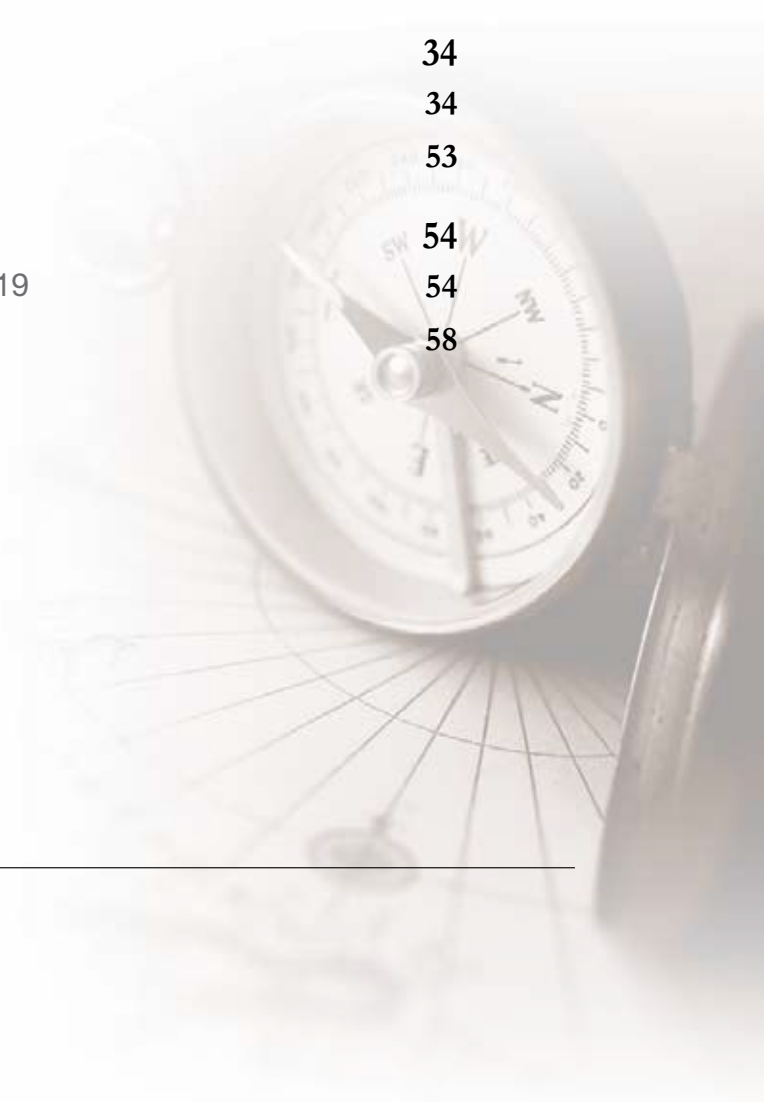


Annual Report 2019

CONTENTS

I. Chairman's Preface	2
II. Introduction of the Bankers Association of the Republic of China	5
A. History	5
B. Aims, Functions and Organization	5
C. Directors, Supervisors, Advisors and Observers	9
D. Major Staff Members of BAROC	11
III. An Overview of the Banking Operations	12
A. Macroeconomic Summary	12
B. Major Financial Measures Adopted by the Government	21
C. Banking Operations in 2019	27
IV. Report on the Work of BAROC	34
A. Major Achievements in 2019	34
B. Major Tasks in 2020	53
V. Appendices	54
A. Chronology of Major Events in 2019	54
B. List of Member Banks of BAROC	58



I. Chairman's Preface

Global economic growth decelerated in 2019 due to US-China trade friction, Brexit, and geopolitical factors. The International Monetary Fund (IMF) estimates that the global economy grew at a rate of 2.9% in 2019, down from 3.6% in 2018 and a 10-year low. In Taiwan, the US-China trade dispute created a drag on export growth, but it also prompted many Taiwanese firms with Chinese operations to shift



Chairman Joseph Jye-Cherng Lyu

investments back to Taiwan, which boosted private investment and domestic production capacity. Private consumption, meanwhile, posted stable growth. The result was a real GDP growth of 2.71%.

The average interest spread of Taiwan's domestic banks continued to narrow, falling from 1.34 percentage points in 2018 to 1.32 percentage points in 2019. However, the overseas branches of Taiwan's domestic banks earned handsome profits, which pushed total pre-tax earnings for domestic banks in 2019 to an all-time high of NT\$360.7 billion, up by 7.93% from the 2018 figure of NT\$334.2 billion. Over the same period, their return on assets (ROA) came to 0.72% while return on equity (ROE) was 9.38%, up from 0.70% and 9.31% respectively for 2018. As for banks' asset quality, the average non-performing loan (NPL) ratio of domestic banks at year-end 2019 stood at 0.21%, down by 0.03 percentage points from 0.24% in 2018, and the lowest figure ever. Their average NPL coverage ratio came to 651.78%, up by 76.34 percentage points from 575.44% at year-end 2018. These figures show that our domestic banks have steadily improved risk-bearing capacity, and they remain on strong financial footing.

The Bankers Association of the Republic of China (BAROC) was founded to help the government implement its financial policy, spur economic development, and coordinate relations among peers in the industry so as to bring about the common interest among them. In 2019, BAROC continued to promote the shared interests of banks by: helping member banks respond to legislative developments at home and abroad; monitoring the progress of legislative actions and taking proactive steps to safeguard the interests of member banks; drafting self-regulatory rules for the banking industry; and helping member banks to resolve problems in the management and operation of their businesses.

In addition, BAROC took steps to help the competent authorities adopt and implement their financial policies. Working under the guidance of the authorities and with the support of member banks, BAROC completed the following important undertakings: (1) Helped member banks continue implementing requirements for anti-money laundering and combating the financing of terrorism (AML/CFT). At its Annual Meeting in August 2019, the Asia/Pacific Group on Money Laundering (APG) promoted Taiwan to its most favorable "regular follow-up" list as a result of the Third Follow-up Report to the Mutual Evaluation Report of Chinese Taipei in Fourth-quarter 2018, and this Mutual Evaluation Report was subsequently endorsed by the Financial Action Task Force (FATF); (2) Strengthened measures pertaining to the information security mechanisms of financial institutions, and studied related self-regulatory rules; (3) Supported the government's green energy policies, BAROC worked on recommendations and held related conferences; (4) Helped member banks bring their practices more closely in line with international risk management requirements; and (5) Promoted the development of digital financial services, and coordinated with government policy by drafting related requirements and measures with which banks will be expected to cooperate.

To help member banks develop their overseas markets and strengthen their legal compliance capabilities, BAROC is actively engaged throughout the world. First, in order to highlight the determination of our government and banks to strengthen legal compliance, internal controls, and internal audits, BAROC held the "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in February 2019 in Sydney, Australia, then followed in March by holding the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York.

BAROC attended the 52nd Annual Meeting of the Board of Governors of the Asian Development Bank in May 2019. On their way to the meeting in Fiji, BAROC officials made a stopover in Australia and met with the Australian Bankers' Association and a number of local financial institutions to exchange views on cooperation and exchange between Taiwanese banks and their Australian counterparts, then during the Annual Meeting proceedings they met with leading Japanese banks to enhance cooperative partnerships between Taiwanese banks and their counterparts from around the world. In addition, the Association joined hands once again with the Israel Economic and Cultural Office in Taipei to organize the "2019 Israel FinTech and Cybersecurity Mission," which traveled to Israel in May and September of 2019 to gain insights from Israel on FinTech and cybersecurity development, and to promote bilateral cooperation and exchange. Then in October 2019 BAROC organized a "Study Trip for Asian Financial Supervisory Officials," inviting senior supervisory officials from the Philippines to Taiwan to speak about financial supervisory mechanisms and the state of FinTech innovation in the Philippines. Interactions of this sort are intended to strengthen financial exchange with countries in coordination with the Taiwanese government's New Southbound Policy.

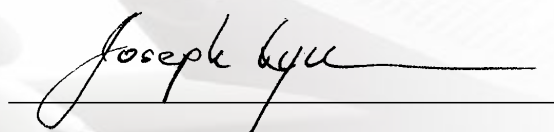
To further fulfill corporate social responsibility, in addition to helping banks provide easily accessible financial services, we once again donated to a number of charitable organizations in 2019, including the Financial Services Education Charity Fund, and continued to provide assistance to economically disadvantaged persons.

Looking to the future, international institutions such as the IMF and the World Bank have warned of a global economic slowdown in 2020 due to the impact of the COVID-19 pandemic. In addition, we need to be alert to the possible global economic impact of other factors, including the ongoing US-China trade negotiations, the monetary policy of the world's major central banks, risks associated with Chinese debt, and geopolitical conditions.

BAROC thanks its member banks for their support over the past year, and the competent authority for its guidance, which have enabled the Association to accomplish many important tasks in an efficient and professional manner. In 2020, our member banks may be challenged by many internal and external uncertainties, but the government is pursuing a variety of policies that should help to enhance bank performance. In addition to the government's three major plans for encouraging investing in Taiwan, implementation of the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act," and promotion of the planned Infrastructure Development Program, all aimed to boost Taiwan economy, the Financial Supervisory Commission will continue encouraging FinTech innovation, helping financial institutions to expand their offshore banking business, allowing the launch of a diverse range of new financial products, promoting the "New Wealth Management Scheme," and encouraging development of financial products and services geared to the needs of an aging society. BAROC therefore remains positive about the prospects for Taiwan's banking industry.

