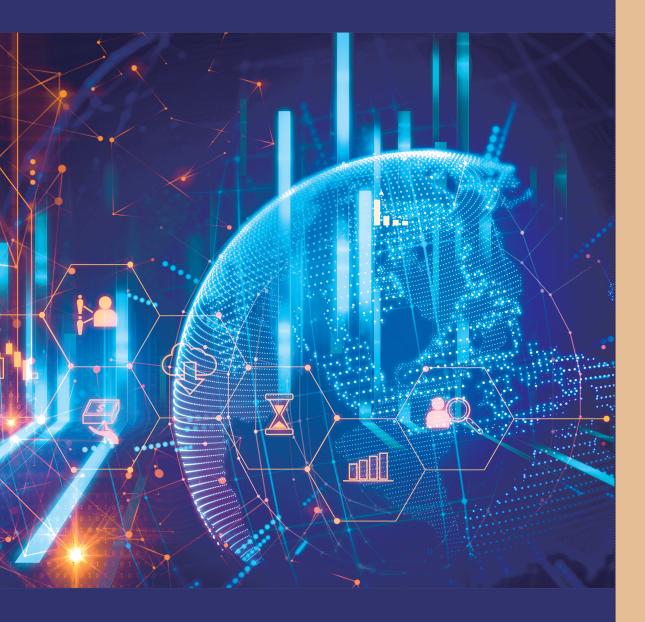
# 2020-2021 Annual Report Financial Supervisory Commission, Taiwan





| Resilience, Innovation, Sustainability, and Inclusion |



# **2020–2021** Annual Report Financial Supervisory Commission, Taiwan



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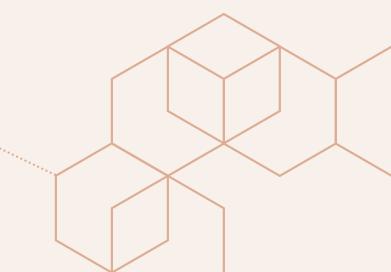


# Chairperson's Statement



### The year 2020 posed extreme challenges, but it was full of opportunities as well.

The COVID-19 pandemic exacted a huge toll by threatening lives and health, and by diminishing economic development, but it also accelerated the process of digitization and the transformation of marketing and business models. At the same time, it spurred us all to think hard about how to strengthen cyber security and facilitate industrial upgrading. The Global Risks Report 2020, which the World Economic Forum (WEF) released before the pandemic, presented the major risks the world was likely to face in the coming year, and the top five risks on the WEF list for 2020 were all related to climate change and the environment. We all face a climate crisis "to which no one is immune." In addition to physical and transition risks, green business opportunities and sustainability have also become the focal points of widespread discussion. As for the structure of society, Taiwan's birth rate dipped below the death rate in 2020, which means that the country's population declined for the first time ever. Taiwan is projected to become a hyper-aged society in 2025. Also, like many developed and emerging economies, the wealth gap in Taiwan is expanding. However, people with differing levels of wealth demand different types of products and services. Meanwhile, most of the world's major economies have maintained accommodative monetary policies in recent years, and interest rates in Taiwan also remained low in 2020. As a result of long-term low interest rates, financial institutions have gradually changed their business strategies and individuals have adjusted their financial planning behavior. Keeping returns and risks in balance has become more important.





The Financial Supervisory Commission (FSC) was established in order to maintain financial stability and to help financial services firms to develop and play the role of financial intermediaries. With these objectives in mind, and in response to the challenges and opportunities described above, the FSC in 2020 launched and implemented the "Six Roadmaps to Prosperity" and the "Capital Market Roadmap," which are designed to pursue the following objectives:

#### Strengthen financial resilience, help enterprises raise capital and obtain financing

Maintaining financial stability is a supervisory authority's number one task. To make sure the financial system would continue to run efficiently during the pandemic, the FSC closely monitored the financial and business status of financial institutions as well as their risk-bearing capacity, oversaw the efforts of financial institutions to adopt proper epidemic control measures and contingency plans, and adjusted capital charge requirements to align with international regulations while at the same time accounting for local conditions. These measures have enabled financial



institutions to operate more flexibly, cooperate with the government's economic relief and stimulus policies, fully discharge their role as financial intermediaries, support industrial activity, and spur real economic growth. Also, with respect to mortgage lending, a line of business with relatively high risk concentrations, the FSC has already adopted corrective measures to address the problem and strengthen financial institutions' loan risk management.

In addition to indirect financing, another important way companies raise funds is by issuing securities. To build forward-looking and globally competitive capital markets, the FSC in March 2020 oversaw the implementation of a system of continuous trading throughout trading hours in Taiwan's securities markets, while bilingualization of the material information of companies listed on the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEx) commenced from July 2020. The FSC's Capital Market Roadmap brought about the launch of a pair of new "innovation boards" on the TWSE and the TPEx in September to support the development of innovative startups. The Roadmap also includes plans for the establishment of a market maker system to increase transaction volume in good-quality, low-liquidity stocks. Also, because the quality of CPAs' auditing and attesting services has an impact on the transparency of capital market information, the FSC has amended regulatory provisions to hold CPA firms to a more rigorous standard of quality control liability.

#### Encourage digital finance and FinTech innovation, strengthen cyber security

The FSC launched its FinTech Development Roadmap in August 2020, which has a number of notable features, including: reliance on an interagency one-stop contact window, information sharing, and regulatory adjustments to shape a friendly FinTech development ecosystem; proposal of an amendment to "The Act Governing Electronic Payment Institutions" to bring its provisions in line with the trend toward integration of virtual and physical payment facilities, and to meet the need of payment institutions to expand their scope of business and conduct better risk management (the proposed amendment was passed by the Legislative Yuan in December 2020); issuance of internet-only banking licenses and the establishment of a special supervisory system for internet-only banks that is capable of real-time monitoring of materiality benchmarks and liquidity risks; promotion of the Open Banking Initiative, with the issuance in June 2020 of self-regulatory rules and information security standards governing phase 2 (Customer Information Inquiries) of the initiative, and approvals for seven banks to provide this type of inquiry service; and approvals for the launch of an expanded range of online insurance products, as well as utilization of Blockchain technology to provide more convenient insurance claim adjustment services.

Financial services providers rely heavily on information technology, and need to strengthen their cyber defense capabilities. In August 2020 the FSC launched the Financial Cyber Security Action Plan, which is designed to provide financial service enterprises with cyber security strategies, management systems, defense technologies, and compliance guidelines, to be implemented via several different approaches (public private partnership; differential regulatory treatment; resource sharing; incentives; and international cooperation). And in order to develop financial cyber security early warning, joint defense, and response capabilities, the FSC has established the Financial Information Sharing and Analysis Center (F-ISAC) and the Financial Computer Emergency Response Team (F-CERT). Also, the FSC in September 2020 established the Financial Security Operations Center (F-SOC), adopted monitoring rules, conducted an analysis of cyber security threat trends, and further improved the financial cyber security joint defense capabilities of financial services firms.

#### Develop sustainable finance, attach due importance to ESG concerns

The FSC has identified sustainable development as a core value. Financial institutions have considerable assets and serve a funds allocation function, which means that they have the critical ability to guide society toward a proper appreciation of the importance of sustainable development. That is why the FSC in August 2020 launched the "Green Finance Action Plan 2.0." Under this Plan the FSC is working on a set of classification standards for environmentally sustainable industries, is drafting and adopting related regulations for Taiwan with reference to regulations of the international Task Force on Climate-related Financial Disclosures (TCFD), and is promoting the establishment of special markets for green bonds, social bonds, and sustainability bonds, thus guiding the financial markets to address the potential risks of climate change and capitalize on associated opportunities, and prompting investors and industrial firms to seek a virtuous cycle of sustainable development.

To strengthen corporate governance in Taiwan, the FSC drafted an amendment to the "Securities Investor and Futures Trader Protection Act" and it was passed by the Legislative Yuan in May 2020. The amendment has improved the regulatory framework for derivative suits and discharge suits. Then in August 2020 the FSC launched the "Corporate Governance 3.0 – Sustainable Development Roadmap," which focuses principally on strengthening the functions of boards of directors, improving information disclosures and communication with stakeholders, encouraging stewardship, further instilling a corporate culture of sustainable governance, and providing diversified products. Under this Roadmap, the FSC will gradually widen the applicability of requirements to appoint independent directors and chief corporate governance officers, enhance



the quality of disclosures in sustainability reports as well as the timeliness of financial information disclosures, strengthen the neutrality of shareholder services, enhance the transparency of e-voting results, promote institutional shareholder activism, and improve the validity of corporate governance assessments.

#### Promote financial inclusion, establish a culture that emphasizes fair treatment of consumers and ethical business practices

Financial services should be able to meet the needs of all types of enterprises and individuals, and should be both convenient and widely accessible. The FSC adopted a set of "Financial Inclusion Indicators for Taiwan" in January 2020 to evaluate the state of financial inclusion in our country and the effectiveness of policy implementation. In September 2020 the FSC launched the "Trust 2.0 Promotion Plan for Comprehensive Trust Services," which includes the following measures: easing of restrictions on the marketing and promotion of trust businesses; amendment of the principles for review and adoption of the compensation systems of trust enterprises; promotion of the establishment of a trust business professional accreditation system for Certified Financial Planners for Seniors; and promotion of the establishment of a professional accreditation system for Family Trust Planners. In October 2020 the FSC launched an intraday odd-lot trading systems to provide young people and small retail investors a channel for participation in the capital markets. Using a diverse range of methods, the FSC continues to improve its various outreach and financial literacy programs directed at different types of people. The FSC has also amended laws and regulations to ensure that persons with physical and mental disabilities have fair and convenient access to financial products and services, and is actively promoting micro-whole-life insurance, micro-insurance, and reverse mortgages. In addition, to respond to the serious impact of the COVID-19 pandemic, the FSC is encouraging banks to take strong steps to implement relief measures adopted by central government agencies, and is urging insurers to help customers by developing needed insurance products. These measures are intended to help companies and individuals weather current difficulties.

