

金融展望月刊

Financial Outlook Monthly

Publisher Dr. Jin-Lung Peng

Advisor Dr. Yen-Liang Chen
Jean Chiu
Chih-Chi Lin

Executive Editor
Department of Planning

Publishers & Editorial Office
Financial Supervisory
Commission

Add 18F., No.7, Sec. 2, Xianmin
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>

GPN 2009305443

ISSN 1992-2507

*The Chinese version rules if
any contradiction in meaning
exists between the Chinese
version and English versionl.

February 2025

《Chinese version please refer to page 1》

No. 243

Ministry of Justice Anti-Corruption Hotline 0800-286-586
Anti-Corruption Hotline 0800-088-789

- FSC establishes Department of Development and Innovation
- Setting the scope and formula for calculating total adjusted capital and risk-based capital of insurance companies
- Releases the second version of the “Taiwan Sustainable Taxonomy” and the “Recommended Elements of Corporate Transition Plans” to help financial institutions and corporates realize a low-carbon transition

Policy and Law

FSC establishes Department of Development and Innovation



To promote policies focusing on safety and development, and to encourage sustainable development and innovation in financial markets, the FSC established the Department of Development and Innovation on 1 January 2025. The department is responsible for drafting policies and consolidating resources for fintech and innovation, green and transition finance, and financial market development, among other areas. The department will consist of four sections, with responsibilities as follows:

1. Financial Innovation Section I: Serving as a one-stop window for consultations, assessments, and processing of fintech cases; determining standards, guidelines, and directions concerning the development of financial innovations; and promoting international exchanges on fintech, collecting information, and analyzing trends.
2. Financial Innovation Section II: Managing the FinTechSpace and the Finnovation Hub; overseeing large-scale domestic exhibitions and forums on innovation; planning and implementing ecosystem cooperation matters; planning and screening for fintech subsidies; planning the export of domestic innovative technology; matching capital and potential cooperation cases; and planning fintech and supertech talent training.
3. Green Finance Section: Planning, executing, and managing performance of green and transition finance action plans; collecting, researching, and analyzing trends in net-zero and transition issues; promoting the Financial Industry Net-Zero Working Platform; expanding international exchanges and export of professional expertise on green and transition financing; and planning domestic advocacy, education, and training.
4. Financial Development Section: Collating measures affecting the development of international financial markets and assessing the feasibility and means to promote these in Taiwan; holding sustainable finance evaluations; improving Sustainable Finance Certification; researching, analyzing, and filing policies on Taiwan as an Asian asset management center while managing related promotion efforts and achievements; and working with related ministries on coordinating a joint promotion of development-oriented cases.

Business handled by the Financial Technology Development and Innovation Center since its establishment in 2018 was subsumed into the new department on the day of its establishment. The FSC thanks all parties for their support of the establishment of the innovation department and request the continued support of related government agencies, organizations, associations, and groups that they might work together toward innovation, sustainability, and development in order to create new financial markets geared toward both security and development, thus creating a forward-looking financial ecosystem.

FSC releases the second version of the “Taiwan Sustainable Taxonomy” and the “Recommended Elements of Corporate Transition Plans” in partnership with the MOENV, MOEA, MOTC, MOI, and MOA, to help financial institutions and corporates realize a low-carbon transition

To encourage more corporates to move toward decarbonization and sustainable development goals, the FSC released the second version of the “Taiwan Sustainable Taxonomy” in partnership with the Ministry of Environment (MOENV), Ministry of Economic Affairs (MOEA), Ministry of Transportation and Communications (MOTC), Ministry of the Interior (MOI), and Ministry of Agriculture (MOA). To help corporates and financial institutions identify sustainable economic activities and facilitate their orderly low-carbon transition, the updated version expands the scope of eligible sectors and introduces technical screening criteria for specific activities that make a substantial contribution to environmental objectives. Additionally, to support corporates that are in the process of planning or undertaking a decarbonization transition, and to lower communication costs between corporates, stakeholders, and financial institutions, the FSC, together with the aforementioned five ministries, also released the “Recommended Elements of Corporate Transition Plans.” This document provides detailed guidance for corporates to create comprehensive, actionable transition plans. Through such plans, financial institutions can engage with corporates, understand their resource needs, and provide appropriate financial support.