In 2020, besides continuing to coordinate with government policy to spur financial industry support for the real economy, BAROC will serve as a platform for communication among the government, BAROC member banks, and the general public, so as to create a win-win-win situation for the government, banks, and consumers, thereby making the greatest possible contribution to social well-being.

Chairman



Joseph Yu

II. Introduction of the Bankers Association of the Republic of China

A. History

The Bankers Association of the Republic of China (hereinafter referred to as BAROC) was founded on August 9, 1983, as the successor to the Bankers Association of Taipei, which joined with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung to form BAROC in accordance with the regulations of the Commercial Group Act. The merger was approved by the Ministry of the Interior. The Association was located on the eighth floor of No. 46, Guancian Road, Taipei at the time. In January 1984, the Bankers Association of Taipei transferred the national aspects of its operations to BAROC. After Taipei County and Taoyuan County were upgraded to special municipalities of New Taipei City and Taoyuan City, the Bankers Association of Taipei County and the Bankers Association of Taoyuan County withdrew from the Bankers Association of Taiwan in May of 2010 and in May of 2013, respectively, and joined BAROC. At the same time, the Bankers Association of Taipei County changed its name to Bankers Association of New Taipei City, and the Bankers Association of Taoyuan County was renamed The Bankers Association of Taoyuan. Later, the special municipalities of Taichung, Tainan, and Kaohsiung were established. In response, the Bankers Association of Taichung, the Bankers Association of Taichung City (the former Bankers Association of Taichung County), the Bankers Association of Tainan, the Bankers Association of Tainan City (the former Bankers Association of Tainan County), and the Bankers Association of Kaohsiung City (the former Bankers Association of Kaohsiung County) withdrew from the Bankers Association of Taiwan and joined BAROC in May of 2016. As a result, BAROC membership now includes 10 local bankers associations.

The Chairmen of BAROC from the first session of the first General Assembly in August 1983 to the thirteenth session of the first General Assembly in September 2019 are shown as follows:

Chairman	Session	Duration
I-Shuan Sun	1, 2	1983-1989
Y. D. Sheu	3, 4	1989-1995
James C. T. Lo	5, 6	1995-2000
Yung-San Lee	7	2000-2002
Mu-Tsai Chen	7	2002-2004
Shen-Chih Cheng	8	2004-2006
Jer-Shyong Tsai	8	2006-2007
Teh-Nan Hsu	8, 9	2007-2008
Susan S. Chang	9,10	2008-2012
Teng-Cheng Liu	10	2012-2013
Jih-Chu Lee	11	2013-2016
Jye-Cherng Lyu	12,13	2016-

B. Aims, Functions and Organization

1. Aims

- (1) To assist the government in implementing financial policies
- (2) To promote economic development
- (3) To coordinate with its member banks
- (4) To improve its members' mutual benefits

2. Functions

- (1) To help implement economic and financial policies and commercial decrees
- (2) To study the balance of funds in supply and demand among various sectors in line with economic development
- (3) To formulate and compile common rules and regulations relating to various businesses of its members
- (4) To enhance communications, surveys, statistics, consultations, research, development and publications relating to national and international financial businesses
- (5) To protect the legitimate rights of its members and to help settle disputes among them
- (6) To promote the exchange, analysis and reporting of credit information among its members and to establish the credit files of the major clients of its members
- (7) To consolidate the planning of information systems among its members
- (8) To strengthen mutual support, assistance, education and interaction among the employees of its members, to sponsor activities for public benefit, and to help implement service ethics and self-disciplinary measures
- (9) To participate in international financial organizations and meetings
- (10) To enhance communications and collaborations with overseas bankers associations and to promote national diplomacy
- (11) To conduct research and make recommendations in response to requests from the government or private organizations
- (12) To participate in social charitable activities

3. Organization

The 10 local bankers associations that have joined as BAROC members are the following: The Bankers Association of Taipei; Bankers Association of Taiwan; The Bankers Association of Kaohsiung; Bankers Association of New Taipei City; The Bankers Association of Taoyuan; The Bankers Association of Taichung; The Bankers Association of Taichung City; The Bankers Association of Tainan; The Bankers Association of Tainan City; and The Bankers Association of Kaohsiung City. As of the end of 2019, the head offices of member banks totaled 59, of which 54 belong to The Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 1 belongs to The Bankers Association of Kaohsiung, 2 belong to The Bankers Association of Taichung, and 1 belongs to The Bankers Association of Tainan. The branches of member banks located in the six special municipalities (Taipei City, New Taipei City, Taoyuan City, Taichung City, Tainan City, and Kaohsiung City) and each county join their respective local bankers associations and participate in local association activities.

Number of Member Banks of the Bankers Associations

Dec. 31, 2019

Member Banks	Headquarters	Branches
The Bankers Association of the Republic of China	<59>	
The Bankers Association of Taipei	<54>	(931)
Bankers Association of Taiwan		(578)
The Bankers Association of Kaohsiung	<1>	(302)
Bankers Association of New Taipei City	<1>	(514)
The Bankers Association of Taoyuan		(253)
The Bankers Association of Taichung	<2>	(230)
The Bankers Association of Taichung City		(144)
The Bankers Association of Tainan	<1>	(135)
The Bankers Association of Tainan City		(97)
The Bankers Association of Kaohsiung City		(90)
Bankers Association of Hsinchu County		(54)
Bankers Association of Miaoli County		(44)
Bankers Association of Changhwa County		(96)
Bankers Association of Nantou County		(36)
Bankers Association of Yunlin County		(46)
Bankers Association of Chiayi County		(19)
Bankers Association of Pingtung County		(48)
Bankers Association of Ilan County		(40)
Bankers Association of Hualien County		(22)
Bankers Association of Taitung County		(14)
Bankers Association of Penghu County		(5)
Bankers Association of Keelung City		(26)
Bankers Association of Hsinchu City		(84)
Bankers Association of Chiayi City		(44)

C. Directors, Supervisors, Advisors and Observers

March 2020

Title	Name	Company Affiliation
Chairman of the Board	Jye-Cherng Lyu	Chairman, Taiwan Financial Holding Co., Ltd.
Managing Directors	Chung-Dar Lei	Chairman, Taiwan Cooperative Financial Holding Co., Ltd.
	Chao-Shun Chang	Chairman, Mega Financial Holding Co., Ltd.
	Tsan-Chang Liao	Chairman, First Financial Holding Co., Ltd.
	Bor-Chang Hwang	Chairman, Land Bank of Taiwan
	Yun-Peng Chang	Chairman, Hua Nan Financial Holdings Co., Ltd.
	Chang-Ken Lee	President, Cathay Financial Holding Co., Ltd.
Directors	Joanne Ling	Chairman, Chang Hwa Commercial Bank
	Bor-Yi Huang	Chairman, Taiwan Business Bank
	Gary Tseng	Chairman, E. Sun Commercial Bank, Ltd.
	Sheng-Hung Chen	Chairman, Sunny Bank
	Wen-Long Yen	Chairman, CTBC Financial Holding Co., Ltd.
	Tseng-Chang Lee	Chairman, Shin Kong Commercial Bank
	Shui-Yung Lin	Chairman, The Export-Import Bank of the Republic of China
	Ming-Ming Wu	Chairman, Agricultural Bank of Taiwan
	Wen-Chyi Ong	Chairman, Sinopac Financial Holdings Co., Ltd.
	Michael Y. J. Ding	President, IBF Financial Holdings Co., Ltd.
	Terence Tai	Chairman, King's Town Bank
	Sung-Yie Liao	Chairman, Cota Commercial Bank
	Leo Kuo	Chairman, Taipei Star Bank
	Welch Lin	President, Taishin Financial Holding Co., Ltd.
	Adam Chen	President, HSBC Bank (Taiwan) Limited
	Anthony Lin	President, Standard Chartered Bank (Taiwan) Limited
	Rueen-Fong Chu	Chairman, Bank of Kaohsiung
	Eric Chen	Chairman, Taipei Fubon Commercial Bank
	Jui-Tang Chiang	President, Chunghwa Post Co., Ltd.
	Chao-Hsien Lai	Chairman, Hwatai Bank
Kuei-Fong Wang	Chairman, Taichung Commercial Bank	
Tina Y. Lo	Vice Chairman, O-Bank Co., Ltd.	
Jennifer M.C. Liao	Chairman, Mega Bills Finance Co., Ltd.	
Ye-Chin Chiou	President, Bank of Taiwan	