No matter how diverse a firm's customers, products, and services may be, a financial services provider must observe ethical best practice principles and treat each customer fairly. In 2020, the FSC continued to assess the implementation by financial institutions of the Principles for Fair Treatment of Consumers, conferred awards upon firms that performed especially well, and

included assessment results among the matters given consideration when financial institutions apply for approval to conduct a new line of business. The directors and senior management of financial institutions are urged to attach proper importance to having an ethics-oriented culture in which an expectation of ethical practices and fair treatment of customers takes root throughout the company, starting at the top and working its way down. By conducting financial examinations, imposing heavier sanctions, requiring higher operational risk capital charges, and holding supervisors accountable, the FSC will spur financial institutions to strengthen management mechanisms that are intended to prevent mis-selling and strengthen the protection of consumers' rights and interest.

Thanks to a united effort by all financial market participants, the combined pre-tax earnings of all financial institutions in 2020 amounted to NT\$676.5 billion, up NT\$41.1 billion (6.48%) from 2019, and the Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) finished at 14,732.35 points on 31 December 2020, up 22.80% from end-2019. This performance was nothing short of outstanding as measured against other markets throughout the world. In the face of the many challenges posed in 2021 by the changing course of the pandemic and other factors, the FSC will continue to maintain a dual focus on the goals of "stability" and "development" as we work in a prudent manner to formulate and implement various policy measures. We want to see long-term stability in Taiwan's financial markets, and we want our financial institutions to care about society. Looking to the future, taking advantage of what's already been achieved, we will seek to seize upon all opportunities for development and work to ensure that our markets in 2021 are even more resilient and prosperous than before.

Chairperson

Tien-Mu Huang





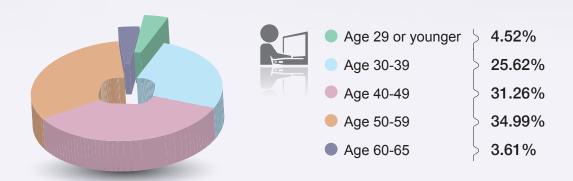
### **Duties and Organization**

The FSC was established on 1 July 2004 as the competent authority with overall responsibility for supervising, regulating, and facilitating the development of financial markets and financial services in Taiwan, and for conducting financial examinations. The FSC seeks to ensure the sound operation of financial institutions, maintain financial stability, and promote the development of our financial markets. It exercises its supervisory duties independently in accordance with the law, and within the scope of its authority will continue working to promote various financial development policies and carry out financial supervision.

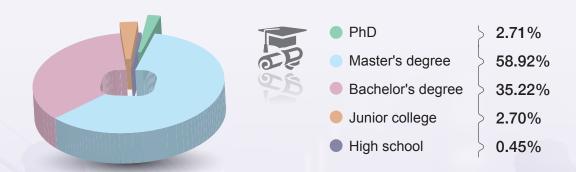
#### **Organization**



#### **©** Personnel



#### Academic background of employees at FSC headquarters and the four Bureaus





- Financial market overview
- Implementation of financial supervision
- Strengthened corporate governance
- Protected consumer and investor interests, implemented financial inclusion
- Optimized capital markets
- Expanded the scope of financial services, diversified financial products
- Encouraged FinTech innovation, developed supervisory technology
- New Wealth Management Scheme
- Strengthened the implementation of anti-money laundering measures in financial sector
- Took part in international conferences and exchange activities
- Important legislative action
- Other important financial policies



# Financial Market Overview and Important Policy Outcomes

#### Financial market overview

Figures for the pre-tax earnings for Taiwan's domestic financial service providers from 2016 through 2020 are presented in the table below. In 2020, the combined pre-tax earnings of the banking sector, insurance sector, and securities & futures sector (including securities and investment trust enterprises [SITEs]) came to approximately NT\$675.6 billion, which was notably better than the figures for 2015 through 2019, which ranged from about NT\$490 billion to NT\$640 billion. 2020 pre-tax earnings increased by NT\$41.1 billion, or 6.48%, from 2019.

#### Pre-tax earnings for domestic financial service providers, 2016–2020

Unit: NT\$billion

	2016	2017	2018	2019	2020
Financial Holding Companies (Consolidated financial statements)	267.0	302.3	301.3	357.5	385.9
Banking sector (A)	338.0	352.6	377.7	407.0	370.8
Domestic Banks	300.1	305.9	334.2	360.7	312.7
Foreign Bank Branches	11.5	14.2	15.0	15.5	23.9
Mainland Chinese Branches	0.7	4.6	4.1	3.8	5.1
Cooperatives	2.4	2.4	2.5	2.7	2.6
Bill Finance Companies	10.9	10.4	9.7	10.2	12.3
Chunghwa Post	12.4	14.9	12.0	14.1	14.4
Insurance sector (B)	120.4	131.2	97.0	170.7	223.1
Life insurance	107.7	116.8	82.8	154.8	206.1
Non-life insurance	12.7	14.4	14.8	15.9	17.0
Securities & futures sector (C)	32.3	55.8	45.8	56.8	81.7
Securities firms	22.1	44.3	32.6	43.4	65.8
Futures merchants	3.6	3.9	4.9	4.3	5.0
SITEs	6.7	7.6	8.3	9.1	10.9
(A+B+C)	490.6	539.6	520.5	634.6	675.7

+21.35

#### 

#### Enhanced solvency in the insurance sector

The New Generation Insurance Solvency Regime: Six-year plan
 The six-year plan was released on 28 July 2020, aiming to reflect risks embedded in insurers' business operations, and enhance both insurers' governance and policyholder protection, as

well as maintain financial stability and boost the international competitiveness of the insurance sector. With reference to ICS 2.0 issued by the IAIS, the FSC provided localized supervisory

regulations and transitional measurers to address insurance policies featuring long-term and

hig h interest-rates, and industrial circumstances.

To smoothly promote the new regime and take a gradual approach toward aligning with international practices, the plan set out three phases: Phase 1 (on-site field testing phase), 2020 - 2021; Phase 2 (parallel run phase), 2022 - 2024; Phase 3 (preparatory phase), 2025. Implementation of the New Generation Insurance Solvency Regime is scheduled to take place in 2026, to coincide with the adoption of IFRS 17.

- Strengthened insurers' core capital to enhance their financial soundness
  - ▶ Net worth ratio has served as one of the statutory supervisory indicators since April 2020.
  - ► As of 2020, the total specific capital resources of insurance companies are no longer allowed to exceed 50% of total adjusted capital.
- Improved insurers' risk assessment and ORSA mechanisms.
   The FSC required insurers to assess the impact of climate change in the 2020 ORSA Supervisory Report, including identification of climate change risks, major risk exposure

status, risk assessment methods, and response strategies.

- Set new contract policy reserve rates in each currency.
  - ► The FSC on 14 May 2020 announced the new contract policy reserve rates that applies to life insurance policies in various currencies in the second half of 2020. The policy reserve rate for policy liabilities with a duration of 20 years denominated in NTD and USD are 1.5% and 1.75%, respectively.
  - ► The FSC on 12 November 2020 announced that the policy reserve rates that applied to new life insurance policies in the second half of 2020 will remain unchanged in 2021.

Reinforced natural disaster risk management and capacity.

A new natural disaster risk capital charge was introduced at the end of December 2020 to urge non-life insurers and reinsurers to incorporate natural disaster risk into risk capital, so as to ensure that their solvency reflects both the retained risks of their natural disaster lines and the credit risk associated with reinsurance losses payable. This method for calculation will guide them to gradually move toward compliance with IAIS standards. In particular, catastrophe perils as defined in the ICS also include terrorist attacks, pandemics, and credit surety.

### (IFRS 17) Strengthened risk management in the insurance sector to facilitate smooth transition toward IFRS 17.

- Issued the "Directions Governing the Minimum Ratio of Death Benefit to Policy Value (Account Value) in Non-investment-linked Universal Life Insurance Products"
   To ensure sound development of the insurance sector and support the adoption of IFRS 17, the FSC issued the "Directions Governing the Minimum Ratio of Death Benefit to Policy Value (Account Value) Regarding the Life Insurance Products" and amended the "Directions for the Review of Life Insurance Products," both of which take effect from 1 July 2020. The requirement that contractual service margin (CSM) should not be negative is incorporated into the directions. In addition, insurers are required to prudentially assess their risks of product concentration, so as to ensure reasonable product margin and risk control.
- Improved post-sale mechanism for interest-sensitive insurance products (including those with crediting interest rate declaration).
  - The FSC issued an amendment of the "Directions for Conduct by Life Insurance Enterprises of Interest-Sensitive Insurance Products Business" on 16 January 2020. The amended Directions will enter into force from 1 July 2020. The key points are:
  - ▶ Life insurers are urged to actively establish a stabilization mechanism for crediting interest rates, and to consider the coupon rate on fixed-income bonds in their segregated accounts.
  - ► Insurers are required to examine and evaluate a list of items at their monthly crediting interest rate meetings.
  - ▶ Life insurance companies that still have distributable earnings after the end of a fiscal year are required to use a nominal tax rate (20%) in setting aside a provision to special capital reserves in an amount equal to 20% of the after-tax increase if the asset value exceeds the reserve provision in each current-year segregated account.

### The FSC designated the First Commercial Bank as the sixth domestic systemically important bank (D-SIB).

To ensure that the banking sector is sufficiently sound to support the real economy, and to strengthen the risk assumption of capacity of D-SIBs to reduce the impact of operational risk in financial system, the FSC designated the First Commercial Bank as the sixth D-SIB in December, 2020, after CTBC Bank, Cathay United Bank, Taipei Fubon Bank, Mega International Commercial Bank, and Taiwan Cooperative Bank were designated as D-SIBs in December 2019.

### The FSC reduced the loan loss provision rate of the relief loans under the Central Bank's NT\$200 billion (US\$6.5 billion) Special Refinancing Facility.

To help small and medium enterprises and the operators of small-scale business entities affected by Covid-19 to meet their working capital needs, and to maintain the risk-bearing capacity of the banking sector, the FSC announced that the loan loss provision rate was reduced from 1% to 0.5% from 1 April 2020 until the end of the Central Bank's NT\$200 billion (US\$6.5 billion) Special Refinancing Facility, if the relief loan belonging to the first class loan asset under "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and was provided by local banks under the Central Bank's NT\$200 billion (US\$6.5 billion) Special Refinancing Facility.