The FSC envisions the “Taiwan Sustainable Taxonomy” as a guiding framework for corporates to pursue decarbonization and sustainable transitions, while the “Recommended Elements of Corporate Transition Plans” is a practical reference for structuring transition plans. These tools aim to drive sustainable development by fostering communication and engagement between financial institutions and corporates. This will enable financial institutions to support industries in achieving an orderly net-zero transition as well as sustainability development goals.

FSC announces results of second Sustainable Finance Evaluations

To come into line with international practices and help domestic financial businesses respond to climate change and ESG-related risks, and ensure that finance influences the sustainability of businesses while hastening the creation of a sustainable financial ecosystem in Taiwan, the Taiwan Academy of Banking and Finance, the Securities and Futures Institute, and the Taiwan Insurance Institute have completed the second Sustainable Finance Evaluations in line with FSC green and transition finance policies and plans.

Among the top 25 percent of banks, securities businesses, and insurance firms were: for banks: Yuanta Commercial Bank, CTBC Bank, E. Sun Commercial Bank, Taipei Fubon Bank, Mega Commercial International Bank, First Commercial Bank, Cathay United Bank, Chang Hwa Bank, and Taiwan Business Bank; for securities and investment businesses' securities division—Yuanta Securities, Sinopac Securities, Mega Securities, First Securities, Cathay Securities, and Fubon Securities; for the investment trusts division—Yuanta Funds; for insurance firms (life insurance division): Cathay Life and Fubon Life; and for (non-life insurance division): Cathay Century and Fubon Insurance.

The second evaluation involved a greater scope of evaluation items, but still did not include all financial organizations. The public is reminded that making comparisons across industries of, for instance, the number of indicator topics or the content, is inappropriate given the differences between industries. The FSC will continue to consider the international development of ESG as well as related promotions at domestic financial businesses and adjust the framework or indicators of the Sustainable Finance Evaluations on a rolling basis. Through the design and implementation of supervisory mechanisms, the FSC will encourage financial organizations to proactively examine ESG and climate change risks, strengthen response capabilities, and cultivate resilience so as to improve financial organizations' efficacy and influence vis-à-vis the net-zero transition and sustainable development, allowing them to serve as benchmarks and lead the way in applying sustainability-linked issues more comprehensively at all levels in their respective industry or other industries.

FSC revises regulation on capital calculation for market risk, credit valuation adjustment, and securitization exposure

To improve domestic banks' total loss-absorbing capacity and to come into line with international practice, the FSC consulted international practices and announced on 3 January 2025 amendments to the “Methods for Calculating Bank's Regulatory Capital and Risk-Weighted Assets” (the Methods), which address the capital calculation for market risk, credit valuation adjustment, and securitization exposure. The regulation will take effect from 1 July 2025 in consideration of banks' need to adjust their systems and draft internal guidelines.

The FSC had requested 38 domestic banks to take stock based on their capital adequacy ratio at the end of December 2023; the results showed that, following the amendment, the average common equity tier 1 ratio, tier 1 capital ratio, and total capital adequacy ratio of all banks decreased slightly (by 0.04, 0.04, and 0.05 percentage points, respectively), while the leverage ratio remained unchanged. In general, the revisions to the Methods are expected to have a minimal impact on domestic banks.

Amendments to Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises

To improve fund subscription transfer flexibility for investors subscribing to funds through securities firms, and to make fund subscription more convenient for investors, the FSC announced revisions to Article 24 of the Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises on 8 January 2025 to allow exemption from the restriction that requires the subscriber to transfer subscription costs directly to a segregated fund account provided that securities firms are subscribing to investment funds under the name of investors and are handling the receipts and payments in accordance with the rules concerning customer ledgers of securities firms' settlement accounts specified in Article 38 paragraph 2 of the Regulations Governing Securities Firms.