Title	Name	Company Affiliation
	Jerry Harn	President, Fubon Financial Holding Co., Ltd.
	Andrew Ming-Jian Kuo	Chairman, Cathay United Bank
Alternate Directors	Shih-Ching Chen	President, Taiwan Cooperative Bank
	Tony Fan	Chairman, Yuanta Bank
	Oliver Shang	President, Taishin International Bank
	Yen-Lang Chiu	President, International Bills Finance Co.
	Chih-Fang Wang	President, Jih Sun International Bank
	Chia-Hsien Chen	Chairman, Bank Sinopac
Executive Supervisor	Rong-Jou Wang	Supreme Consultant, Yuanta Financial Holdings Co., Ltd.
Supervisors	Jesse Ding	Chairman, EnTie Commercial Bank
	Shiang-Chang Lee	Chairman, Union Bank of Taiwan
	Ping-Hui Liu	Chairman, Bank of Panhsin
	Jin-Tan Huang	Chairman, Jih Sun Financial Holding Co., Ltd.
	Chia-Juch Chang	Chairman, China Development Financial Holding Co.
	Thomas Chou	President, Far Eastern International Bank
	Shan-Chung Chen	President, The Shanghai Commercial & Savings Bank, Ltd.
	Paulus Mok	Chairman, Citi Bank Taiwan, Ltd.
	Chenli Yang	Chief Operating Officer, DBS Bank (Taiwan)
Alternate Supervisor	Eugene T.C. Wu	Chairman, Shin Kong Financial Holding Co., Ltd.
Advisors	Jiann-Jong Guo	Chairman, Joint Credit Information Center
	Kuo-Liang Lin	Chairman, Financial Information Service Co., Ltd.
	Sherman H.M. Lin	Chairman, Taiwan Depository & Clearing Corporation
	Chung-Shu Wu	Chairman, Taiwan Academy of Banking and Finance
	Tong-Liang Lin	President, National Credit Card Center of R.O.C.
	Sen-Yu Chang	President, The National Federation of Credit Co-operatives R.O.C.
	Chiu-Tang Chen	Chairman, The Taiwan Clearing House
	Jih-Chu Lee	Advisor, The Bankers Association of the Republic of China
	Jan-Lin Wei	Advisor, The Bankers Association of the Republic of China
Observers	Nicole Wu	Senior Vice President, BNP Paribas, Taipei Branch
	Natalie Kuo	Executive Director, Credit Agricole Corporate & Investment Bank, Taipei Branch
	Mike Huang	Executive Vice President, Bank of America, N.A., Taipei Branch
	Jacky Huang	Vice President, JPMorgan Chase Bank, N.A., Taipei Branch

D. Major Staff Members of BAROC

March 2020

Title / Position in BAROC	Name	Full-time or Part-time
Chairman, Financial Research and Training Development Fund Management Committee	Joseph Jye-Cherng Lyu	Chairman, BAROC, Part-time
Chairman, Committee on Safety Protection Fund Management	Joseph Jye-Cherng Lyu	Chairman, BAROC, Part-time
Secretary General	Nancy Young	Full-time
Deputy Secretary General	Chun-Liang Lin	Full-time
Deputy Secretary General	Tsong-Ming Wang	Full-time
Secretary	Yung-Chuan Yu	Full-time
Secretary	Hwai-Der Tsai	Full-time
Chairman, Lending Committee	Ying-Ming He	EVP, Land Bank of Taiwan, Part-time
Chairman, General Banking Committee	Chang-Yu Lin	EVP, Taiwan Business Bank, Part-time
Chairman, International Finance Committee	Chien-Chung Chen	EVP, Mega International Commercial Bank, Part-time
Chairman, Financial Regulations and Disciplinary Committee	Jen-Wei Ken	Chief Compliance Officer, Taiwan Cooperative Financial Holding, Part-time
Chairman, Internal Management Committee	Sung-Ming Yang	EVP, CTBC Bank, Part-time
Chairman, Banking Automation Committee	Yeung-Rong Ju	EVP, Bank of Taiwan, Part-time
Chairman, Research and Development Committee	Shing-Shiang Ou	SEVP, Taiwan Financial Holdings, Part-time
Chairman, Risk Management Committee	Chun-Jen Hsu	CEO, Global Capital Market, CTBC Bank, Part-time
Chairman, Credit Card Business Committee	Justin Lee	Director, Citibank, Part-time
Chairman, Financial Holding Business Committee	Chang-Ken Lee	President, Cathay Financial Holdings, Part-time
Chairman, Internal Audit Committee	Shiow-Ling Wu	Chief Auditor, First Commercial Bank, Part-time
Chairman, Wealth Management Business Committee	Tim Kuo	EVP, Head of Retail Banking Division, Taipei Fubon Commercial Bank, Part-time
Chairman, Consumer Finance Unsecured Debt Restructuring Program Committee	Jerry Yang	SVP, Retail Banking Group, Taishin International Bank, Part-time
Chairman, Electronic Payment Committee	Winni Liu	EVP, Credit Card and Payment Finance Division, E.SUN Commercial Bank, Part-time
Chairman, Certificate Policy Management Committee	Jeng-Fang Jang	President, Hua Nan Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Ye-Chin Chiou	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Yu-Min Chou	Full-time
Chief, Operations Division	Kuo-En Wen	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	Hsien-Hwa Kao	Full-time
Chief, Information Division	Mei-Ling Tsai	Full-time
Chief, Consulting Services Center	Yin-Tarng Lee	Full-time

III. An Overview of the Banking Operations

A. Macroeconomic Summary

1. Economic Conditions

(1) Slowdown in Global Economic Growth

Due to the ongoing standoff in the US-China trade war, confusion over Brexit, geopolitical tensions, and a number of other factors, global trade activity slowed and manufacturing firms took a cautious wait-and-see attitude toward investments. As a result, economic performance in most economies fell short of expectations. The International Monetary Fund (IMF) estimates a global economic growth of 2.9% in 2019, down from 3.6% in 2018 and the lowest growth rate since the financial crisis of 2007-08.

The United States posted economic growth of 2.3% in 2019, down from 2.9% the year before due to the US-China trade dispute and the gradually waning effect of expansionary US fiscal policies. In the eurozone, GDP growth in 2019 fell to 1.2% from 1.9% the year before due to the impact of global trade frictions as well as uncertainties surrounding Brexit and an economic slowdown in many EU member nations. Japan, in contrast, saw its 2019 economic growth rate rise to 0.7% from the previous year's 0.3% thanks to the government's economic stimulus program and an increase in business expenditures for new plant and equipment, which offset the impact of a consumption tax hike and a fall in exports. In China, the GDP growth rate continued to decline, falling to 6.1% in 2019 versus 6.7% the year before, due to the US-China trade dispute and weaker domestic demand. This was China's lowest economic growth rate since 1991.

(2) Moderate Economic Expansion in Taiwan

a. Gradual economic rebound

The US-China trade dispute and a clear downturn in global trade activity put a damper on Taiwan's exports in 2019, but our country benefitted at the same time from a shifting of orders to Taiwanese suppliers, as well as a return to Taiwan of offshore Taiwanese businesses that have opted to expand their domestic productive capacity. These trends strengthened Taiwan's economy, which grew each quarter at year-on-year rates of 1.84%, 2.60%, 3.03%, and 3.31%, respectively. For 2019 as a whole, the economic growth rate was 2.71%, down from 2.75% in 2018 but still in line with the target of 2.4% to 2.6%.

External demand: In 2019, a global economic slowdown, the US-China trade dispute, and mostly falling international commodity prices brought a drop in exports of most goods. For 2019 as a whole, exports shrank by 1.40% from the previous year. Taking goods and services exports together, after netting out exports and imports, external demand contributed 0.39 percentage points to economic growth.

Domestic demand: Domestic labor markets were stable, retail and dining establishments posted steady growth in revenues, while the government continued to implement measures aimed at spurring consumption. Private consumption grew by 2.13% in 2019 and contributed 1.12 percentage points to economic growth. Meanwhile, manufacturing firms continued to expand their domestic productive capacity, semiconductor makers increased their purchase and installation of plant and equipment, and construction and transport investment posted stable growth. As a result, private fixed investment rose 9.61% from the previous year and contributed 1.71 percentage points to economic growth. In addition, public consumption grew by 0.11% and contributed 0.02 percentage points to economic growth. Altogether, domestic demand contributed 2.33 percentage points to economic growth.

b. Moderate inflation

Consumer price index (CPI): Weather conditions in 2019 reduced the production of perishables, and baseline CPI for the previous year was relatively low to start with, so food prices rose a bit steeply. However, international commodity prices continued to fall, which reduced cost pressures on manufacturing firms. On the whole, year-on-year price rises were very minor. The CPI in 2019 rose by 0.56% over the previous year. Core CPI (excluding perishables and energy) rose 0.49% year-on-year.

Wholesale price index (WPI): Due to geopolitical conditions and market supply and demand, international petroleum prices took a choppy path downward and global commodity prices held steadily low. For 2019 as a whole, the average WPI fell 2.26%, marking the first negative price movement in three years.

c. Unemployment up slightly, but remains relatively low

Due to the US-China trade dispute and an overall economic slowdown, Taiwan's unemployment rate was slightly higher in 2019 than in the year-ago period. The average unemployment rate for 2019 was 3.73%, slightly up by 0.02 percentage points from 2018. The average number of unemployed persons was 446,000, up by 6,000 persons from the year before.

2. Financial Conditions

(1) Global Financial Conditions

Global stock markets: Buoyed by accommodative monetary policies adopted by central banks around the world, increasing stability in global political conditions, and excellent performance of stocks issued by US tech giants, total global market capitalization in 2019 jumped 24% from less than US\$70 trillion to more than US\$86 trillion over the course of the year. Stock markets performed especially well in developed nations. The US Dow Jones Industrial Average rose 22.34%, Japan's Nikkei 225 climbed 18.20%, Germany's DAX finished up 25.48%, and France's CAC 40 rose 26.37%. In emerging market nations as well, stock market performance was outstanding. The Athens Stock Exchange soared 50.62%, making it the global top performer in 2019, with the Moscow Exchange nipping closely on its heels at 44.93%. In China, the Shanghai Stock Exchange (SSE) Composite Index and the Shenzhen Stock Exchange Composite (SZCOMP) Index rose 22.30% and 35.89%, respectively.