### Transformed from savings-type products to protection-type and elderly-oriented insurance products.

Savings-type insurance used to account for a large proportion of the products sold by life insurers, who conduct business this way to create interest margin, but the global low-interest environment has been putting pressure on insurers to seek transformation. Savings-type products appeal to customers by offering high returns. As a result, the net risk premium assumed by insurers dropped to a relatively low level and insurers drifted away from the original purpose of insurance, which is to protect policyholders from risks. This situation would be unfavorable for future adoption of IFRS 17. As such, the FSC introduced the following measures to strengthen life-insurers' business operations:

- The FSC on 30 March 2020 amended the "Regulations Governing Pre-sale Procedures for Insurance Products" to reward qualified insurers for developing protection-type and elderlyoriented insurance products.
- An amendment to the "Directions for the Review of Life Insurance Products" took effect on 1 July 2020 to require a non-negative contractual service margin (CSM) into the margin test indicator of insurance products.
- The "Directions Governing the Minimum Ratio of Death Benefit to Policy Value (Account Value) in Non-investment-linked Universal Life Insurance Products" took effect on 1 July 2020.

#### Strengthened corporate governance

#### Announcing "the Corporate Governance 3.0 - Sustainable Development Roadmap"

To implement the corporate governance and improve the competitiveness of Taiwan's capital markets, the FSC has officially launched the "Corporate Governance 3.0 - Sustainable Development Roadmap" (hereinafter referred to as CG 3.0) on August 25, 2020. The roadmap will last for three years. CG 3.0 had envisioned five key strategies, including "Strengthen duties and functions of boards to enhance the sustainable value of enterprises," "Enhance information transparency



FSC Chairperson Tien-Mu Huang attended the Corporate Governance 3.0 -Sustainable Development Roadmap Forum held by the Taiwan Stock Exchange and the Taipei Exchange on 21 September 2020.

and promote sustainable operations," "Strengthen communication with stakeholders and create effective interaction channels," "Encourage stewardship and align with international norms," and "Deepen a corporate culture of sustainable governance and provide diversified products, as well as 39 action plans.

Among these, in terms of planning and developing the sustainable bond market, and promoting green, social, and sustainability bonds, Taipei Exchange has promulgated and enacted the Operation Directions for Sustainability Bonds on October 6, 2020. In addition, Taipei Exchange has established the listing and trading mechanism for sustainability bonds and launched a dedicated green and sustainability bond market segment to facilitate the market players to access relevant information. As of the end of the year 2020, CTBC, Bank SinoPac, and Far Eastern New Century Corporation had issued a total of NTD 5.8 billion sustainability bonds which were listed on the Taipei Exchange since November 6 and December 21 respectively.

As for easing the clustering of shareholders meetings, the Taiwan Stock Exchange and Taipei Exchange were instructed to issue letters to all TWSE-listed, TPEx-listed and Emerging Stock Market (ESM) companies on 16 and 18 November 2020, which has reduced the maximum number of daily annual general meetings (AGMs) from 100 to 90.

#### Disclosing the employee median salary

Since 2020, TWSE has increased the disclosure of information about the full-time employee median salary. All listed companies (1,605 in total) have submitted relevant information as required as of the end of June 2020.

### Protected consumer and investor interests, implemented financial inclusion

#### Published "Trust 2.0"

The FSC published Trust 2.0 – "The Promotion Plan for Full Functions of Trust Services" Implementation Plan on 1 September 2020. The Plan is set to run for two years, and the themes of the whole project have been divided into four main pillars including "regulations and business development," "talent cultivation, education, and industry-academia cooperation," "cross-industry alliances," and "evaluation and reward mechanisms" for continuous discussions.



Premier Su Tseng-chang and FSC Chairperson Tien-Mu Huang attended the Awards Ceremony and Conference on "Evaluation of Handling of Property Trusts for Seniors and People with Disabilities by Trust Enterprises" on 27 August 2020.

#### **Promoted "Financial Inclusion Indicators for Taiwan"**

The FSC has actively promoted financial inclusion in recent years. In its planning and implementation of policies, and in the direction of its efforts to guide the development of financial markets, the FSC has aligned itself with the financial inclusion policies of international organizations such as the World Bank, the G20, and the Asia Pacific Economic Cooperation (APEC) forum.

#### Implementation of "Treating Customers Fairly Principles"

 Assessed financial institutions' performance in implementing the Treating Customers Fairly Principles, and granted awards to top performers.



The FSC held an awards ceremony to recognize banks, securities and futures brokers, and insurers that have performed well in implementing the Treating Customers Fairly Principles.





Insurers' performance in implementing the "Treating Customers Fairly Principles" serves
as a criterion in application reviews. Insurers with relatively poor performance must factor
operational risk capital charges into the calculation of capital adequacy, and insurers that rank
in the bottom 20% must add a 5% penalty to operational risk capital.

The measure to streamline financial heritage inquiries has been extended nationwide. An inheritor is able to inquire about a decedent's deposits at credit cooperatives and at the credit departments of Farmers' and Fishermen's Associations, and also to inquire about financial heritage such as foreign securities that a decedent has purchased via securities firms.



The FSC and the Ministry of Finance (MOF) jointly launched a nationwide program to streamline financial heritage inquiries.

#### Initiatives to enhance financial education and financial literacy

In order to continue to promote basic financial education, the FSC carried out the fifth phase of the three-year "Financial Literacy Program (2018-2020)." It supervised the efforts of self-regulatory organizations to hold various educational events, such as training workshops for financial education lecturers, online education camps for college students, and financial education fairs for senior citizens.



On 26 November 2020, FSC Vice Chairperson Jean Chiu attended the 2020 Financial Fundamental Education Achievement Seminar and Teaching Action Program Selection Award Ceremony.

Enhanced fairness and convenience for people with disabilities in accessing financial products and services.

#### Promoted micro-whole-life insurance and micro-insurance.

- Amended differential levy rates for micro-whole-life insurance and life insurance for the disabled.
- Promoted micro-insurance by visiting local governments from 2017 through 2019.
- The FSC in 2020 encouraged banks to provide commercial reverse mortgage services.

#### Made it more convenient to apply for financial services.

To avoid document difficulties in customer's applications for financial services, the FSC and the National Development Council have implemented the MyData platform to make it easier for customers to handle applications. Customers can authorize the MyData platform to transfer their personal information stored in government agencies to financial service providers. Hardcopy documents won't be a necessity anymore. In 2020, 12 banks provided 24 financial services via MyData. These services include applying for credit cards and loans (mortgages, auto loans, student loans), opening digital savings accounts, uploading additional documents, and maintaining personal information.

### The FSC, financial service providers, and financial industry self-regulatory organizations have taken important measures to respond to COVID-19.

- Banking:
  - ▶ Domestic banks provided enterprises with relief measures, such as rescheduling of outstanding corporate loans, provision of working capital loans, provision of interest subsidies for relief loans, and the provision of loan guarantees by the Small and Medium Enterprise Credit Guarantee Fund of Taiwan.
  - ▶ On 9 April 2020, the FSC adopted the "Program For Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans," which includes a process for evaluating banks' performance in implementing the Program. When evaluations are carried out, the following factors serve as the basis for higher evaluation of a bank's performance: whether the bank has set up a special unit to handle relief and stimulus loans, whether the bank

helped to distribute Triple Stimulus Vouchers, and whether the bank has provided relief and stimulus loans to indigenous borrowers. In addition, the FSC also urged banks to provide assistance measures. As of the end of 2020, the accumulated numbers and amounts of relief and stimulus loans were as follows:

#### ■ Table of Relief Loans for Domestic Banks – Cumulative as of 31 Dec. 2020

(Unit: Number of loans/ NT\$ billion)

House	Applic	ations	Approvals	
Items	No. of loans	Amount	No. of loans	Amount
Ministries' corporate relief plans (renewal/ extension of contracts, working capital loans, and stimulus loans)	100,605	1,029	98,226	987
Self-run — Rescheduled loans and new loans for corporate borrowers	190,618	1,838	187,605	1,803
Self-run — Rescheduled loans and new loans for individual borrowers	64,147	269	61,988	260
The Ministry of Labor — low-interest loans to employees	1,081,950	108	928,972	93
Total	1,437,320	3,244	1,276,791	3,143
Approval ratio	88.83%	96.87%		

- ► The FSC promoted streamlining of small business entity loan applications, and lowered the minimum required score on its simplified loan approval score sheet.
- ► The FSC adopted temporary arrangement measures to encourage domestic banks to continue performing their financial intermediary function to assist Covid-19 relief packages. Such measures include deferring the implementation of the Basel III revised standards to 1 January 2023, and postponing by one year the requirement that each D-SIB maintain a 2% internal capital buffer and file a set of Response Measures for Business Crises.

► The FSC held an awards ceremonies to grant recognition to banks that have performed especially well in implementing the "Program for Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans" at the 2F Auditorium of the Taiwan Academy of Banking and Finance on 29 July 2020 and 18 January 2021. Premier Su Tseng-chang delivered a speech and served as a guest of honor. Premier Su affirmed the efforts of the FSC and banking staff to promote and handle relief and stimulus loan measures to help Taiwanese people and all industries survive the Covid-19 pandemic.



Premier Su Tseng-chang and FSC Chairperson Tien-Mu Huang attended an awards ceremony for top-performing banks in the "Program for Encouraging Domestic Banks to Expedite Processing of Relief and Stimulus Loans" on 29 July 2020.

- Securities and Futures markets:
  - ► Adjusted the deadline for filing of financial reports by public companies.
  - ▶ In order to maintain orderly and stable securities markets, the FSC issued an order on 19 March 2020 to lower the cap on the intraday short selling of a security. The FSC subsequently withdrew the order on 9 June 2020 and returned to original cap.
  - Revised the "Guidelines for Holding of Shareholder Meetings During Epidemic Conditions" to require companies to take important prevention measures when convening their shareholder meetings, such as requiring shareholders to wear surgical masks at all times, having temperatures taken, and keeping chairs spaced out.
  - ► The FSC has asked the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEx) to study concessionary measures for IPO applications during the COVID-19 pandemic.

