), to Taiwan to deliver a keynote speech. This event aimed to help Taiwan's financial industry assess its risk-bearing capacity, continuously optimize bank capital structures, and improve asset quality.

Mr. Esho's keynote speech, titled "Bank Regulation and Supervision: the work of the Basel Committee and open issues" centered on the implementation of the Basel III framework and the BCBS's responses to emerging risk challenges. The keynote speech addressed the following topics: (1) Progress on Basel III Implementation; (2) Reflections on International Financial Market Turmoil; (3) Revised Core Principles for Effective Banking Supervision; (4) Challenges of AI and Big Tech.

At the end of speech, Mr. Esho emphasized that the global banking system must build sufficient resilience as the sources of future shocks are unpredictable. Effective supervision is crucial to ensuring financial stability. The banking industry will face technological and structural changes in the future, and both banks and supervisory authorities must be prepared.

The FSC will continue to promote risk management measures in line with BCBS standards and strengthen cooperation with international organizations to ensure the stable development of Taiwan's financial system.

AIT Taipei pays a visit to the FSC



An AIT Taipei delegation led by Director Raymond Greene (4th from the left) paid a courtesy call to the FSC on September 23, 2024. They were warmly received by FSC Chairperson Dr. Jin-Lung Peng (3rd from the right), and both sides broadly exchanged views on issues of mutual interest.

The FSC received a visit by Mr. Fergus Cumming, Deputy Chief Economist of the UK Foreign, Commonwealth and Development Office and his colleagues.



Mr. Fergus Cumming, Deputy Chief Economist of the UK Foreign, Commonwealth and Development Office (fourth from the left), and his colleagues were warmly received by the Vice Chairperson Jean Chiu of the FSC, on September 12, 2024. The two sides exchanged views in issues including the FSC's new policies.

Industry Updates

FSC recognizes four SITEs as eligible for preferential measures under "Incentive Policy for Onshore Funds"

In order to enhance the professional expertise of asset managers in Taiwan, increase assets under management, and help securities investment trust enterprises (SITEs) expand their international business, the FSC has announced the "Incentive Policy for Onshore Funds." SITEs that meet specific criteria may be eligible for preferential measures under the Policy. The following four SITEs were recognized by the FSC as meeting the requirements of the Policy this year: Yuanta Securities Investment Trust, Fuh Hwa Securities Investment Trust, Nomura Asset Management, and First Securities Investment Trust.

The FSC calls upon domestic SITEs to continue strengthening their investment research capabilities, developing their international lines of business, and actively cultivating asset management talent. The FSC also encourages small and medium-sized SITEs to steadily grow their business and become more competitive, and encourages SITEs to improve their stewardship disclosures and performance, to address ESG concerns in their investment procedures and actively conduct sustainability-related matters, and to spur investee companies to seek sustainable development. The idea is for SITEs and investees to work together to enhance Taiwan's sustainable development and achieve the transition to a net-zero economy.

FSC recognizes five asset management groups as eligible for preferential measures under "Incentive Policy for Offshore Fund Development in Taiwan"

With the intention of encouraging offshore fund institutions to increase their involvement in Taiwan and take part in the development of the domestic asset management market, the FSC has announced the "Incentive Policy for Offshore Fund Development in Taiwan." The offshore fund institutions that meet the requirements of the Incentive Policy are eligible to benefit from various preferential measures. This year, the following five asset management groups were recognized by the FSC as meeting the requirements of the Incentive Policy: JP Morgan, BlackRock, Fidelity, Goldman Sachs, and Franklin. In the future, the FSC will continue to encourage offshore fund institutions to submit applications in accordance with the Incentive Policy in order to consolidate the resources of domestic and offshore funds, and to improve the competitiveness of Taiwan's asset management industry.

NPL Ratio for Domestic Banks as of the End of September 2024

Unit: NT\$1 billion / percentage points

	30. Sep. 2024	31 Aug. 2024	Increase/Decrease
Total outstanding loans	41,470	41,167	Increased by 303billion
NPL ratio	0.15%	0.16%	decreased by 0.01percentage points
Coverage Ratio	896.67%	864.33%	Increased by 32.34percentage points

As of the end of September 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.