Phase 4 localization and transitional adjustment measures of the new generation solvency regime take effect for Taiwan insurance enterprises

To assist domestic insurers in smoothly transitioning to the new solvency regime in 2026, and to encourage them to continue improving companies' financial and business development as well as their asset-liability management ability, the FSC—after referencing the Insurance Capital Standards issued by the International Association of Insurance Supervisors on 5 December 2024, international practices and the opinions of domestic insurance-related organizations and enterprises, and the present state of Taiwan's insurance market, has announced the fourth phase of localization and transitional adjustment measures, including non-default spread risk (NDSR) capital charges, will be subject to transitional measures the same as emerging risks—such as longevity risk, lapse risk, expense risk, and catastrophe risk detailed in Phase 3—with a linear increase from 0% to 100% over a 15-year period, setting localized interest rate risk and life insurance risk stress scenarios, and setting a limit on capital resource calculated by insurers to have it be based on risk capital prior to the adoption of transitional measures. This will more adequately reflect Taiwanese life insurers' actual operational insurance risk. The FSC will revise requirements concerning capital adequacy and continue to monitor international solutions regarding solvency regimes. Where the overall economic and financial environment and noteworthy changes following the implementation of new regimes permits, the FSC will review the related regime in a timely manner.

Setting the scope and formula for calculating total adjusted capital and risk-based capital of insurance companies

In line with the policy direction set by the Executive Yuan's Trillion NT Dollar Investment National Development Plan, to guide insurance industry capital investment into domestic infrastructure, and to respond to expert opinions on the Financial Action Innovation Regulation Adaptation Platform, the FSC released the 2024 formula for calculating total adjusted capital and risk-based capital of insurance companies on 13 December 2024, reducing the risk coefficient for insurers for insurers' placing 100% of their infrastructure investment via domestic private equity funds from 10.18% to 1.28%. Following the adjustment, regardless of whether insurers invest directly in infrastructure investments or make 100% of their infrastructure investments via private equity through domestic private equity funds, the risk coefficient of 1.28% shall apply.

FSC explains policy planning direction for digital insurers

In order to introduce innovative technology into the insurance market, and to promote a digital transformation so as to provide a diverse array of innovative products and services, achieve financial inclusion, and thereby enhance the efficiency of insurance services and consumer rights, the FSC—considering the developmental experience of both domestic and international markets as well as the opinions of relevant sectors—is set to revise the scope of qualifications for establishing an internet-only insurer. The policy planning direction includes: (1) the term “internet-only insurer” will be revised to the internationally common “digital insurer,” wherein the scope of business is not limited to the sale of innovative or protection-type insurance products. In addition, such an insurer may establish real-world operations or service centers in line with customer or actual needs and sell insurance products via salespersons, agents, or brokers. A digital insurer shall be defined as “an insurer that utilizes fintech or digital technology to offer innovative insurance products and services above a certain volume”; (2) an innovative protection period of 6 months is to be provided for innovative insurance products or services developed by digital insurers that may be extended where necessary by the supervisory authority; (3) the minimum paid-in capital of digital non-life insurers and life digital insurers will be reduced to NT\$500 million and NT\$1 billion, respectively, but where based on the business scale and budget described in the business plan, the corporates may be required to increase this figure; (4) the regulation concerning thresholds for promoters and shareholders of financial organizations will be repealed; instead, while applications are being reviewed, note will be made of whether the promoters have both

the professional capacity and long-term ability to operate an insurance company; (5) a foreign digital insurer with sound business performance, strong financial stability, free of any penalty against it for material regulatory violation in the last five years, and having paid-in capital of at least NT\$2 billion or a credit rating that meets certain standards, will be allowed to apply to establish branches in Taiwan; (6) no time limit is set for establishing a digital insurance company.