▶ In order to maintain business continuity, the FSC has relaxed the conditions to work from home (WFH) for securities firms, including simplified application procedures, flexible staffing and personal computer security control.

#### I Insurance sector:

- ► Took measures to address notifiable infectious disease, e.g. set up a 0800 free service hotline, raised anti-Covid awareness, and expedited settlement of claims.
- Introduced payment of compensation and other flexible measures based on the interests of the policyholders.
- ► For insurance products that shorten or cancel waiting period in response to statutory infectious disease, the requirement for prior approval was waived to speed up product development.
- Alleviated the burden for real estate tenants, facilitated case-by-case negotiations to provide for rent deferrals, extensions, and reductions for tenants affected by the pandemic.
- ▶ Urged insurers to develop pandemic-related products, e.g. policies that provide benefits for COVID-19 quarantine and reimburse employers for the cost of pandemic leave.
- Required insurers to study the impact of COVID-19 and submit risk assessment reports to their boards of directors.

#### **Optimized capital markets**

#### Launched the Taiwan Capital Market Roadmap:

In response to three key trends (ESG; digital technologies; and demographic ageing), the FSC announced the 3-year Taiwan Capital Market Roadmap on 8 December 2020 to forge a forward-looking and globally competitive capital market.

The Capital Market Roadmap focuses on the five major strategies of "strengthening primary market functions to support real economic development," "activating the market and increasing efficiency and liquidity," "attracting domestic and foreign investment and improving international visibility," "boosting the functions and competitiveness of financial intermediaries," and "encouraging financial innovation and diversity." The Roadmap includes 25 key focal points and 82 specific measures.

#### Bilingualization of the financial markets

- TWSE and TPEx have required TWSE- and TPEx-listed companies to phase in the disclosure of material information in English.
- In response to the "Blueprint for Developing Taiwan into a Bilingual Nation by 2030," the FSC continues working to create a friendly bilingual financial services environment.

- ► The FSC encourages banks to set up bilingual branches, enhance the English proficiency of staff members, and create a friendly bilingual financial services environment.
- ► The FSC has required insurers to appoint at least 1 to 2 employees or solicitors who are able to provide services in English at their branches in the six municipalities.



On 11 September 2020, FSC
Chairperson Tien-Mu Huang, National
Development Council Minister Kung
Ming-Hsin, and Minister of Finance
Su Jain-Rong visited CTBC Bank's
Shinfu Branch and First Commercial
Bank's Yanji Branch, both of which
are pilot bilingual branches.





FSC former Chairperson Wellington Koo visited the Taiwan Stock Exchange to observe its continuous trading operations.

#### Implemented an odd-lot intraday trading system.

#### Continued to promote central clearing of domestic OTC derivatives.

The FSC has been supervising an effort by the Taiwan Futures Exchange (TAIFEX) to undertake a phased launch in 2020 of central clearing services for interest rate swaps (IRS) and non-deliverable forwards (NDFs). For phase 1, an NTD IRS dealer-to-dealer clearing service is expected to be launched in June 2022, and for phase 2 a client clearing service for NTD IRS will be introduced in June 2023. Subject to the readiness of system implementation and market participants, the mandatory clearing for NTD IRS is yet to be planned. Under phase 3, the plan is to offer NTD NDF clearing services from June 2024.

#### **Expanded the scope of the Futures Market Dynamic Price Banding Mechanism.**

The FSC has overseen work by the TAIFEX to build the Dynamic Price Banding Mechanism (DPBM) since 2018. The mechanism is applicable to futures that track domestic and foreign equity indices and TAIEX Options. In order to gradually expand the scope of application, since 8 June 2020, FX Futures, ETF Futures, F4G TIP TW ESG Futures, and TIP Taiwan BIO Futures that are listed on the same day have been included in the DPBM.

#### Enhanced CPA audit quality.

The FSC has amended regulations related to the requirement for CPAs to audit the financial reports of public companies. Key points of the amendment include requiring applicant to have 5 years (up from 3 years) of work experience in conducting or assisting in the conduct of attestation to the financial reports, and to have participated in 40 or more hours (increased from 20 hours) of continuing education in the most recent year. The amendment also requires CPA firms to adopt a quality control system in accordance with Taiwan Statement of Auditing Standards No. 46 "Quality Control for Firms."

### Amended the "Standards Governing Eligibility of Securities for Margin Purchase and Short Sale".

The FSC amended the aforementioned Standards to relax the eligibility requirements for TPEx-listed shares to be used for margin purchase and short sale on 5 August 2020. Under the amended provisions, the profitability of a TPEx-listed company with paid-in capital of NT\$600 million or more is no longer subject to minimum standards for operating income and income before tax.

### Expanded the scope of financial services, diversified financial products

### The FSC encourages domestic banks to promote SME loans while ensuring proper risk management

- The FSC carried out the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises (Phase 15)" and encouraged domestic banks to establish long-term relationships with small and medium enterprises.
- The FSC continues to carry out the "Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries (Phase 4)"

### The FSC is working to develop Taiwan into a center for Taiwanese enterprise capital management.

The FSC allowed domestic juridical persons to open accounts at offshore banking units (OBUs) for the purpose of handling loan-related receipts and disbursements.

Bills finance companies got the green light to trade foreign currency denominated bonds (including repo trades) with OBUs and OSUs, and to engage in interbank foreign currency lending with OBUs.

#### Launched futures and bond products that satisfy market demand.

- The first Sukuk (with a face value of US\$800 million, 5 years to maturity, and a credit rating
  of A from Fitch) was issued on 7 February 2020 and dual-listed on the TPEx and Dublin
  Euronext.
- TAIFEX launched the FTSE4Good TIP Taiwan ESG Index Futures on 8 June 2020. The underlying index fully integrates environmental (E), social (S), governance (G) and financial indicators (such as ROE) to screen the eligible constituents. Meanwhile, TAIFEX also launched the TIP Taiwan Market Biotechnology and Medical Care Index Futures on the same day. The constituent stocks cover leading listed companies in the field of research and development of new drugs, medical devices, and pharmaceutical manufacturing, and reflect the pulse of the overall performance of the biotechnology and medical industry in the Taiwan securities market.
- TAIFEX FTSE® 100 Index Futures were launched on 23 November 2020. The underlying index, comprising the 100 most highly capitalized blue-chip companies listed on London Stock Exchange, profoundly represents the UK securities market. In addition, TAIFEX FTSE® 100 Index Futures provide other advantages: the trading hours cover the US and the UK equity markets and enable traders to make timely position adjustments; smaller contracts allow for a lower entry barrier for greater participation; and the NTD denomination allows traders to access the foreign market without bearing FX risk. These features further fulfill traders' trading and hedging needs.



FSC former Vice Chairperson Yung-Chin Hsu attended the listing ceremony of TAIFEX FTSE® 100 Index Futures on 23 November 2020.

#### Encouraged insurance enterprises to develop various insurance products.

- Encouraged insurers to actively develop protection-type and elderly-oriented products.
- Motivated insurers to develop green insurance and coordinated with authorities of relevant industries to promote insurance products that protect against climate-related losses.
- Urged the Non-Life Insurance Association (NLIA) to collaborate with insurers to develop specialized group accident insurance for delivery platform enterprises based on actual duration of delivery services.
- Specialized comprehensive maritime insurance.

### Encouraged FinTech innovation, developed supervisory technology

#### Launched FinTech Development Roadmap.

To build up a friendly ecosystem and facilitate the provision of efficiency, accessibility, usability, and quality of financial services by using innovative technology and innovative business models, the FSC launched the "FinTech Development Roadmap" on 27 August 2020 as the policy guideline for Taiwan's FinTech development for the next 3 years. The roadmap comprises 8 dimensions accompanied by 60 key measures to achieve private-public collaboration, data sharing, capacity building, digital infrastructure enhancement, international networking, FinTechSpace ecosystem enhancement, and SupTech/RegTech application. The highlighted accomplishments in 2020 included the following:

- Strengthened the FinTech Center's function of being the single contact window for crossagency communications.
- Set up FinTech Co-Creation Platform: On 19 November 2020, the FSC and the Taiwan Financial Services Roundtable (TFSR) jointly established the FinTech Co-Creation Platform

(FTCP) to promote FinTech development. The following four working groups were established under the FTCP: Capacity Building Group; Data Governance Group; RegTech Group; and Publicity & Exchange Group. A secretariat was created to handle administrative and coordination matters.



#### Held Taiwan RegTech Challenge

The FSC instructed the Taiwan Financial Services Roundtable (TFSR) and the Taiwan Depository & Clearing Corp. (TDCC) to hold the 1st Taiwan RegTech Challenge event. The competition outcome served as a reference for financial institutions and the FSC in subsequent RegTech solution adoption. The Challenge focused on 3 themes, including eKYC, real-time market surveillance, and anti-fraud alert mechanisms. A total of 62 teams (including 44 domestic and 18 international teams) participated. Among them, 5 teams won out during the final held on 28 January 2021 and a press conference to announce the competition results was held on 17 March 2021.



FSC Chairperson Tien-Mu Huang, attended the press conference for Taiwan RegTech Challenge 2020 competition outcome on March 17th, 2021

#### **Expanded the capacity of the FinTechSpace.**

As of the end of 2020, there were 52 FinTech startups stationed in the FinTechSpace (referred to as the Space), including 8 international teams from Japan, Hong Kong, the Philippines, Sweden, and the United States. There were 142 sessions of regulatory clinic and 105 legal consultation sessions held for the teams with remarkable results. In addition, the Space has entered into MOUs over cross-border FinTech resource exchange with the UK, Australia, Poland, France, and Canada to strengthen its international networking and to enhance its service capacity.