NPLs at credit cooperatives at the end of September 2024

Unit: NT\$1 billion / percentage points

	30. Sep. 2024	31 Aug. 2024	Increase/Decrease
NPL	7.99	6.17	Increased by NT\$0.18 billion
NPL ratio	0.12%	0.10%	Increased by 0.02 percentage points
Coverage Ratio	1902.03%	2441.37%	Decreased by 539.34 percentage points

As of the end of September 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.

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 Area investment in listed shares

Unit: NT\$1 billion

	As of Sep. 2024	TWSE-listed shares	TPEX-listed shares
Foreign Investors	Bought	24,807.89	4,217.81
	Sold	25,242.59	4,272.56
	Net bought (sold)	(434.70)	(54.75)
Mainland area investors	Bought	4.244	0.38
	Sold	4.35	0.44
	Net bought (sold)	(0.11)	(0.06)
Total		(434.8)	(54.81)

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

Unit: NT\$1 billion

	End-Sep. 2024	End-Aug. 2024	Increase (Decrease)
Cumulative net (outward) inward remittance from offshore foreign institutional investors and foreign individual investors	274.959	273.418	1.541
Cumulative net (outward) inward remittance from Mainland area investors	0.059	0.069	(0.01)
Total	275.018	273.487	1.531

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

Unit: NT\$1 billion

	End-July 2024	End-July 2023	Increase (Decrease)
Investment-linked insurance	25.272	43.730	-42%
Traditional life insurance	143.953	122.797	17%
New-policy premium income (total)	169.225	166.527	2%

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

1. Pre-tax profit of insurance enterprises

Unit: NT\$1 billion

	End-August 2024	End-August 2023	Growth Rate %
Pre-tax profit of life insurance enterprises	285.7	149.3	91.4%
Pre-tax profit of non-life insurance enterprises	19.7	9.6	105.2%
Pre-tax profit of insurance enterprises (total)	305.4	158.9	92.2%

2. Owners' equity of insurance enterprises

Unit: NT\$1 billion

	End-Aug. 2024	End-Aug. 2023	Growth Rate %
Owners' equity of life insurance enterprises	2,677.3	2,089.3	28.1%
Owners' equity of non-life insurance enterprises	147.2	120.9	21.8%
Owners' equity of insurance enterprises (total)	2,824.5	2,210.2	27.8%

3. As of the end of August 2024, the NT Dollar had depreciated by 3.77% against the US Dollar since the end of 2023, and the cumulative balance of foreign exchange valuation reserve of life insurance enterprises was NT\$174.7 billion, increasing by NT\$82.7 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\$-179.6 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\$608.2 billion.

Investor and Consumer Protection

2024 Financial Literacy Campaign for the Campus and Community

In October 2024, the FSC held 70 activities at different locations, including Zhongzheng District Health Services Center, as part of the 2024 Financial Literacy Campaign for the Campus and Community, attracting 4,193 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.

Premier Cho Jung-tai visits bank to learn how service counter personnel stop scams in progress



Premier Cho Jung-tai visited Cathay United Bank on 16 September 2024 to observe how service counter personnel inquire about the transactions of walk-in customers and step in to stop any scams in progress that they might discover. While at the bank, Premier Cho thanked the bank personnel for caring for customers' well-being.

In 2023, service counter personnel at financial institutions successfully prevented 11,300 scams in progress that involved a total of NT\$7.6 billion, which brings the total for the past two years to more than NT\$10 billion. Premier Cho noted that the use of AI by banks to enhance fraud prevention helps to deal with rapidly evolving fraud techniques, and added that the government will continue to earmark funds to promote outreach activities to familiarize the public with how to spot scams.

Combating fraud is an important government policy and the FSC, working under the guidance of the Executive Yuan, will continue seeking to enhance the depth and breadth of financial fraud prevention measures and maintain the security of financial transactions, will employ an array of advanced fraud prevention measures, and will collaborate with other government agencies as well as private-sector entities to safeguard the property of the public.