Regulations Governing Real Estate Investment by Insurance Enterprises Amended

Considering that insurers' investments in real estate are aimed at long-term stable income, and that the index interest rate for the statutory rate of return should have a stabilizing effect so as to ameliorate the effects of adjustments to short-term interest rates, the FSC amended Article 2 paragraph 3 of the Regulations Governing Real Estate Investment by Insurance Enterprises, setting the benchmark rate as the average of the past 5 years of the floating rate announced by Chunghwa Post Co., Ltd. for two-year small postal time deposits on January 1 of each year.

Announcing interpretive rule on Article 4 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises

To ensure that domestic insurers enjoy stable operations, protect the rights and interests of the insured, and make sure that the reserve valuation rates of life insurance policies adequately reflect market rates, the FSC—following meetings with insurers—finalized discussions of the 2025 reserve valuation rates for new life insurance policies denominated in foreign currencies. In comparison with the present rate for new life insurance policies, the rate for new life insurance policies denominated in certain currencies was left unchanged.

The setting aside of reserves constitutes a cost in the running of an insurance enterprise. An insurer must set aside policy reserves on the basis of the reserve valuation rate, and when the pricing insurance policies, it will take that cost into consideration.

The FSC reminds insurers that they are to take into consideration foreign market rates and ensure sufficient capital allocation while implementing responsible capital management as they promote their protection-type insurance products, increase insurance coverage of nationals, and ensure the stable operation of their business.

Implementing measures to relax OSU regulations, permitting new accounts and trading for offshore customers

To promote Taiwan as an Asian asset management center and to help the offshore securities units (OSUs) of local securities firms offer securities services to attract the repatriation of funds from overseas, the FSC, in considering the analysis and opinions of committee members from academia and the business world, is considering the following relaxations of OSU regulations:

1. Account opening: the process for opening accounts via the internet will be simplified to increase the willingness of potential offshore clients to open accounts.
2. Trading: offshore customers are to be permitted to use an account and password; account, password, and one-time passcode; or a third-party authenticator, in addition to the option to download and install an e-certificate from Taiwan's certificate authority, to place their orders in a convenient, secure manner.
3. Fund transfer: in a relaxation of regulations, overseas customers' funds may be placed into an OBU dedicated account run by a securities firm or placed with a foreign custodial bank that the firm partners with to make fee transfers by offshore customers easier and help them save on transfer fees.

The FSC is working in line with administrative procedures and estimates that legal relaxations will be completed in 2025 to expand the international market for Taiwan's securities firms and establish Taiwan as an Asian asset management center.

Promoting the establishment of a Financial Fast-ID Authentication and Connection Hub

To further expedite ID authentication required by financial services and improve customer experience, the FSC and the Financial Fast-ID Alliance are jointly promoting a Financial Fast-ID Authentication and Connection Hub (hereinafter, "the Hub"). The Financial Fast-ID Alliance passed a resolution that the Hub will be established by the Financial Information Co., Ltd. It will encompass 16 pilot institutions that together will discuss business scenarios and cooperate in drafting related business plans.

The FSC has asked the Financial Fast-ID Alliance to continue to collect members' requirements and suggestions and to coordinate with related associations on exploring the feasibility of expanding the types and scenarios of Financial Fast-ID business. Through cross-agency discussions, it is hoped that the Financial Fast-ID can be made applicable beyond the financial realm. The FSC began accepting requests for consultations and business trials by pilot institutions starting 2 January 2025. Following a review, the FSC will announce the names of approved applicants and hopes that this will improve linkages

and interoperability among digital ID authentication systems, thereby expediting the development of digital finance.

FSC announces 2025 financial examination focuses

The Financial Examination Bureau has announced the 2025 financial examination focuses. The focuses were developed after referencing recent developments in domestic and international political and economic conditions, external stakeholders' concerns, as well as key financial regulations and supervisory focuses of the FSC in 2024, key supervisory matters of the sectoral bureaus, and matters identified as needing further scrutiny. The FSC selected a total of 109 examination focuses for the different sectors of the financial industry.