#### Held FinTech Taipei Forum 2020.

To ensure continuous knowledge and experience sharing in the FinTech sector, the FSC instructed the Taiwan Financial Services Roundtable (TFSR) and the Taiwan Academy of Banking and Finance (TABF) to hold the FinTech Taipei Forum 2020 on 28-29 October 2020. The event focused on "worldwide FinTech development trends" and "FinTech innovation demos." The symposiums gathered 44 FinTech experts worldwide from the United States, the United Kingdom, Australia, Israel, Japan, Poland, Canada, Hong Kong, and local specialists to share valuable experiences online and offline, while there were 111 FinTech demos and matchmaking conferences delivered in an integrated online-offline/virtual-physical integrated format. The event attracted nearly 5,000 participants from 24 countries or regions at home and abroad.



Vice Premier Shen Jong-chin, FSC former Vice Chairperson Yung-Chin Hsu, and FSC Vice Chairperson Jean Chiu attended the "FinTech Taipei Forum 2020" on 28 October 2020.

#### Promoted the development and supervision of internet-only banks

The FSC granted banking licenses to Rakuten International Commercial Bank and LINE Bank Taiwan Limited on 8 December 2020 and 4 February 2021, and these two banks opened for business on 30 December 2020 and 24 March 2021, respectively. In order to strengthen the supervision of internet-only banks' liquidity risk management, the FSC asked CDIC to build up an internet-only bank liquidity monitoring system, which was launched on the day that internet-only banks started business operations.

### Optimized the One-Stop Window for Reporting by Domestic Banks of Financial Supervisory Information.

In order to strengthen financial technology supervision and to alleviate the supervisory burden for financial institutions, the One-Stop Window for Reporting by Domestic Banks of Financial Supervisory Information has employed the Application Programming Interface (API) automated reporting technology since 1 January 2020. The FSC encourages domestic banks to apply this reporting technology to improve the security and automation of online regulatory reporting.

#### **Mew Wealth Management Scheme**

The FSC decided to allow banks meeting certain qualifications to provide high-asset customers with eight specific financial products and services. For example, domestic banks are allowed to issue bank debentures denominated in foreign currencies and processed as structured bonds.

Qualified securities firms are now allowed to conduct the business of wealth management services for high asset customers.

Qualified foreign investors are now allowed to collateralize their foreign currency to get financing from securities firms.

Securities dealers are now allowed to engage in trading foreign bonds and foreign financial derivatives with overseas affiliated enterprises.

Securities firms are now allowed to manage PE Funds under mandate and to introduce institutional investors to invest in the PE Funds.

Foreign-currency-denominated investment-linked insurance products under discretionary management can now be used to invest in domestic equity funds issued by securities investment trust enterprises.

# Strengthened the implementation of anti-money laundering measures in financial sector

The FSC has revised regulations governing anti-money laundering and combating the financing of terrorism (AML/CFT), and has enhanced the legal framework and infrastructure, as follows:

- The FSC continues to refer to the international norms of the Financial Action Task Force (FATF) to complete AML/CFT regulations for financial service firms and accountants, has increased penalties for violations of financial regulations, has fleshed out the payments legislation and constructed a safe and efficient payment environment, promoted the penetration rate of domestic electronic payments, and reduced the risk of money laundering arising from the use of cash.
- In order to strengthen the responsibility of CPAs to verify the identity of their customers and beneficial owners, the FSC amended the "Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Certified Public Accountants" on 24 December 2020.

#### The FSC continues to promote risk-based supervision:

- Strengthened the implementation of targeted financial examinations and implemented differential examination measures for financial institutions of different risk levels.
- The FSC implemented financial examinations focusing on anti-money laundering, counterterrorism financing, and non-proliferation of weapons.
- Based on the ML/TF risk level and the needs of daily supervision, the FSC also interviews financial service firms as necessary and urges them to implement ML/TF control measures. In the insurance industry, for example, five life insurance companies, two property insurance companies, and three insurance agencies were interviewed in 2020. In the banking industry, meanwhile, six banks and Chunghwa Post were interviewed in 2020.

The FSC enhanced outreach activities to promote understanding of the industry and the public regarding ML/TF risks.

Monitoring new and emerging ML/TF risks in response to evolving threats: The FSC continues to pay attention to the development of emerging financial technologies and international regulations, and takes corresponding risk mitigation measures in a timely manner.

#### Strengthened domestic and cross-border supervisory coordination and cooperation

The FSC provided IAIS with a case study on 23 October 2020 to facilitate its Application Paper on Combating Money Laundering and Terrorist Financing. The case involved a verdict confirmation that a chairman of a private elementary school was judged guilty because he had misused the miscellaneous fees as illegal income which was used to pay for the premium fee of insurance policies held by him and his relative.

Increased the frequency and intensity of financial examinations.

# **6** Took part in international conferences and exchange activities

#### Promoted international supervisory cooperation

 The Head of the European Economic and Trade Office (EETO) was warmly received by the FSC. The two sides broadly exchanged views on financial and economic issues of mutual interest



Mr. Filip Grzegorzewski, the Head of the European Economic and Trade Office (EETO), was warmly received by the FSC on 12 February 2020.

• The FSC signed a bilateral cooperation on banking and insurance supervision with the German Federal Financial Supervisory Authority on 19 February 2020, and on 20 February jointly held a supervisory cooperation declaration exchange ceremony with the Deputy Director-General of the German Institute Taipei, and the representative of the German Federal Financial Supervisory Authority.



Taiwan and Germany bolstered bilateral cooperation on banking and insurance supervision on 20 February 2020.

- On 18 February 2020, the FSC moderated a sustainable finance lecture event. The Deputy
  Representative of the British Office Taipei and the Director of the Trade Council of Denmark in
  Taipei were invited to speak about efforts in their respective countries to promote sustainable
  finance.
- On 5 June 2020, the FSC signed a financial technology (FinTech) cooperation agreement with members of the Canadian Securities Administrators (CSA), which are securities regulatory authorities in 8 Canadian provinces. This agreement will enhance FinTech supervisory cooperation between the two sides, as well as create more opportunities for FinTech enterprises from Taiwan and Canada to expand into each other's markets.
- The FSC participated in teleconferences of the supervisory college of Reinsurance Group of America (RGA) on 10 June and 10 December 2020 to exchange views on Covid-19 supervisory measures and discuss authorities' responses following the June meeting.
- On 11 June 2020, the FSC Chairperson Huang received a visit from a delegation led by the Chief Deputy Representative of the Japan-Taiwan Exchange Association, Taipei Office. The two sides engaged in a wide-ranging exchange of views regarding Taiwan-Japan cooperation and other matters.
- British Office Taipei Representative Catherine Nettleton was warmly received by the FSC Chairperson Huang on 22 June 2020. The two sides broadly exchanged views on major financial issues such as green finance and FinTech.
- The FSC participated in teleconferences of the supervisory college of AIA and PCA Life Assurance respectively on 26 June and 14, 15, 17 September 2020 to broadly exchange views on Covid-19 issues.
- The Director of the Bureau François de Taipei, paid a visit to FSC Chairperson Huang on 23 July 2020. The two sides shared experiences regarding financial industry development, FinTech, and other supervisory policies.



Mr. Jean-François Casabonne-Masonnave, the Director of the Bureau François de Taipei, visited the FSC on 23 July 2020.

- The American Chamber of Commerce in Taipei was warmly received by FSC Chairperson Huang on 5 August 2020. The two sides broadly exchanged views on outsourced operations involving cloud-based services.
- The Trade Representative of the Singapore Trade Office in Taipei, paid a visit to the FSC Chairperson Huang on 2 September 2020. The two sides shared experiences regarding financial industry development, FinTech, and supervisory policies.



Mr. Yip Wei Kiat, the Trade Representative of the Singapore Trade Office in Taipei, visited the FSC on 2 September 2020.

 The Representative of the Korean Mission in Taipei was warmly received by FSC Chairperson Huang on 7 October 2020. The two sides broadly exchanged views on issues related to bilateral cooperation between Taiwan and Korea.



Mr. Kang Young-hoon, the Representative of the Korean Mission in Taipei, was warmly received by the FSC on 7 October 2020.

British Office Taipei Representative John Dennis was warmly received by the FSC
Chairperson Thomas Tien-Mu Huang on 5 February 2021. The two sides engaged in a wideranging exchange of views on major financial issues such as green finance and FinTech,
and jointly attended a "Climate Risks Workshop for the Financial Sector" held by British
Office Taipei.



Mr. John Dennis, the Representative of British Office Taipei, was warmly received by the FSC on 5 February 2021.



FSC Chairperson Tien-Mu Huang and British Office Taipei Representative
John Dennis jointly attended the "Climate Risks Workshop for Financial Sector"
held by British Office Taipei on 5 February 2021.

On 24 March 2021, FSC Vice Chairperson Jean Chiu and Deputy Representative Andrew Pittam of the British Office Taipei jointly attended a "Climate Risks Workshop for the Financial Sector" held by the British Office Taipei by teleconference. The two sides held indepth discussions on the disclosure of climate change risks and the experience of financial institutions with climate change stress tests.



#### Helped domestic financial service firms develop overseas markets.

- On 9 March 2020, the FSC approved Taiwan Cooperative Bank to apply to the local competent authorities to set up the Tinh Binh Duong representative office in Vietnam.
- On 31 March 2020, the FSC approved the Mega International Commercial Bank to apply to the local competent authorities to set up the Jakarta representative office in Indonesia.
- On 22 April 2020, the FSC approved Taipei Fubon Commercial Bank to apply to the local competent authorities to set up the Sydney representative office in Australia.
- On 30 April 2020, the FSC approved Hua Nan Commercial Bank to apply to the local competent authorities to set up the Bangkok representative office in Thailand.
- On 5 May 2020, the FSC approved Mega International Commercial Bank to apply to local competent authorities to set up the Chamkarmon Sub-branch under the Phnom Penh Branch in Cambodia.
- On 7 July 2020, the FSC approved Shanghai Commercial & Savings Bank to apply to local competent authorities to set up the Bac Ninh City representative office in Vietnam.
- On 11 August 2020, the FSC approved Bank SinoPac to apply to local competent authorities to set up the Singapore Branch in Singapore.
- On 29 October 2020, the FSC approved Mega International Commercial Bank to apply to local competent authorities to set up the Haiphong Representative Office in Vietnam.
- On 19 November 2020, the FSC approved the Export-Import Bank of the ROC to apply to local competent authorities to set up the Jakarta representative office in Indonesia.