FSC grants 2024 awards to insurers for excellence in implementing Treating Customers Fairly (TCF) Principles, and awards for best progress



On 13 September 2024, the FSC held the "Award Ceremony for the Outstanding Performers in the 2024 Assessment of Insurance Industry Fair Treatment Principles." In addition to giving awards to non-life and life insurers that ranked in the top 25% for implementation of the TCF Principles, and to insurance companies that had achieved the best progress, the FSC also explained that in 2025 the soundness of companies' systems for preventing fraud and handling complaints will also be factored into the scoring. The FSC will review the performance assessment system on a rolling basis in order to improve the quality of services provided by insurers and better safeguard the interests of consumers.

FSC reminds companies to appreciate the importance of cyber risk management, and to act in a timely manner to obtain cyber insurance

As information technology progresses and e-commerce develops, cyber threats rapidly increase. Companies have to put some serious thought into what must be done to effectively lay off the risk of cyber incidents. By assessing the possibility of obtaining cyber insurance, a company can do a solid job of risk management. Cyber insurance currently available on the market targeted to the needs of large corporations is generally tailored to the particular needs of individual customers. In addition, there is also cyber insurance for small and medium enterprises, which comes in various types, including the following: (1) Electronic and computer crime insurance: This type of insurance primarily protects the insured against monetary or other property damage caused when a third party illegally intrudes into their computer system. (2) Privacy liability insurance: This type of insurance protects the insured against the risk that they might face legal liability to a third party for damages arising from a leak of personal information. (3) Cyber security insurance: This type of insurance protects the insured party against property damage due to a cyberattack, a ransomware attack, or administrator error, and against liability for indemnification to third parties. Statistics indicate that the cyber insurance premium income of domestic non-life insurers is steadily growing, and an examination of the types of industries obtaining such insurance shows that related industries are beginning to appreciate the seriousness of cyber risks. The FSC reminds companies that, in addition to paying attention to the software and hardware aspects of their systems for ensuring cybersecurity, they would also be well advised, depending on the nature of their business and their developmental needs, to obtain suitable cyber insurance products to lay off cyber risks and ensure stable business operations.

FSC holds "Award Ceremony for Contributions to Financial Education, and Related Conference"

On 27 September, the FSC held an "Award Ceremony for Contribution to Financial Education and Conference" to give public recognition to financial institutions and other entities that have made outstanding contributions to the promotion of financial education. The FSC gave out the following five awards: Best Innovation Award (Cathay Century Insurance Co.); Best 'Bridge to Inclusiveness' Award (Taipei Fubon Bank); Best Benefits Award (Taiwan Academy of Banking and Finance); Best Collaboration Award (Taipei Fubon Bank); and Best Dedication Award. In addition, during the event various experts, scholars, and award winners spoke on the theory of financial education outreach work and their experience in the field. The FSC hopes that financial education outreach will be more than just a matter of spreading knowledge, and will actually serve to spread enlightenment and help to turn lives around.

Continuous development of a variety of outreach materials and channels; cooperation among industry, government, and academia; delivering financial education to people from all different age groups and walks of life; continuing to promote financial education more energetically as time goes by; extending financial literacy activities far and wide—all of these things are extremely important, but the road ahead is a long one. The FSC intends to work side-by-side with other entities to keep moving forward, and will carry forward with the spirit of the Awards for Contributions to Financial Education by continuing to hold the awards ceremony. The FSC hopes to see more financial institutions taking part in the competition, pushing each other to up their game, and doing their part to improve the overall level of financial literacy and resilience in Taiwan.

Personnel Changes

Following the retirement of FSC Financial Examination Bureau Director General Mr. Tzy-Hao Chang on 2 August 2024, FSC Banking Bureau Deputy Director General Mr. Chen-chang Tong was promoted to assume Mr. Chang's vacated position. The personnel changes were approved by the Executive Yuan on 19 September 2024, and Director General Tong assumed his new position on 25 September 2024. Mr. Li-yang Hou succeeded Mr. Tong as Banking Bureau Deputy Director General, having been promoted from his previous position as Banking Bureau Chief Secretary. The vacant position of Banking Bureau Chief Secretary was filled by Mr. Yun-chong Wang, who was transferred from his previous position as a division director in the Banking Bureau. Both appointments took effect on 7 October 2024.