In 2025, the FSC will prioritize the following: anti-fraud measures; risk management of the real estate lending business; protecting financial consumers' rights and interests (including personal data protection, protecting the rights of the disabled, and control of the sales practices of wealth management specialists); corporate governance; and information security. Additionally, to effectively respond to the rapid growth of users and payment transactions handled by specialized electronic payment institutions in recent years, the FSC will expand the scope of its supervision of financial and operational status to include such institutions using the same approach adopted for other financial institutions. Announcing the financial examination focuses will help financial institutions come to an early understanding of the main issues to be supervised and examined by the FSC and help them establish ethical management and improve self-regulation for a sound business environment.

Industry Update

FSC announces Japan as a recognized location for offshore ETF registration and fund managers

To transform Taiwan into an Asian asset management center, the FSC has encouraged mutual ETF listing in Taiwan and Japan as a key measure under the "international cooperation on capital markets" aspect of the Expanding Investment in Taiwan Plan.

To satisfy domestic investors' demand for global asset allocation, following negotiations, the Taiwan Stock Exchange and the Japan Exchange Group expressed a willingness to promote mutual ETF listings. On 19 December, 2024, the FSC announced that Japan is a recognized location for offshore ETF registration and fund managers. This will lead to mutual ETF listings in both markets. Taiwan-Japan cross-border ETFs create new opportunities for Taiwan's firms to expand in overseas markets and give investors a wider variety of investment options.

FSC convenes 58th Business Liaison Meeting and Recognition Ceremony for General Managers of Domestic Banks



On 17 December 2024, the FSC convened the 58th Business Liaison Meeting and Recognition Ceremony for General Managers of Domestic Banks. FSC Chairman Jin-Lung Peng delivered remarks and presented the 2024 Financial Services Excellence in the Principle of Treating Clients Fairly. The FSC has also requested that banks continue to support and abide by its recent key policies and measures, including:

1. Banks are to continue striving to realize the principle of treating customers fairly, enhance the function of the board of directors, and remain attentive to following up on consumer protection issues, so as to realize the policy goal of the fair treatment of clients.
2. Banks are to support and abide by recent anti-fraud efforts.
3. Banks are to continue working in line with the Executive Yuan's Sound Real Estate Market Plan and other key policies as well as response measures by various ministries cooperating on stabilizing the real estate market and supervisory measures that have been instituted in recent years.
4. Improving green loan review mechanisms.

NPL ratio for domestic banks as of the end of December 2024

Unit: NT\$1 billion / percentage points

	31Dec. 2024	30Nov. 2024	Increase/Decrease
Total outstanding loans	42,208	41,959	Increased by 249 billion
NPL ratio	0.15%	0.15%	Same as the previous month
Coverage Ratio	935.2%	881.75%	Increased by 53.45 percentage points

As of the end of December 2024, there were 38 domestic banks in Taiwan, and their asset quality continuously remained manageable as seen in 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 as of the end of December 2024

Unit: NT\$1 billion / percentage points

	31Dec. 2024	30Nov. 2024	Increase/Decrease
NPLs	0.57	0.75	Decreased by NT\$0.18 billion
NPL ratio	0.09%	0.11%	Decreased by 0.02 percentage points
Coverage Ratio	2742.23%	2061.18%	Increased by 681.05 percentage points

As of the end of December 2024, there were 23 credit cooperatives in Taiwan, and their asset quality continuously remained manageable as seen in 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 inflows and outflows of funds

1. Net foreign and Mainland area investment in listed shares

Unit: NT\$1 billion

End Dec. 2024		TWSE-listed Shares	TPEX-listed Shares
Foreign Investors	Bought	32,596.825	5,552.637
	Sold	33,180.670	5,651.424
	Net bought (sold)	(583.845)	(98.787)
Mainland China investors	Bought	6.011	0.477
	Sold	5.886	0.540
	Net bought (sold)	0.125	(0.063)
Total		(583.720)	(98.850)