#### Took active part in the activities of international organizations.

- The FSC worked with the Ministry of Finance (MOF) in preparing materials for an advance meeting ahead of the 2020 APEC finance ministers meeting, and on 25 September 2020 appeared along with the MOF in a virtual meeting of APEC finance ministers.
- Participated in the Global Financial Innovation Network (GFIN):
   The FSC actively participated in the activities of the GFIN and its two workstreams (Crossborder testing workstream and RegTech & SupTech workstream).
- Participation in the Implementation and Assessment Committee (IAC) and the Policy Development Committee (PDC) of the International Association of Insurance Supervisors (IAIS).
  - ▶ Attended meetings of two committees (IAC and PDC) in Basel, Switzerland in February 2020, and virtual committee meetings in June, September, October, November, as well as a virtual Annual General Meeting and the 27th Annual Meeting in December. During the meetings, issues such as the Covid new normal, emerging risks and protection gaps,

insurance diversity and inclusion, risk management, and intervention power were explored, shaping the IAIS Roadmap 2021-2022.

- As a dedicated IAIS member, the FSC set up a taskforce of international insurance supervision to facilitate IAIS's programs and work plans, such as a Global Monitoring Exercise for systemic risk, as well as Issue Papers and Application Papers that touched on various international supervisory issues and standard setting work. These efforts helped to promote competitiveness and operational resilience in the insurance sector. The FSC benefitted from raised international visibility.
- Participated in virtual meetings of the Capital, Solvency and Field Testing Working Group (CSFWG) in March, September, October, November, and December 2020 to keep updated on ICS development, communicate our perspectives on supervision, and propose amendments that take into account the nature and progress of our insurance market, so as to smooth the transition to align with international standards.
- On behalf of the FSC, the Vice Chairman led the Banking Bureau and the Representative Office in New York to attend in the 21st International Conference of Banking Supervisors (ICBS) held virtually on 19-22 October 2020.
- The FSC attended a total of 25 IOSCO meetings in 2020, ranging from the annual meeting to regional and policy committee meetings.

# Important legislative action

The FSC integrated the "Act Governing Electronic Payment Institutions" and the "Act Governing Issuance of Electronic Stored Value Cards."

The FSC had proposed to integrate the "Act Governing Electronic Payment Institutions" and the "Act Governing Issuance of Electronic Stored Value Cards" by amending the "Act Governing Electronic Payment Institutions" ("the Act") and incorporating regulations governing electronic stored value card issuing institutions (simultaneously repealing the "Act Governing Issuance of Electronic Stored Value Cards" when the amendment becomes effective). The amendment to the Act was promulgated by the President on 7 December 2020, and the implementation of the Act on 1 July 2021 was approved by the Executive Yuan.

Amended the "Securities Exchange Act" so that the minimum age for associated persons employed by securities firms whose duties relate to the securities business was adjusted from 20 years old to the age of adult (18 years old) in line with the Civil Code.

The level of penalties stipulated in "Trust Enterprise Act" has been amended. For serious violations the maximum level of the penalty has been increased by 4 times, and by 3 times for other type of violations.

Amended the "Securities Investor and Futures Trader Protection Act" to increase the scope of applicability and effect of derivative suits and discharge suits, thus promoting corporate governance.

The "Insurance Act" was amended to ensure that insurers have sound financial structure, strengthen their capacity to undertake risks, and channel funds toward project loans and infrastructure investments, and further clarify the authorities conferred by laws or regulations.

## **Other important financial policies**

#### Launched the Green Finance Action Plan 2.0

To build a more comprehensive green and sustainable finance system and bring the forces of financial market into full play, thereby steering and supporting the development of physical industries while bringing about low-carbon transformation to drive a positive cycle of sustainable finance ecosphere, and create a win-win situation for financial sector, physical industries, and society as a whole, the FSC took the Green Finance Action Plan 1.0 as its foundation and took international trends into account in launching the "Green Finance Action Plan 2.0" on 8 August 2020. The idea is to use three core strategies (1. use of effective information disclosure to facilitate effective business decision-making; 2. pushing financial institutions to address climate change risks and capitalize on associated opportunities; 3. use of market mechanisms to steer the economy toward sustainable development) to raise the awareness of businesses and investors of ESG issues, thereby bringing about a healthy cycle of investment and sustainable development, and facilitating cooperation between the public and private sectors to build a sustainable financial industry ecology.

The 3-year plan's short-term major measures include defining the scope of sustainable finance, improving the quality of ESG disclosure, enhancing the disclosure of climate-related information, and amending relevant rules and regulations to align with international norms. And the medium-term major measures include establishing an ESG data integration platform and a database to address sustainable development issues through ongoing public-private collaboration, and embarking on sustainable finance evaluation.

# Launched "Financial Cyber Security Action Plan" and strengthen financial cyber joint defense

The Action Plan will run for a period of four years, will seek to enhance the competent authority's cybersecurity supervision, strengthen financial institutions' cybersecurity governance and cybersecurity resilience, and implement cybersecurity joint defense, and will include 36 cybersecurity measures. And through F-ISAC, F-CERT and F-SOC, financial cybersecurity joint defense system.



FSC Chairperson Tien-Mu Huang delivered an address at a workshop on smart government and financial cyber security on 28 August 2020.

# Launched "Project for the Streamlining, Integration, and Modernization of Legislation Under the Jurisdiction of the Financial Supervisory Commission" and continued carrying out deregulation

Once per quarter, the National Development Council screens deregulatory actions taken by various government agencies are posts what it finds to its website. The results of the screening held in the third quarter of 2020 indicated that the FSC had relaxed 154 regulations (more than any other government agency) as of that quarter (44 by the Banking Bureau; 77 by the 77 Securities and Futures Bureau; 33 by the Insurance Bureau).

# Launched the Taiwan Innovation Board (TIB) and the Pioneer Stock Board (PSB), and assisted the development of innovative industries.

To assist the development of innovative industries, improve fundraising channels, and expand our capital markets, the FSC announced on 3 December 2020 that the TWSE and TPEx would respectively launch the Taiwan Innovation Board (TIB) and the Pioneer Stock Board (PSB) under the Emerging Stock Market within its multi-tiered capital market framework. The FSC, TWSE, and TPEx will continue to study and amend relevant regulations in line with the above plan, with the two exchanges implementing the setup of the Taiwan Innovation Board and TPEx's new board.

# Reviewed the "Regulations Governing Insurance Brokers" and the "Regulations Governing Insurance Agents"

To streamline application processes while at the same time paying due attention to the need to safeguard consumer interests, the FSC relaxed the requirements in Article 34, paragraph 1 in both regulations on 22 April 2020, additionally exempting insurance brokers and agents from signing application documents for comprehensive travel insurance and travel inconvenience insurance.





# **Future Prospects**

#### Promote sustainable finance

The FSC will continue to promote the following key measures of the "Green Finance Action Plan 2.0" which was launched on 18 August 2020:

- In terms of credit, the FSC encourages financial institutions to participate in, sign up for, or comply with international initiatives or principles, such as the Equator Principles. The FSC continues to adopt measures in line with international trends and promote the concept of sustainability.
- In the aspect of investment, the FSC has incorporated ESG considerations into investment-related self-regulatory rules, and amended the Stewardship Principles for Institutional Investors which includes requiring institutional investors to integrate ESG considerations in their investment evaluation and decision-making process, strengthening dialogue and interaction with investees on ESG issues, and enhancing the disclosure of ESG information in their Stewardship Reports, in order to urge financial institutions to pay more attention to ESG-related aspects and green finance assessments when utilizing funds.
- Information disclosure:
  - Strengthen the quality of companies' ESG disclosures.
  - ► To enhance transparency and disclosure in offering documents, a new rule is being proposed for SITEs that intend to apply to offer ESG-themed funds.
- Prudential supervision:
  - ► Consider using a top-down approach to promote climate-related risk management measures for financial service firms.
  - ► Integrate assessment of climate-related risks into the supervisory report of Own Risk and Solvency Assessment (ORSA) by insurers.
  - Gather information on overseas practices in the area of climate scenario analyses and stress tests performed by financial institutions and evaluate the feasibility of introducing domestically.
- International networking: The FSC and the Environmental Protection Administration (EPA) have jointly commissioned a research project on "sustainable finance taxonomy," taking into account international practices and referring to the recommendations of industries, government, and academia. The project will establish the environmental sustainability taxonomy of industries in which domestic financial institutions are the largest sources of funding or investment after taking into account local conditions, the state of industrial development, and regulations. The taxonomy is expected to be made public by the end of 2021.

Establish a social bond listing and trading mechanism and a sustainable bond market: The
Taipei Exchange plans to establish a social bond listing and trading mechanism in 2021 and
will run a sustainable bond market that comprises green, social, and sustainability bonds
in an integrated accreditation mechanism to support enterprises investing in projects with
substantial environmental and social benefits.

#### Work to achieve financial inclusion

- Assess financial institutions' performance in implementing the "Treating Customers Fairly Principles" in 2021.
- The FSC continues to implement Trust 2.0 "The Promotion Plan for Full Functions of Trust Services."
- Continue to promote the "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises (Phase 16)" and the "Program to Encourage Lending by Domestic Banks to Enterprises in Key Innovative Industries (Phase 5)."
- Worked on drafting amendments to the "Implementation Regulations for the Risk Spreading Mechanism of Residential Earthquake Insurance."
- The FSC identified three specific matters (establishment and implementation of protection for the disabled; adoption of consumer-friendly measures; and appropriateness of elderly oriented products) as items requiring attention in financial examinations, so as to urge insurers to promote the rights of the elderly and the disabled.
- Continued to encourage insurance enterprises to develop various agriculture insurance products in collaboration with government policy.
- Promote financial literacy.
  - ► Formulate the sixth phase of the three-year "Financial Literacy Program (2021-2023)," and promote financial literacy by coordinating the efforts of different government agencies.
  - ▶ Continue to promote the "Financial Literacy Campaign for the Campus and Community."
  - ▶ Promote basic financial education in the schools.