Global exchange rates: In 2019, the US economy's strong performance relative to other major economies, and uncertainty surrounding US-China trade negotiations, caused US Dollar exchange rates to take a choppy path upward, but easing of the US-China trade dispute in the fourth quarter and growing investor confidence reduced hedge demand for the US Dollar. As a result, the US Dollar Index rose by only 0.22% over the course of 2019. Some major currencies rose against the US Dollar, while others fell. The euro fell 2.22% against the US Dollar, while the US Dollar fell 1.22% against China's RMB, and the Japanese Yen appreciated by 1.00%.

(2) Financial Conditions in Taiwan

a. Central Bank keeps interest rates unchanged in 2019

Due to the moderate state of inflationary pressures, a stable inflationary outlook, moderate economic growth impetus, a deflationary GDP gap, and continuing uncertainty over the future of the global economy, the Central Bank—which had last raised interest rates on 30 June, 2017—decided to keep them unchanged in order to achieve stable prices and a stable financial environment, and to support economic growth. As of the end of 2019, all policy rates remained unchanged, with the discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral remaining at 1.375%, 1.75%, and 3.625%, respectively.

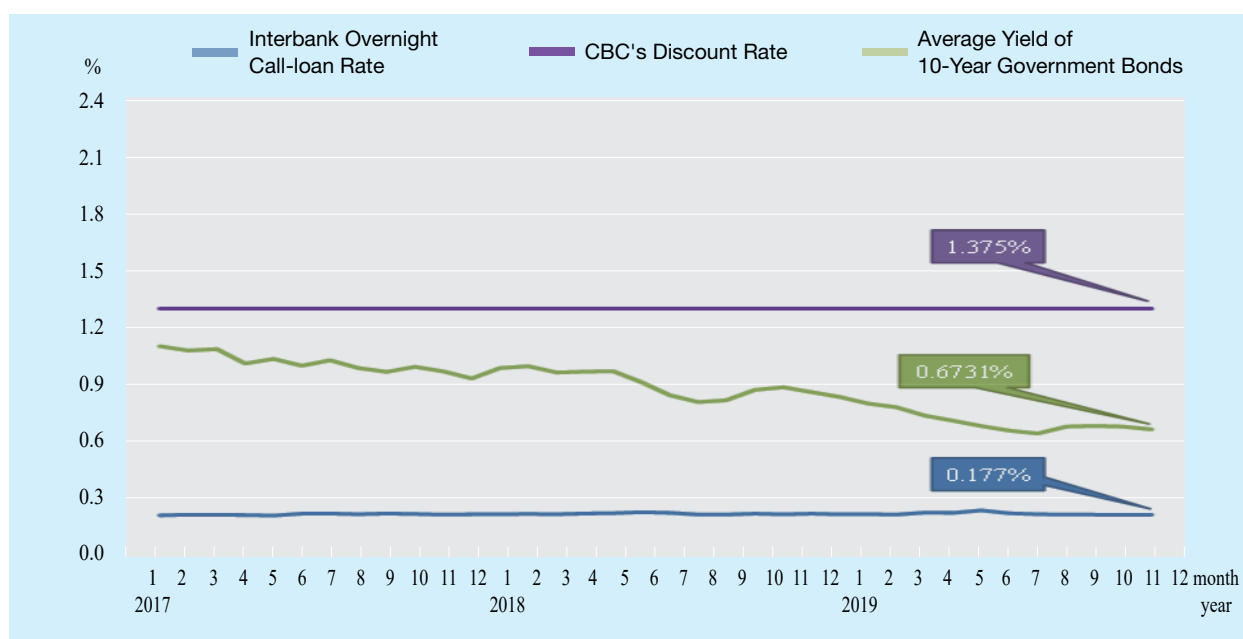
b. Stability in short-term interest rates; long-term rates fall

Short-term rates: In the first quarter of 2019, market liquidity was strong. As a result, the overnight call rate generally remained steady, but it did begin climbing in April due to the extended holiday for Tomb-Sweeping Day and increased demand for funds for trading, and the trend continued into May due to the impact of the US-China trade war, repatriation of funds by foreign entities (who were net sellers of Taiwanese equities), and payment of tax

revenues into the national treasury. The overnight call rate rose from 0.178% in March to 0.202% by June. Banks continued to manage their funds conservatively after that, but market liquidity remained strong, so the overnight call rate fell. In the fourth quarter, the overnight call rate remained stable due to continued strong market liquidity and net inward remittances by foreign entities. For the year, the overnight call rate averaged 0.182%, down by 0.001 percentage points from the 2018 average of 0.183%, which shows that domestic monetary policy had eased slightly and the low interest rate environment remained in place.

Long-term rates: The yield on 10-year Taiwan government bonds in Q1 2019 fell from the previous quarter due to a downward revision by the Directorate-General of Budget, Accounting and Statistics (DGBAS) of its growth projection for the year, and because market liquidity remained strong. In Q2, the yield on 10-year Taiwan government bonds fell still further because of ongoing low bond yields in the US and low inflation expectations in Taiwan. In the latter half of the year, the yield on 10-year Taiwan government bonds continued to decline due to a rate cut by the US Federal Reserve and strong market liquidity in Taiwan. Later, easing of the US-China trade dispute in the fourth quarter and greater stability of global economic growth drove the yield on 10-year US government bonds back up, and this was accompanied by a slight uptick in the yield on 10-year Taiwan government bonds. However, the yield on 10-year Taiwan government bonds remained low due to continued strong domestic market liquidity. For 2019 as a whole, the yield on 10-year Taiwan government bonds averaged 0.74%, down by 0.20 percentage points from the 2018 average yield of 0.94%.

Changes in Interest Rates

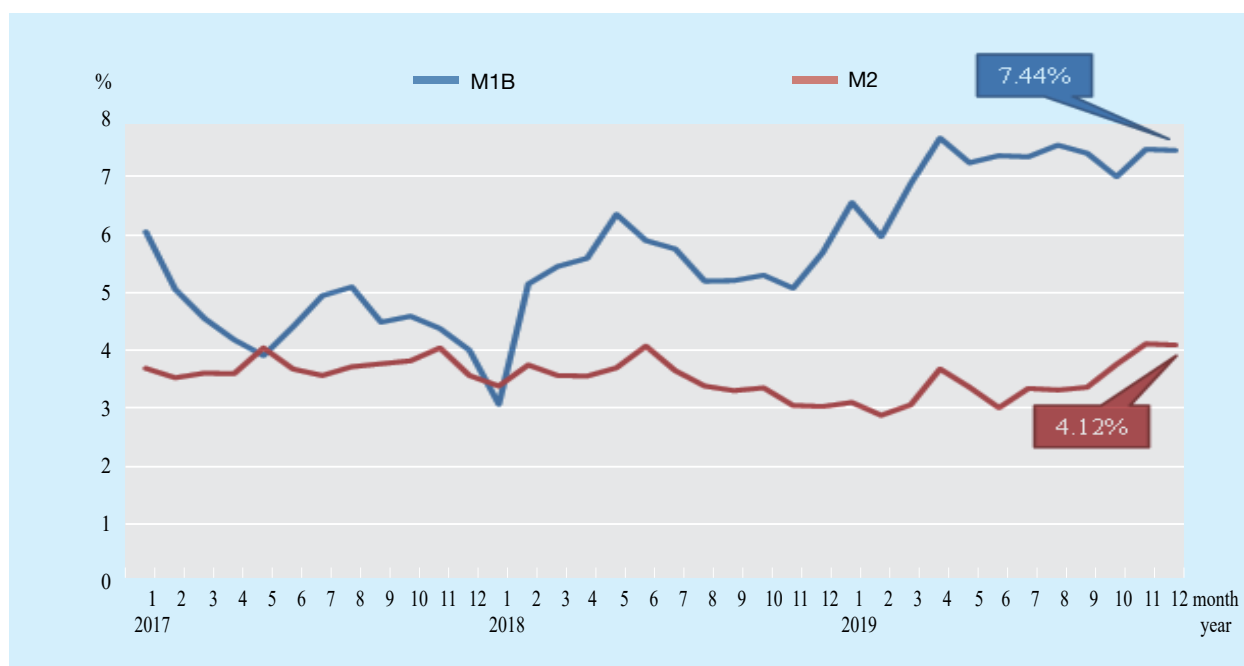


Source: the CBC website, TPEX website

c. M2 money supply growth hits target rate

Average M2 money supply in 2019 was up 3.46% year-on-year. This growth rate was down from the 3.52% rise in the previous year due to a slowdown in bank lending and investment growth, but it still fell within the Central Bank's target range of 2.5% to 6.5%. For the more narrowly defined average M1B money supply, the growth rate rose to 7.15% from 5.32% in 2018, due primarily to faster growth in demand deposits. M1B year-on-year growth rates in 2019 were all higher than M2 year-on-year growth rates, an indication that domestic liquidity was strong and there were no concerns about liquidity in Taiwan's stock markets.