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

Unit: US\$1 billion

	End Dec. 2024	End. Nov. 2024	Increase (Decrease)
Cumulative net (outward) inward remittance from offshore foreign institutional investors and foreign individual investors	282.633	276.951	5.682
Cumulative net (outward) inward remittance from Mainland China investors	0.058	0.060	(0.002)
Total	282.691	277.011	5.680

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

Unit: NT\$1 billion

	End. Oct. 2024	End. Oct. 2023	Increase (Decrease)
Investment-linked insurance	38.42	58.354	-34%
Traditional life insurance	201.390	166.982	21%
New-policy premium income (total)	239.814	225.336	6%

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

1. Pre-tax profit of insurance enterprises

Unit: NT\$1 billion

	End Nov. 2024	End Nov. 2023	Growth Rate %
Pre-tax profit of life insurance enterprises	326.3	113.0	188.8%
Pre-tax profit of non-life insurance enterprises	25.0	16.1	55.3%
Pre-tax profit of insurance enterprises (total)	351.3	129.1	172.1%

2. Owners' equity of insurance enterprises

Unit: NT\$1 billion

	End Nov. 2024	End Nov. 2023	Increase (Decrease)
Owners' equity of life insurance enterprises	2,630.7	2,097.1	25.4%
Owners' equity of non-life insurance enterprises	149.9	126.4	18.6%
Owners' equity of insurance enterprises (total)	2,780.6	2,223.5	25.1%

3. As of the end of November 2024, the NT Dollar had depreciated by 5.31% against the US Dollar since the end of 2023, and the cumulative balance of foreign exchange valuation reserves of life insurance enterprises was NT\$185.2 billion, an increase of NT\$93.2 billion. Meanwhile, the combined impact of exchange gains/losses, hedging gains/losses, and the net effect of volatility on the foreign exchange valuation reserves of life insurance enterprises was NT\$-267.9 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 reserves) of NT\$795.6 billion.

Investor and Consumer Protection

FSC partners with Toronto Center on Indo-Pacific financial crime training course

To strengthen international cooperation on financial supervision, the FSC cohosted a professional training course on combating financial crime with the Toronto Centre, a Canadian financial training institution, from 16-20 December, 2024.

By cohosting the course with the Toronto Centre, the FSC aimed to enhance its friendly cooperative relationship with international supervisory authorities and training agencies, while demonstrating its concern for fighting financial crime. This marked the first time the FSC had collaborated with the Toronto Centre on hosting a training course. The FSC expected not only to deepen cooperative relationships with various nations but also to strengthen the supervisory capabilities of financial supervisory institutions in addressing issues such as AML and anti-fraud. It laid a solid foundation for further cooperation with the supervisory organizations of other countries while enhancing international visibility for Taiwan's efforts to fight financial crime and deepening international exchanges and cooperation on supervision.

2024 Financial Literacy Campaign for the Campus and Community

Throughout the year, the FSC held the 2024 Financial Literacy Campaign for the Campus and Community, hosting in total 742 related activities that attracted 57,433 participants. The Financial Literacy Campaign is free of charge and has struck a chord with people since its inception in 2006. As of the end of 2024, a total of 9,251 events had been held attended by over 1.25 million people. 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 FSC's Banking Bureau will continue with its promotional campaign to share financial information in 2025 and invites interested schools and groups to apply online or contact it at (02) 8968-9711.

Personnel Changes

The position of Director-General of the Department of Development and Innovation of the FSC has been filled by Mr. Hu Tse-hua, who has been transferred from his former position as Director-General of Planning. Mr. Lin Hsi-sheng, who had served as Deputy Director-General of Planning, will fill the vacancy. These changes took effect 1 January 2025.

Mr. Chang Tzu-ming retired from his position as FSC Financial Examination Bureau Deputy Director General on 16 January 2025.