# Develop innovative financial technologies

- Implement FinTech Development Roadmap.
- Hold FinTech Taipei exhibition.
- Make regulatory adjustments that will help FinTech firms conducting FinTech sandbox experiments to deploy their innovations in the market, and devise differential regulatory treatment methods.
- Continue to promote a "Policy Conservation/Claims Alliance Chain" service.
- Promote use of Al-assisted identification system for handling of insurance claims.

# **6** Improve corporate governance

To enhance corporate governance in Taiwan, promote sustainable corporate development, and strengthen the international competitiveness of Taiwan's capital markets, the FSC officially launched the "Corporate Governance 3.0 - Sustainable Development Roadmap" on 25 August 2020. The following key strategies will be implemented through the end of 2023:

- Strengthen duties and functions of boards of directors to enhance the sustainable value of enterprises.
- Enhance information transparency and promote sustainable operations.
- Strengthen communication with stakeholders and create effective interaction channels.
- Encourage stewardship and align with international norms.
- Establish a more deep-rooted corporate culture of sustainable governance, and provide diversified products.

# Take part in international exchange and cooperation

- Continue seeking to sign bilateral financial supervisory MOUs with other countries to spur supervisory cooperation, information sharing, and experience sharing, and to further enhance cross-border cooperation between the FSC and overseas supervisory authorities. Take active part in the activities of international organizations and strengthen interactions and cooperation with financial industry organizations in order to expand cross-border financial cooperation and raise Taiwan's international profile.
- Take active part in the activities of international organizations: Continue taking part in the meetings of the IAIS Implementation and Assessment Committee (IAC), IAIS Policy Development Committee (PDC), and the IAIS Capital, Solvency and Field Testing Working Group (CSFWG) to discuss supervisory assessments, the design of standards, application papers, and trend analyses. Attend meetings of the Asian Forum of Insurance Regulators (AFIR), the OECD Insurance and Private Pensions Committee (IPPC), and the Global-Asia Insurance Partnership (GAIP). Helping to collect and analyze information on regional insurance supervision affords opportunities for the FSC to express Taiwan's position on insurance supervision and describe the features and the state of development of our country's insurance market, and to engage in exchanges with national insurance supervisory authorities and international insurance organizations. At the same time, the FSC works to strengthen supervision of insurance groups and continues to promote international supervisory cooperation as well as liaison with supervisory officials from other countries. In this manner, the FSC seeks to bring its own practices more closely in line with international insurance supervision, to make Taiwan's insurers more competitive and get them to respond to emerging risks by achieving more resilient business operations.
- Strengthen the internal control and internal audit systems of the overseas branches of domestic banks.



- Senior FSC officials
- Statistical overview of the financial industry



# Senior FSC officials



# **Statistical overview of the financial industry**

## **Banking Industry**

Business Overview

At the end of 2020, the total assets and net worth of the banking system were NT\$69.27 trillion and 4.65 trillion, both of which were record highs, and profit before tax of the banking system was NT\$371 billion in 2020. In addition, the return on assets (ROA) and return on equity (ROE) of domestic banks were 0.59% and 7.70% in 2020, and the total capital adequacy ratio of domestic banks was 14.89% at the end of 2020. Furthermore, total loans, non-performing loans (NPLs), the NPL ratio, and the NPL coverage ratio of domestic banks were NT\$31.47 trillion, 69.2 billion, 0.22% and 623.24% at the end of 2020, respectively.

#### Important indicators

Unit: firm; NT\$Bn; %

Unit: firm; NT\$Bn						
Item	2015	2016	2017	2018	2019	2020
Number of Banking System	I I		ı			
Head office	100	99	98	97	96	97
Domestic Banks (note1)	39	39	38	37	36	37
Local Branches of Foreign and Mainland Chinese Banks	30	29	29	29	29	29
Credit Cooperatives	23	23	23	23	23	23
Bills Finance Companies	8	8	8	8	8	8
Branches	3,764	3,758	3,753	3,747	3,757	3,756
Domestic Banks	3,442	3,430	3,417	3,403	3,405	3,403
Local Branches of Foreign and Mainland Chinese Banks	39	38	38	38	38	38
Credit Cooperatives	253	260	268	276	284	285
Bills Finance Companies	30	30	30	30	30	30
Deposits of the Banking System (note2)(NT\$Bn)	36,004	37,563	39,216	40,432	42,842	46,908
Domestic Banks' Share (%)	95.92	95.03	95.42	95.80	95.30	95.50
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	2.34	3.25	2.88	2.53	3.06	2.91
Credit Cooperatives' Share (%)	1.75	1.72	1.69	1.67	1.64	1.59
Loans of the Banking System (note2) (NT\$Bn)	27,116	27,822	28,873	30,463	31,759	33,462
Domestic Banks' Share (%)	93.97	94.04	93.71	93.68	93.47	94.04
Local Branches of Foreign and Mainland Chinese Banks' Share (%)	4.46	4.38	4.72	4.75	4.96	4.40
Credit Cooperatives' Share (%)	1.57	1.58	1.58	1.56	1.57	1.56
Non-performing Loans (NPLs)						
NPLs of Banking System (note3) (NT\$Bn)	60.2	71.9	75.4	69.1	64.2	70.2
NPLs of Domestic Banks (NT\$Bn)	59.9	70.7	74.7	68.4	63.6	69.2
NPLs Ratio of Banking System (note3) (%)	0.22	0.26	0.26	0.23	0.20	0.21
NPLs Ratio of Domestic Banks (%)	0.23	0.27	0.28	0.24	0.21	0.22
Coverage Ratio of Domestic Banks (%)	555.43	502.93	492.92	575.44	651.78	623.24
Domestic Bank Profitability						
Return on Equity (ROE) (%)	10.58	9.24	8.97	9.31	9.38	7.70
Return on Assets (ROA) (%)	0.75	0.68	0.67	0.70	0.72	0.59

Note: 1.Domestic Banks exclude Agricultural Bank of Taiwan.

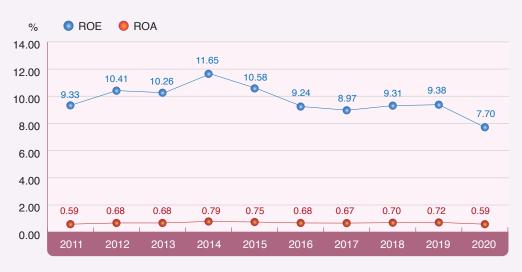
<sup>2.</sup> The data of Loans and Deposits include all branches.

<sup>3.</sup>The data of Non-perfoming Loans include Domestic Banks, Local Branches of Foreign Banks and Mainland Chinese Banks (beginning 2013) and Credit Cooperatives.

## NPL Ratio & Amounts VS Coverage Ratio of Domestic Banks



## Average ROE and ROA of Domestic Banks



#### **Securities and Futures Industry**

- Business Overview
  - Stable profitability at securities firms:

Since the financial crisis of 2008, securities firms have maintained profit before tax above NT\$20 billion. The pre-tax surplus was NT\$65.80 billion in 2020, up by NT\$22.38 billion from NT\$43.41 billion in 2019. The main reason is that the total trading value in the securities markets in 2020 increased NT\$24.18 trillion from 2019, which contributed to the rise in income of securities brokerage business.

Stable profitability at SITEs:

Since the 2008 financial crisis, earnings before tax at SITEs have been above NT\$5.4 billion, so SITEs have enjoyed steady profit growth. Earning before tax increased from NT\$9.1 billion in 2019 to NT\$11 billion in 2020, a year-on-year increase of 1.9 billion.

# ► Stable profitability of futures firms:

The pre-tax surplus of futures firms was NT\$5.03 billion in 2020, up by NT\$0.73 billion from NT\$4.30 billion in 2019.

## Important indicators

Unit:firm

						Offic.iii111		
Item	2015	2016	2017	2018	2019	2020		
Number of Securities Services Providers								
Securities Firms	120	116	111	108	106	105		
Branch of Securities Firms	965	910	883	871	853	848		
Broker	80	78	74	72	71	70		
Dealer	81	79	77	76	75	74		
Underwriter	62	59	58	58	58	58		
Securities Investment Trust Enterprises	37	38	39	39	39	39		
Securities Investment Consulting Enterprises	89	87	84	82	84	85		
Number of Participating Futures Firm	S							
Futures Firms	15	15	15	15	15	15		
Concurrently-Operated Enterprises	29	29	28	26	26	26		
Proprietary Traders	31	33	33	32	32	32		
Brokers	31	30	28	26	26	26		
Futures Advisory Enterprises	34	34	32	32	31	30		
Managed Futures Enterprises	8	9	9	7	6	6		
Introducing Brokers	49	49	48	47	47	44		
Futures Trust Enterprises	9	10	10	10	8	8		

Unit:firm; NT\$ Bn

Highlights of Equity Issuance by Public Companies	2015	2016	2017	2018	2019	2020
TWSE Listed Companies	874	892	907	928	942	948
Capital Issused (NT\$Bn)	6,951	7,022	7,136	7,159	7,156	7,238
Market Value (NT\$Bn)	24,504	27,248	31,832	29,319	36,414	44,904
TPEx Listed Companies	712	732	744	766	775	782
Capital Issused(NT\$Bn)	706	715	722	739	747	742
Market Value(NT\$Bn)	2,731	2,723	3,317	2,827	3,434	4,352
Unlisted Companies	646	645	658	672	677	708
Capital Issused(NT\$Bn)	1,735	1,637	1,605	1,509	1,484	1,376
Emerging-stock Companies*	284	271	274	256	248	253
Capital Issused(NT\$Bn)	301	249	233	177	161	205
Market Value(NT\$Bn)	900	754	778	518	490	750

<sup>\*</sup> The number and capital issused of unlisted companies includes emerging-stock companies.