Annual Growth Rates of Daily Monetary Aggregates



Source: the CBC website

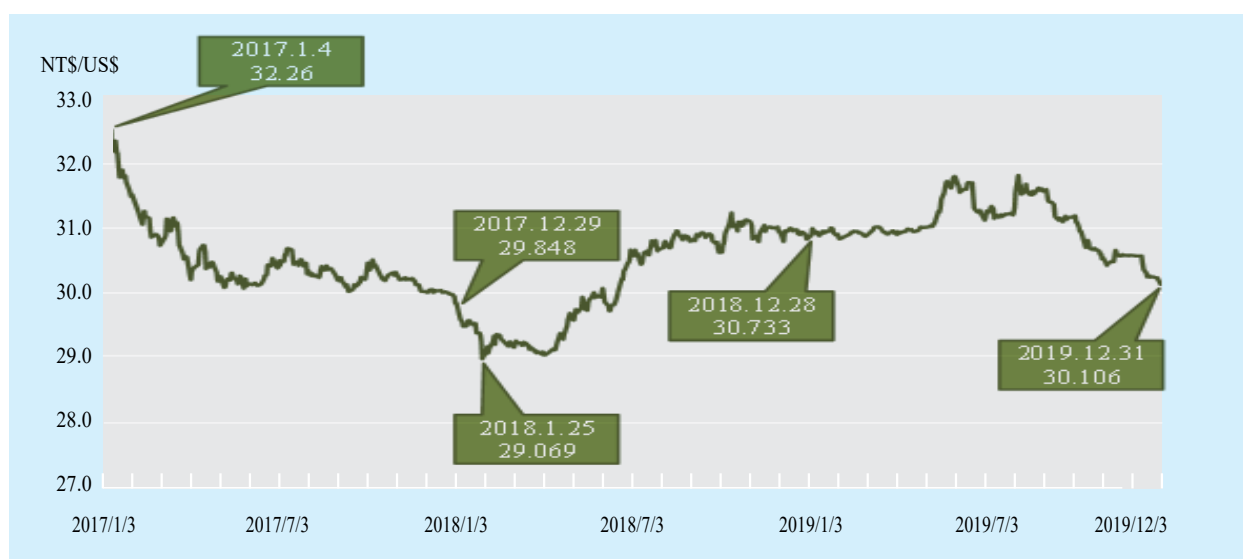
d. Banks' average interest spread narrows slightly

The weighted average interest rate on deposits with ordinary domestic banks held steady over the first half of the year at 0.56% before dipping to 0.55% in the second half, while the weighted average interest rate on loans fell from 1.88% in the first half to 1.87% in the second half of the year. The average interest spread remained at 1.32 percentage points in each quarter, the lowest figure since Q1 2010. The average interest spread for 2019 was 1.32 percentage points, down from 1.34 percentage points in 2018, and the lowest figure since 2010.

e. NT Dollar initially depreciates against US Dollar, then appreciates

The NT Dollar exchange rate remained basically steady versus the US Dollar in the first half of 2019 (bouncing in a narrow range between 30.7 and 30.9). Then in early May, US President Donald Trump announced a decision to slap punitive tariffs on US\$200 billion worth of imported goods from China, with the tariff rate to rise from 10% to 25%. In mid-May, the US placed Huawei on a list of entities subject to export restrictions. These actions caused the NT Dollar to depreciate sharply versus the US Dollar. Thereafter, however, the Federal Open Market Committee (FOMC) announced plans to reduce its benchmark rate, and the US-China trade dispute began to show signs of easing, so the NT Dollar rebounded against the US Dollar. In early August, US-China trade frictions heated up once again and President Trump announced a decision to impose an additional 10% tariff on some US\$300 billion worth of imported goods from China. This move caused the currencies of emerging Asian economies to depreciate versus the US Dollar, and the NT Dollar depreciated to a low of 31.628 : 1 versus the US Dollar on 5 August. Thereafter, the US-China trade dispute again began to ease, and the FOMC cut its target range for the federal funds rate, which weakened the US Dollar and caused the NT Dollar to rebound. In the fourth quarter, the US and China announced that they had reached a phase one trade deal, which sparked a strengthening of Asian currencies. On top of that, the return to Taiwan of offshore Taiwanese businesses and a shifting of orders to Taiwanese suppliers enabled the Taiwanese economy to buck the trend and achieve growth amidst the broader global economic downturn. Foreign entities became net buyers of Taiwanese stocks, and the NT Dollar continued to grow stronger. The NT Dollar finished the year at 30.106 : 1 versus the US Dollar, up 2.08% from the year before.

NT Dollar against the US Dollar Exchange Rates

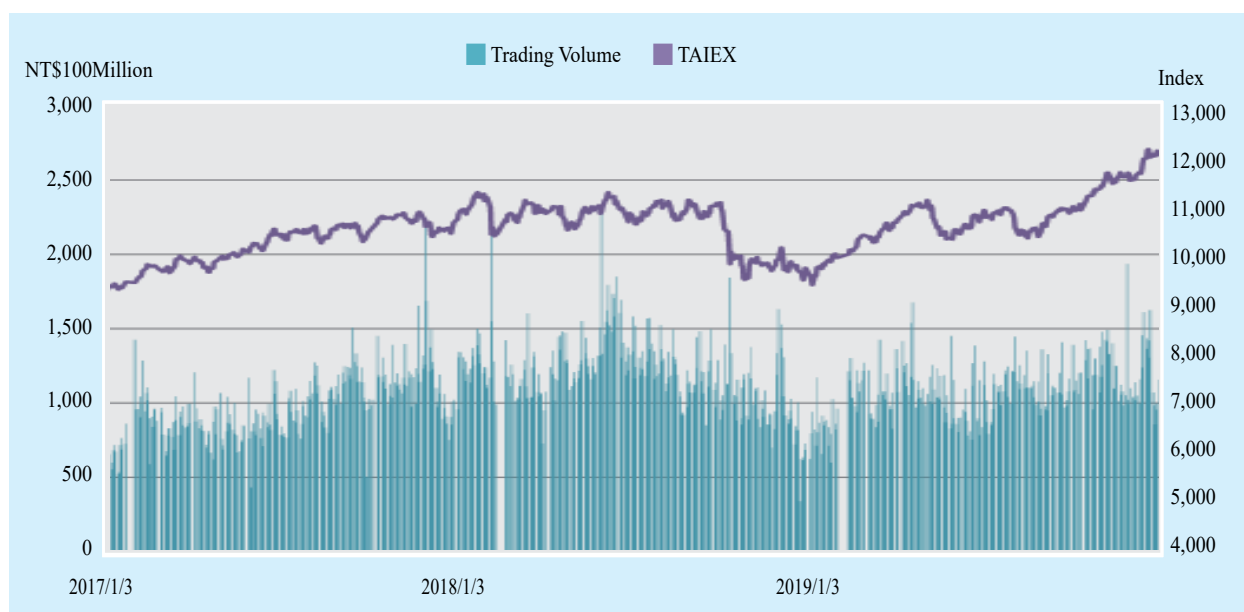


Source: the CBC website

f. Stocks move choppily upward; trading volumes decline

The range-bound trading of late 2018 continued into early 2019. Stock prices remained low, and the TAIEX fell to a year-long low of 9,383 points on 4 January. Later, a clear easing of US-China trade friction and a pull-back in the pace of rate hikes by the US Federal Reserve sparked a return of funds into emerging markets, and Taiwanese stock markets rebounded along with other markets around the world. Beginning in May, US-China trade frictions heated up again, the two sides raised tariffs on each other's exports, and the US restricted exports to Huawei, which affected supply chains in Taiwan and sent Taiwanese stocks plummeting. Then a temporary respite in the US-China trade war propelled US stocks to new highs, triggering a rebound in Taiwanese stocks. In early August, US President Donald Trump suddenly slapped an additional 10% tariff on some US\$300 billion worth of imported goods from China, sending global stocks back into a tailspin. In addition, anti-extradition bill protests broke out in Hong Kong and turned foreign investors into big net sellers of emerging market equities, which affected the performance of Taiwanese stocks. But a number of factors caused Taiwanese stocks to rise in the fourth quarter. The ongoing US-China trade war, for example, triggered a shifting of orders to Taiwan and prompted offshore Taiwanese businesses to return to Taiwan. In addition, Taiwan had sound economic fundamentals, while an upcoming presidential election was having its typically positive impact on the economy. These factors sent the TAIEX to a year-long high of 12,122 points on 18 December. On the year as a whole, the TAIEX rose 2,269.73 points (23.33%). Daily average turnover by trading value was NT\$109.358 billion, down by 8.77% from NT\$119.874 billion in 2018.

TAIEX and Trading Volume



Source: Taiwan Stock Exchange

3. Domestic and International Economic Outlook for 2020

(1) Global Economic Outlook

Before COVID-19 appeared on the scene, the principal international forecasting bodies all believed that the global economy would probably perform better in 2020 than in the previous year. The IMF's January 2020 forecast called for the global economy to grow 3.3% in 2020, up from its 2.9% estimate for 2019. The World Bank's January 2020 forecast was for global growth of 2.5%, up slightly from its 2.4% estimate for 2019. But then COVID-19 broke out and quickly spread across the world, prompting many countries to close off cities and restrict international entries and exits. These measures have severely affected economic activity, and the principal international forecasting bodies have had to adjust their 2020 global economic growth projections. The "OECD Interim Economic Assessment" issued on 2 March 2020 states that containment efforts in China have involved quarantines and widespread restrictions on labor mobility and travel, resulting in unplanned delays in restarting factories and disruption to global supply chains. Accordingly, the OECD's projection for annual global GDP growth was reduced to 2.4% in 2020 as a whole, down from its 2.9% estimate in Nov. 2019, with global growth possibly even dropping to 1.5% if the novel coronavirus spreads to all parts of the world. The IHS Markit February 2020 forecast called for global growth to hit 2.5% for the year, but the organization slashed its forecast to 0.7% on 17 March. After originally forecasting annual growth of 2.1% in the US, 0.9% in the eurozone, 0.5% in Japan, and 5.4% in China, IHS Markit subsequently slashed those forecasts to -0.2%, -1.5%, -0.8%, and 3.9%, respectively. The IMF, too, stated on 23 March 2020 that the COVID-19 pandemic would trigger a global recession in 2020, the severity of which would at least equal that of the recession brought on by the financial crisis of 2007-08. And in addition to the economic and financial impact of COVID-19, we also have to keep a close watch on other challenges to global economic growth, such as the future course of the US-China trade conflict, the direction of monetary policy at the world's principal central banks, slowing economic growth and mounting debt risks in China, the course of talks on a new trade agreement between the UK and the European Union, and geopolitical risks.

Forecast on Global Economic Growth Rates

Unit: %

Area \ InSTITUTE	IMF		The World Bank		IHS Markit	
	2019	2020	2019	2020	2019	2020
Global	2.9(3.0)	3.3(3.4)	2.4(2.6)	2.5(2.7)	2.6(2.6)	0.7(2.5)
US	2.3(2.4)	2.0(2.1)	2.3(2.5)	1.8(1.7)	2.3(2.3)	-0.2(2.1)
Eurozone	1.2(1.2)	1.3(1.4)	1.1(1.2)	1.0(1.4)	1.2(1.2)	-1.5(0.9)
Japan	1.0(0.9)	0.7(0.5)	1.1(0.8)	0.7(0.7)	0.7(1.0)	-0.8(0.5)
Mainland China	6.1(6.1)	6.0(5.8)	6.1(6.2)	5.9(6.1)	6.1(6.1)	3.9(5.4)

Note: Figures in parentheses indicate the previous forecasts.

Sources: IMF, 20 Jan. 2020; the World Bank, 8 Jan. 2020; IHS Markit, 17 March 2020.

(2) Domestic Economic Outlook

In 2020, considering the impact of COVID-19, the Directorate-General of Budget, Accounting and Statistics (DGBAS) expects Taiwan's economy to grow by 2.37% in 2020, down from 2.71% in 2019, with domestic and external demand contributing 2.13 and 0.24 percentage points, respectively.

External demand: Now that the US and China have reached agreement on a phase one trade deal, global trade uncertainties can be expected to ease. The IMF expects growth in world trade volume to bounce back from 1.0% in 2019 to 2.9% in 2020, which will be beneficial to an export-driven economy like Taiwan. In addition, increased export momentum should also be fueled by a number of other positive factors, including the following: (a) a continued reshuffling of global supply chains; (b) a return to Taiwan of offshore Taiwanese businesses that have opted to expand their domestic productive capacity; and (c) continued worldwide application of emerging technologies. Recently, however, COVID-19 has prompted China and other countries to impose quarantine measures, restrict travel, and delay factory restarts. These actions are likely to disrupt global supply chains and international trade, thus putting a damper on any recovery in international trade. The DGBAS expects the annual growth rate for Taiwan's exports of goods and services to rise in 2020 by 1.73%, while imports of goods and services are expected to grow by 1.62%, higher in both cases than the 2019 growth rates.

Domestic demand: Various factors are seen contributing to stronger private consumption. These include stable labor markets, recovery in stock market trading, and vigorous development of e-commerce and on-demand delivery platforms. On the other hand, demographic ageing and a falling birth rate remain problematic, and the COVID-19 pandemic has generated a lot of panic, which is likely to inhibit growth to some extent. All factors considered, private consumption is forecast to grow by 1.58% in 2020. The figure for investment growth, meanwhile, will be driven in different directions by different factors. On the positive side, corporate investments should post steady expansion thanks to: (a) continued investments by semiconductor makers in advanced processes; (b) a return to Taiwan of offshore Taiwanese businesses with plans to invest domestically; (c) the steady build-out of 5G networks by telecoms operators; and (d) a concerted effort by the government to optimize the domestic investment climate. However, the 2019 baseline is rather high, so fixed investment is projected to grow by just 4.10% in 2020.

Prices: The minimum wage, on the one hand, has been raised. However, the ongoing COVID-19 pandemic has caused a drop in international prices for petroleum and agricultural commodities, and has also weakened domestic consumption, so inflationary forces are quite limited. The DGBAS has forecast slight CPI growth of 0.62% for 2020, up from 0.56% in 2019.

Forecast on Taiwan Economic Growth Rates

Unit: %

Institution		2020
Public and domestic institutions	DGBAS (2020.02)	2.37(2.72)
	Central Bank of the Republic of China (2020.03)	1.92(2.57)
	TIER (2020.01)	2.67(2.45)
	CIER (2019.12)	2.44(2.34)
	Academia Sinica (2019.12)	2.58
	NTU-Cathay research team (2020.03)	2.0(2.3)
	Taiwan Research Institute (2019.12)	2.63
Foreign institutions	IMF (2019.10)	1.9(2.5)
	IHS Markit (2020.03)	1.0(2.1)
	Asian Development Bank (2019.12)	2.0(2.0)

Note: Dates in parentheses indicate when the forecast was released; figures in parentheses indicate the previous forecast.

Source: DGBAS, Central Bank of the Republic of China, TIER, CIER, Academia Sinica, NTU-Cathay, Taiwan Research Institute, IMF, IHS Markit, and ADB

B. Major Financial Measures Adopted by the Government

1. To ensure balanced business development between domestic banks and the Taiwan branches of foreign banks, and to help banking entities achieve better capital efficiency and lower costs for funds allocations, the Financial Supervisory Commission (FSC) on 31 January 2019 amended regulations governing the "Eligible Assets Maintenance Requirements for a Local Subsidiary Bank of a Foreign Financial Institution." Whereas the pre-amendment regulations had a provision governing "the share of an overseas parent group's total net assets that may be accounted for by that group's Taiwan-based subsidiary banks and branches," this provision has been re-worded to require that "the quarterly average balance of total net asset amount (i.e., the amount of asset minus the amount of liability for each transaction) of its subsidiary bank and branch bank together shall not exceed 50% of the subsidiary bank's net worth as of the end of the preceding fiscal year." This amendment is designed to afford the Taiwan subsidiary banks of foreign financial institutions greater flexibility in managing and allocating their funds.

2. Out of concern for the needs of foreign migrant laborers in Taiwan, who often find it difficult — due to transportation, language, and time constraints — to go to banks to wire funds back home, the FSC on 31 January 2019 approved an application by EMQ Taiwan to conduct a "Fintech Sandbox Experiment for Small Cross-Border Funds Transfers," and also approved an application by Welldone Co. to conduct a "Fintech Sandbox Experiment for Remittances by Migrant Laborers." The experiments test the feasibility of allowing non-bank entities to handle remittances by migrant laborers wanting to send money back home. Hopefully, these regulatory sandbox experiments can lead to the provision of convenient and inexpensive new financial services to migrant laborers in Taiwan.
3. To encourage domestic banks to actively increase their overseas business locations, and to achieve the policy objective of exercising differential regulatory treatment, the FSC on 12 February 2019 amended the "Directions Concerning the Establishment of Foreign Branches by Domestic Banks." With respect to cases where a domestic bank with excellent capacity for global operation and management applies to establish a foreign business location in a country where no Taiwanese bank has yet established a branch, a newly added provision sets up a mechanism for expedited review and approval. This change is intended to make it easier for Taiwanese banks to seize upon opportunities to expand their presence in overseas markets.
4. To encourage private-sector investments in public infrastructure projects, and to provide a more diversified range of capital market instruments and capital raising methods in Taiwan, the FSC on 8 April 2019 amended the "Regulations Governing Issuance of Beneficial Securities by Trustee Institutions and Issuance of Asset-Backed Securities by Special Purpose Companies" and the "Regulations Governing the Public Offering or Private Placement of REIT and REAT Beneficiary Securities by a Trustee." Key points of the amendments include the following: (a) a shelf registration for the offering of beneficial securities or asset-backed securities will remain effective for five years, and the securities once issued are to have a tenor no longer than five years; (b) new provisions specify the range of securities that may be offered pursuant to an effective registration statement, so that issuers can act quickly once they decide to conduct an offering; and (c) new provisions govern the timing of the filing of a registration statement, and set out reasons why a shelf registration may be terminated.
5. To build a favorable financing environment for small and medium enterprises (SMEs), the Executive Yuan on 29 April 2019 accepted the FSC's filing of its 14th "Program to Encourage Lending by Domestic Banks to Small and Medium Enterprises." The 2019 target for total outstanding loans

extended by domestic banks to SMEs was set at NT\$270 billion to encourage banks, while taking necessary risk control measures, to help SMEs obtain needed working capital, and to provide better financing services to small and innovative enterprises.

6. To encourage banks to provide innovative new products and services, thereby enhancing their competitiveness and maximizing consumer interests, the FSC on 19 June 2019 issued a set of "Operation Directions for Applications by Banks to Conduct a Business Trial." The Directions permit banks to apply for approval to conduct the following types of business trials: (a) expansion of a line of business that the bank has already obtained approval to conduct; (b) conduct of a line of business that no other bank has either applied for approval to conduct on a trial basis, or begun conducting on a formal basis; and (c) a line of financial business that the FSC has approved for participation in a regulatory sandbox experiment, provided that it involves no activities that are prohibited by law.
7. In July 2019, the FSC signed a fintech cooperation agreement with the French Prudential Supervision and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution, ACPR). The agreement addresses such matters as the establishment of a referral mechanism which will enable the authorities to refer FinTech companies to each other, and the sharing of information, so that the two sides can learn about each other's supervisory systems and share information regarding innovations in each other's financial markets and services. The agreement, in addition to strengthening bilateral cooperation in fintech supervision, also helps to create an international market for financial innovations that take place in the two countries.
8. To allow for e-payment institutions to provide more comprehensive services, and to make it easier for users to top up their e-payment accounts, the FSC on 2 July 2019 amended the "Rules Governing the Administration of Electronic Payment Business." Key points of the amendments include the following: (a) e-payment institutions are allowed to provide the service of conveyance of information among users, and to issue e-payment account stored value cards; (b) e-payment institutions are allowed to engage in the business of collecting and making payments involving "collection of charges and fees, and taxes on behalf of governments of all levels," "collection of service charges on behalf of public utilities," or "collection of ticket prices on behalf of public transportation enterprises"; and (c) there has been an easing of the thresholds at which provisions regarding user payment instructions and reconfirmations need not apply (i.e. the thresholds have been raised from NT\$10,000 per individual transaction and NT\$30,000 for total monthly

transaction amount, to NT\$50,000 per individual transaction, NT\$100,000 for total daily transaction amount, and NT\$200,000 for total monthly transaction amount).