	Unit: NT\$Bn; Lots; <sup>o</sup>						
Item	2015	2016	2017	2018	2019	2020	
Highlights of Securities transaction	ns(NT\$Bn)						
Securities Trading Value on TWSE	22,505	18,916	25,799	32,162	29,057	49,183	
Stocks	20,192	16,771	23,972	29,609	26,465	45,654	
ETFs	1,634	1,707	1,232	1,834	2,081	2,839	
Closed-end Funds	0	0	0	0	0	0	
Beneficiary Securities	12	7.1	4.3	4.2	10	11.5	
Warrants	645	426	585	713	497	509	
TDRs	22.2	4.4	6.2	2.7	2.4	163.3	
Convertible Corporate Bonds	0	0	0	0	0	0	
Securities Trading Value on TPEx	58,085	54,875	53,725	56,891	53,285	53,263	
Stocks	5,689	5,050	7,684	8,146	7,608	12,087	
Warrants	157	129	227	212	145	155	
Bonds (including outrights and Repos)	52,239	49,697	45,815	48,218	44,677	40,604	
Highlights of Taiwan Futures Marl	ket Trading**(Le	ots)					
Futures and Options	264,495,660	241,678,556	265,705,669	308,083,576	260,765,482	341,393,346	
Futures	72,052,902	73,102,459	78,408,549	112,731,243	90,042,348	139,151,877	
Options	192,442,758	168,576,097	187,297,120	195,352,333	170,723,134	202,241,469	
Open interest of Futures and Options	976,413	1,099,429	1,568,135	872,723	941,097	987,019	
Open interest of Futures	214,816	269,371	344,465	291,914	328,212	571,617	
Open interest of Options	761,597	830,058	1,223,670	580,809	612,885	415,402	
Net Foreign Investments in Listed	Shares (NT\$E	Bn; %)					
Net Foreign Investments in Taiwan Stock Exchange (TWSE)Shares (NT\$Bn)	46.2	320.2	155.2	-354.9	244.2	-609.1	
Trading Value Ratio of Foreign Investments in Taiwan Stock Exchange (TWSE) Shares (%)	28.38	30.45	25.93	26.19	27.66	27.65	
Net Foreign Investments in Taipei Exchange (TPEx) Shares (NT\$Bn)	53.3	31.7	32.7	-13.4	25.9	9.2	
Trading Value Ratio of Foreign Investments in Taipei Exchange (TPEx) Shares (%)	8.9	11.12	9.26	12.27	11.78	12.06	

<sup>\*\*</sup> According to Article 3 of the "Futures Trading Act," the term "futures trading" shall mean trading in futures contracts, option contracts, futures option contracts, leverage contracts, swap contracts or other types of contracts, or any combination thereof, deriving from commodities, currencies, securities, interest rates, indices, or other interests, conducted pursuant to the regulations or practices set forth by domestic or foreign futures exchanges or other futures markets. The FSC started adjusting the above futures trading statistics in its 2012 Annual Report, and applies those same adjustments retroactively back to 2006.

#### **Insurance Industry**

- Business Overview
  - ► Premium income:

The total premium income of the life insurance industry in 2020 was NT\$3,164 billion, down by 8.7% (or NT\$302.7 billion) from 2019. The decrease was mainly caused by the lowering of liability reserve interest rates on new policies and the lowering of declared interest rates for interest-sensitive insurance products. As for the non-life insurance industry, premium income saw steady growth.

► Pre-tax earnings:

The domestic stock market fluctuated in early 2020 due to Covid-19. Benchmark interest rates in both Taiwan and the U.S. bond markets have dropped due to QE measures introduced in many countries. As a result, 2020 pre-tax earnings reached NT\$223.1 billion, an increase of NT\$52.4 billion or 30.7% compared with the same period in 2019.

- ► Total assets gradually increased:

  The total assets of the insurance industry in 2020 amounted to NT\$32.167 trillion, an increase of around NT\$2 trillion compared to 2019.
- ▶ Total insurance benefit payments grew steadily and played the role of a social safety net: In 2019, non-life insurance benefit payments of NT\$88 billion, while life insurance benefit payments of NT\$1.9423 trillion, which represented a slight fluctuation. In 2020, insurance benefit payments by the non-life and life insurance industries exceeded NT\$89.9 billion and NT\$1.873 trillion, respectively.

## Important indicators

Unit: firm; NT\$; %

			Unit: f			firm; NT\$; %
Item	2015	2016	2017	2018	2019	2020
No. of insurers (based on no. of issued business licenses)	54	54	54	55	54	53
Domestic non-life insurers (incl. cooperatives)	17	17	17	17	17	17
Domestic life insurers	24	23	23	23	23	23
Foreign non-life insurers	5	6	6	7	7	6
Foreign life insurers	5	5	5	5	4	4
Domestic & foreign reinsurers	3	3	3	3	3	3
Overseas branches of domestic insurers	23	23	22	20	20	20
Non-life insurers	10	9	9	8	8	7
Life insurers	13	14	13	12	12	12
Taiwan contact offices of foreign insurers	10	10	9	8	8	8
Non-life insurers	4	4	4	3	3	3
Life insurers	2	1	0	0	0	0
Reinsurers	4	5	5	5	5	4
Total assets of all financial institutions (NT\$Bn)	67,631	70,799	73,872	78,184	82,698	88,537
Total assets of all insurers (NT\$Bn)	20,047	22,592	24,814	26,674	29,779	32,167
Total assets of all non-life insurers (NT\$Bn)	315.2	345.1	348.8	355.4	385.1	412.1
Total assets of all life insurers (NT\$ trillions)	19.7313	22.2472	24.4650	26.3198	29.3936	31.7549
Total assets of insurers as share of total assets of all financial institutions (%)	29.64	31.91	33.59	34.12	36.01	36.33
Total assets of non-life insurers as share of total assets of all financial institutions (%)	0.47	0.49	0.47	0.45	0.47	0.47
Total assets of life insurers as share of total assets of all financial institutions (%)	29.17	31.42	33.12	33.66	35.54	35.87
Total premium income as share of GNI (Note 1) (%)	17.8	18.55	20.03	20.32	18.83	16.47
Premium income (NT\$Bn)	3,063	3,279	3,577	3,677	3,644	3,352
Premium income of non-life insurers (NT\$Bn)	136.1	146.0	156.7	165.6	177.1	188.1
Premium income of life insurers (NT\$Bn)	2,927	3,133	3,420	3,512	3,467	3,164
Premium income of non-life vs. life insurers	1:21.50	1:21.47	1:21.82	1:21.21	1:19.57	1:16.82
Annual increase in premium income of non-life insurers (%)	2.95	7.23	7.36	5.68	6.96	6.20
Annual increase in premium income of life insurers (%)	5.61	7.06	9.16	2.67	-1.28	-8.73
Annual increase in premium income of foreign non-life insurers (%)	14.96	14.48	15.59	12.8	12.98	12.8
Annual increase in premium income of foreign life insurers (%) (Note 2)	3.20	2.49	3.10	3.5	3.51	2.85
Non-life insurance market concentration ratio (%)	61.5	62.59	62.17	61.37	61.41	61.34
Life insurance market concentration ratio (%)	66.70	69.77	69.40	66.22	67.29	68.21

Item	2015	2016	2017	2018	2019	2020
Insurance losses (NT\$Bn)	1,604	1,703	1,744	1,956	2,030	1,963
Insurance losses on non-life insurers (NT\$Bn)	68.2	78.5	88.4	80.3	88.0	89.9
Insurance losses on life insurers (NT\$Bn)	1,536	1,625	1,655	1,876	1,942	1,873
Insurance density (NT\$)	130,376	139,310	151,750	155,886	154,379	142,271
Non-life insurance density (NT\$)	5,794	6,201	6,648	7,021	7,505	7,984
Life insurance density (NT\$)	124,581	133,109	145,102	148,865	146,874	134,287
Insurance penetration (%)	18.26	19.16	20.51	20.68	19.28	16.97
Non-life insurance penetration (%)	0.81	0.85	0.90	0.93	0.94	0.95
Life insurance penetration (%)	17.45	18.30	19.61	19.75	18.34	16.02
New life insurance contracts (1,000 contracts)	50,158	47,035	46,072	50,868	60,471	49,574
Insured amount of new life insurance contracts (NT\$Bn)	53,962	50,982	50,276	47,602	49,263	30,675
Life insurance contracts in force (individuals) (1,000 contracts)	47,935	49,689	51,003	51,822	53,181	53,799
Insured amount of life insurance contracts in force (individuals) (NT\$Bn)	37,466	38,521	39,385	41,637	43,519	43,974
Take-up rate for life & annuity insurance (%)	234.16	240.35	246.04	249.45	256.09	260.49
Prevalence ratio of life & annuity insurance (%)	286.98	288.03	293.25	307.24	303.7	294.32
Avg. dividend interest rate on life insurance (%)	1.4	1.16	1.08	1.08	1.08	0.88

- Note 1: The Directorate-General of Budget, Accounting and Statistics (DGBAS) switched in 2014 from gross national product (GNP) to gross national income (GNI). To coordinate with this switch, the field that formerly read "Total premium income as share of GNP" has been re-worded to read "Total premium income as share of GNI", and the annual figures have been adjusted to reflect this change (the 2014 figure for GNI is the DGBAS estimate).
- Note 2: The Taiwan branch of HSBC Life was acquired by Allianz President Life in June 2013. Accordingly, figures for the market share of foreign insurers prior to June 2013 include the market share of the Taiwan branch of HSBC Life.
- Note 3: The term "insurance market concentration ratio" (of the non-life or life insurance market) refers to the combined total premium income of (non-life or life) insurers ranking among the top five for premium income, expressed as a percentage of the combined total premium income of all (non-life or life) insurers.



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Address 18F., No.7, Sec. 2, Xianmin Bivd., Banqiao Dist., New Taipei City

22041, Taiwan (R.O.C.)

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Fax 886-2-8969-1215

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# **Financial Supervisory Commission, Taiwan**

18F., No.7, Sec. 2, Xianmin Blvd., Banqiao Dist., New Taipei City 22041, Taiwan (R.O.C.)

Tel: 886-2-8968-0899 Fax: 886-2-8969-1215

http://www.fsc.gov.tw





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