9. To stay in line with the "online to offline" trend in payment instruments, and to maintain a proper balance between the rigor of risk management requirements applying to e-payment institutions and those applying to electronic stored value card issuers, the FSC on 30 July 2019 initiated the public commentary period on a planned amendment to the "The Act Governing Electronic Payment Institutions" and commenced planning of a "Project to Integrate Legislation Governing Electronic Payment Institutions and Electronic Stored Value Card Issuers." In addition to expanding the allowable business scope of e-payment institutions (by allowing them to provide inter-institution payment and receipt services), the proposed amendment would also allow e-payment institutions to handle small domestic remittances. The purpose of these changes would be to provide consumers greater convenience and build an environment that is more conducive to sound industrial development, thus effectively exercising financial supervision, safeguarding consumers, and promoting development of Taiwan's e-payment industry.
10. To improve the legal compliance of trust enterprises and deter illegal activity, the FSC on 6 August 2019 initiated the public commentary period on a planned amendment to the "Trust Enterprise Act." Key points of the amendments include the following: (a) with an eye to the size of the institutions that operate trust business in Taiwan, the maximum amounts of administrative fines were increased; (b) to afford the competent authority greater discretionary latitude, newly added provisions allow the competent authority to refrain from imposing sanctions in cases involving very minor legal infractions; and (c) the amended Act would include new penal provisions governing unapproved offering of a collective trust fund, failure to establish or properly implement internal control and internal audit systems, and violation of the "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises." The purpose of these changes would be to make sanctions more clear and definitive.
11. To respond to fintech development trends, spur greater efficiency in financial institution operations, and strengthen customer safeguards, the FSC on 30 September 2019 amended the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation." Key points of the amendments include the following: (a) provisions regarding the obtaining of a customer's tacit consent have been deleted; (b) qualification requirements to be met by a service provider have been eased through the addition of new language which provides that where a financial institution wholly owns

or has a controlling interest in an asset management company, the asset management company is allowed to handle receivables recovery operations on behalf of its parent company; (c) newly added provisions set out requirements to be observed when operations outsourced by a financial institution involve the use of cloud services; and (d) amended provisions include standards of materiality for outsourced operations that involve cloud services, and set out a list of documents that must accompany an application for approval of the outsourcing of operations.

12. To enable the accounting systems of credit cooperatives to more faithfully express the financial condition of the cooperatives, the FSC on 19 November 2019 initiated the public commentary period on a planned amendment to the "Credit Cooperatives Act." Pursuant to the proposed amendment, compensation to directors and supervisors of a credit cooperative would no longer be accounted for as an earnings distribution, and could be treated as an expense; in addition, the amended Act would state the legal basis that allows for a credit cooperative to pay compensation to directors and supervisors, and would limit the compensation of directors and supervisors to no more than 3.5% of the difference of current profits minus accumulated deficit. These changes are intended to achieve the supervisory principle of ensuring sound management of credit cooperatives.
13. To afford banks greater flexibility in their funds allocations, help them achieve higher returns on capital, and to spur increased activity in the market for international bonds, the FSC on 2 December 2019 issued an official interpretation of point 2 of the "Directions Governing Limitations on Types and Amounts of the Securities in which a Commercial Bank May Invest," stating that: (a) commercial banks may invest in Sukuk certificates; and (b) in order to manage asset concentration risk, the original acquisition cost of such investments must not exceed 10% of the bank's calculation basis.
14. To help bring practices in line with international standards, and to strengthen supervision of domestic banks, the FSC on 23 December 2019 amended the "Regulations Governing the Capital Adequacy and Capital Category of Banks." Key points of the amendments include the following: (a) the term "regulatory capital adequacy ratio" is defined; (b) the term "designated systemically important banks (D-SIBs)" is defined as banks designated by the competent authority after consultation with the Central Bank and related authorities based on their size, interconnectedness, substitutability, complexity, and other indicators, and a buffer period is provided, during which time D-SIBs will not be required to set aside additional buffer capital; (c) amended provisions specify

the minimum regulatory capital adequacy ratio that banks must meet, and set out standards for the classification of capital categories; (d) a bank's leverage ratio shall not be less than 3%; (e) the conditions under which banks are allowed to either conduct early redemption of previously issued Additional Tier 1 Capital instruments and Tier 2 Capital instruments, or purchase such instruments on the market, have been amended; and (f) to coordinate with amendments to accounting items in IFRS 9, the method for estimating expected losses when a bank sets aside capital charges has been changed to "the amount of the operations reserves and loan-loss provisions that the bank recognized in excess of the expected loss for those that are credit-impaired." The purpose of this change is to ensure consistency between what banks write off for expected losses and the amount of their capital charges.

15. In order to incorporate the beneficial owner concept into financial institution equity management, thereby achieving greater transparency in equity ownership, the FSC on 25 December 2019 amended the "Instructions for Reporting Voting Shares in Accordance with Paragraph 2, Article 16 of Financial Holding Company Act" and "Instructions for Reporting Voting Shares in Accordance with Paragraph 2, Article 25 of Banking Act." Key points of the amendments include the following: (a) a single party or group of related parties, or a third party as defined in Article 16, paragraph 4 of the "Financial Holding Company Act" or Article 25, paragraph 4 of the "Banking Act," that is a legal person, must now be reported if it is a beneficial owner or the ultimate controlling party; and (b) for an institution with a reasonably transparent identity — such as domestic government agencies, state-owned enterprises, and foreign government agencies — newly added language requires that when a financial institution reports its shareholdings it need not indicate beneficial owners or ultimate controlling parties.
16. In light of the great diversity of fintech sandbox experiments and the fact that different experiment participants are not all subject to the exact same anti-money laundering and terrorist financing (AML/CFT) regulations, the FSC on 15 May 2019 amended the "Regulations Governing Anti-Money Laundering and Countering Terrorism Financing of Financial Technology Innovative Experimentation." Key points of the amendments include the following: (a) financial institutions are not subject to these Regulations when they conduct fintech experiments, and the applicant and the fintech experiment are required to conduct AML/CFT work in compliance with these Regulations; (b) an applicant must conduct participant due diligence, using a risk-based approach to

decide the rigor of its due diligence measures, and must refuse to allow an experiment participant to on-board customers or engage in trading; (c) new provisions set out the policies and procedures that a participant must comply with in handling cross-border wire transfers, and require a participant to retain information on originators and recipients; and (d) an applicant is required to establish an AML internal control and audit system, and new provisions set out the range of transactions on which an applicant must file suspicious transaction reports, and the manner in which such reports are to be filed.

C. Banking Operations in 2019

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan include monetary institutions, investment trust companies (prior to December 2008), and life insurance companies. The term "monetary institutions" includes the Central Bank and other monetary institutions. The term "other monetary institutions" includes domestic banks, Taiwan branches of foreign and mainland Chinese banks, credit cooperatives, credit departments of farmers' and fishermen's associations, the Department of Savings and Remittances at Chunghwa Post Co., Ltd. There were 424 financial institutions in Taiwan at the end of December 2019, while the total number of branch banking units in Taiwan at the end of 2019 stood at 6,010.

2. Non-performing Loans (NPLs) and Average NPL Coverage Ratio

According to FSC statistics, the aggregate NPLs of domestic banks at the end of December 2019 stood at NT\$63.617 billion, down by NT\$4.82 billion from NT\$68.437 billion at the end of December 2018. The average NPL ratio of domestic banks at the end of December 2019 stood at 0.21%, down by 0.03 percentage points from 0.24% at the end of December 2018, and set a new all-time low.

In addition, the average NPL coverage ratio of Taiwan's domestic banks stood at 651.78% at the end of December 2019, up by 76.34 percentage points from 575.44% at the end of December 2018. This shows that the risk-bearing capacity of domestic banks has improved, and banks overall are on sound financial footing.

3. Overview of Bank Profitability

The weighted average interest spread of domestic banks was 1.32 percentage points in 2019, or 0.02 percentage points narrower than in 2018. The interest spread earnings of domestic banks continued to fall, but strong profits at overseas branches translated to sharply higher pre-tax earnings for the overseas branches of Taiwan's domestic banks in 2019 (accounting for 39.12% of profits), and increased the profits of domestic banks to an all-time high. The pre-tax earnings of domestic banks totaled NT\$360.7 billion in 2019, up by 7.93% from NT\$334.2 billion in 2018. Not only was this the sixth consecutive year in which pre-tax earnings of domestic banks totaled more than NT\$300 billion, but in fact the 2019 figure set a new all-time high. Banks' return on assets (ROA) in 2019 came to 0.72% (up from 0.70% in 2018) and return on equity (ROE) was 9.38% (versus 9.31% in 2018).

4. Major Lines of Banking Business

(1) Deposit Business

Deposits at all monetary institutions at the end of 2019 totaled NT\$45.09 trillion, up by NT\$1.89 trillion (4.38%) from the end of 2018. Demand deposits accounted for the largest portion of this total (37.59%), followed by time and time savings deposits (31.71%).

The only deposit category that declined from 2018 was NT Dollar deposits by foreigners (down 2.25%). All other categories increased. Demand deposits posted the strongest growth, increasing by NT\$1.17 trillion (7.44%) to NT\$16.95 trillion. Foreign currency deposits grew at the next fastest pace, finishing up by NT\$284.3 billion (4.94%) to NT\$6.03 trillion.

In addition, time and time savings deposits rose from the end of 2018 by NT\$245.2 billion (1.74%) to NT\$14.3 trillion, postal savings deposits increased by NT\$108.5 billion (1.79%) to NT\$6.16 trillion, government deposits rose by NT\$75.4 billion (6.11%) to NT\$1.31 trillion, and repurchase agreements and money market mutual funds rose by NT\$8 billion (5.07%) to NT\$170 billion.

Changes in Deposits by Category of All Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2019	End of 2018	Change (NT\$)	Change (%)
Demand deposits		169,462	157,734	11,728	7.44
Time and time savings deposits (Note)		142,979	140,527	2,452	1.74
Foreign currency deposits		60,341	57,498	2,843	4.94
Postal savings deposits		61,594	60,509	1,085	1.79
NT Dollar deposits by foreigners		1,741	1,781	-40	-2.25
Repurchase agreements and Money Market Mutual Funds		1,658	1,578	80	5.07
Government deposits		13,086	12,332	754	6.11
Total		450,861	431,959	18,902	4.38

Note: Includes ordinary time deposits, negotiable certificates of deposit, and time savings deposits.

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2020.

(2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$35.42 trillion at the end of 2019, an increase of NT\$1.67 trillion (4.96%) over the end of 2018.

Loans and investments by all monetary institutions in all recipient categories—claims on the government sector, claims on state-owned enterprises, and claims on the private sector—rose in 2019 in comparison with 2018. Claims on the private sector increased the most, by NT\$1.56 trillion (5.66%), followed by claims on the government sector, which increased by NT\$84 billion (1.65%).

Loans and Investments by Monetary Institutions

Unit: NT\$ 100 million

Item	Year	End of 2019	End of 2018	Change (NT\$)	Change (%)
Claims on the government		51,675	50,835	840	1.65
Claims on state-owned enterprises		11,192	10,883	309	2.84
Claims on the private sector		291,357	275,757	15,600	5.66
Total		354,224	337,475	16,749	4.96

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2020.

(3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2019 was US\$32.445 billion, up by 1.14% from 2018. Average daily turnover in the bank-customer market was US\$10.598 billion, up by 3.47%, and average daily turnover in the interbank market was US\$21.847 billion, an increase of 0.05%.

Three categories of foreign exchange transactions (spot, options and cross-currency swaps) decreased in 2019, while all other categories increased. Foreign exchange swaps increased the most, by US\$380 million (3.16%), followed by forward transactions, which increased by US\$234 million (16.55%).

Daily Average Volume of Foreign Exchange Transactions Between Banks by Product

Unit: US\$ million

Item	Year	2019	2018	Change (US\$)	Change (%)
Spot		6,942	7,445	-503	-6.76
Forwards		1,648	1,414	234	16.55
Swaps		12,412	12,032	380	3.16
Options		760	857	-97	-11.32
Cross-currency swaps		85	89	-4	-4.49
Total		21,847	21,837	10	0.05

Source: "Financial Statistics Monthly, Republic of China," Department of Economic Research, CBC, February 2020.

(4) Consumer Finance Business

According to statistics compiled by the FSC Banking Bureau, a total of 47.39 million credit cards issued by 33 institutions were in circulation at the end of December 2019, up by 7.63% from the 44.03 million in circulation at the end of 2018. The total number of active cards stood at roughly 31.92 million, an increase of 7.95% from the figure of 29.57 million at the end of 2018. The total dollar amount of transactions paid for with these cards in 2019 amounted to NT\$3.2227 trillion, up by 11.76% from 2018. The amount of revolving credit outstanding at the end of the year stood at NT\$113.9 billion, the same as the figure at the end of 2018. Cash advances outstanding totaled NT\$25.5 billion, down by 5.13% from 2018.

There were 30,495 automatic teller machines (ATMs) in Taiwan as of the end of December 2019, up by 2.98% from 29,612 at the end of 2018. The cumulative issuance of financial cards rose by 3.71% from 203.78 million at the end of 2018 to 211.34 million at the end of 2019. The number of ATM transactions during 2019 totaled 950.84 million, an increase of 4.47% over the 2018 figure of 910.17 million, and totaled NT\$12.26 trillion in value, up by 6.07% from NT\$11.5582 trillion a year earlier.

(5) Financial Derivatives Business

The nominal amount of open derivatives positions of domestic banks (including headquarters, domestic and overseas branches, and offshore banking units) and foreign banks (general branches in Taiwan plus offshore banking units) at the end of December 2019 stood at NT\$58.4764 trillion, down by 2.12% from NT\$59.7425 trillion a year earlier.

Over-the-counter (OTC) transactions accounted for 99.74% of these positions, while exchange-traded transactions made up only 0.26%. Of the OTC transactions, forward contracts accounted for the largest share (56.86%) of the nominal value of total open positions, followed by swaps at 38.81%. Sold options and bought options accounted for 2.65% and 1.67%, respectively. Trading derivatives made up 99.35% of the total, while non-trading derivatives accounted for only 0.65%.

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$ million, %

Item	End of Dec. 2019		End of Dec. 2018		Changes	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts Outstanding	58,476,414	100	59,742,478	100	-1,266,064	-2.12
A. OTC	58,322,820	99.74	59,223,412	99.13	-900,592	-1.52
1. Forwards	33,164,247	56.86	36,292,686	61.28	-3,128,439	-8.62
2. Swaps	22,637,820	38.81	20,338,888	34.34	2,298,932	11.30
3. Bought options	975,327	1.67	806,471	1.36	168,856	20.94
4. Sold options	1,545,426	2.65	1,785,367	3.01	-239,941	-13.44
B. Exchange-traded	153,594	0.26	519,066	0.87	-365,472	-70.41
1. Futures- long positions	45,370	29.54	122,447	23.59	-77,077	-62.95
2. Futures- short positions	91,064	59.29	381,872	73.57	-290,808	-76.15
3. Bought options	7,422	4.83	4,873	0.94	2,549	52.31
4. Sold options	9,738	6.34	9,874	1.90	-136	-1.38
II. Notional Amounts Outstanding	58,476,414	100	59,742,478	100	-1,266,064	-2.12
A. Total contracts held for trading purpose	58,095,366	99.35	59,360,883	99.36	-1,265,517	-2.13
B. Total contracts held for non-trading purpose	381,048	0.65	381,595	0.64	-547	-0.14

Note: The figures in this table include both domestic banks (head offices, domestic and overseas branches, and OBUs) and foreign banks (ordinary branches and OBUs in Taiwan).

Source: CBC website, January 2020.

(6) Commercial Reverse Mortgages

There are 14 domestic banks in Taiwan that currently offer commercial reverse mortgage services, and as of end-December 2019 they had extended a combined 4,080 commercial reverse mortgages, lending a total of NT\$22.834 billion. These two figures were up year-on-year by 32.94% and 34.73%, respectively. This type of lending is thus showing steady growth.

Changes in Commercial Reverse Mortgages

Unit: Transaction; NT\$ 100 million

Item	Year	2019	2018	Change (Transaction; NT\$)	Change (%)
Number granted		4,080	3,069	1,011	32.94
Lending amount		228.34	169.48	58.86	34.73

Source: Financial Supervisory Commission

(7) Cross-Strait Remittances Business

In 2019, outward and inward remittances to and from China by all banks came to US\$470.4 billion and US\$312.7 billion, up by 0.34% and down by 5.14%, respectively, from 2018. The Central Bank launched a Foreign Exchange Clearing System in September 2012. This System was expanded in September 2013 to include domestic and cross-border RMB services (including clearing of cross-strait remittances), then in February 2014 it began providing cross-strait clearing and settlement of US dollars in order to streamline bank operating procedures, facilitate the achievement of economies of scale, and reduce banks' operating costs.

Changes in Cross-strait Remittances

Unit: US\$ 100 million

Item	Year	2019	2018	Change (US\$)	Change (%)
Outward remittances		4,703.98	4,688.02	15.96	0.34
Inward remittances		3,126.74	3,296.09	-169.35	-5.14

Source: Financial Supervisory Commission

(8) Other Business

Domestic banks' fee income in 2019 came to NT\$228.4 billion, up by 9.13% from NT\$209.3 billion in 2018, accounting for 10.97% of the total income of domestic banks in 2019, up from 10.19% in 2018. These figures show that the fee income of Taiwan's domestic banks continues to post stable growth.

Changes in Banks' Fee Income

Unit: NT\$ 100 million

Item	Year	2019	2018	Change (NT\$)	Change (%)
Fee income		2,284	2,093	191	9.13
Fee income as share of total income of domestic banks (%)		10.97	10.19	-	-

Source: Financial Supervisory Commission

IV. Report on the Work of BAROC

A. Major Achievements in 2019

1. Helped banks implement guidelines for anti-money laundering and combating the financing of terrorism (AML/CFT), held AML/CFT seminars, communicated more closely with the public

(1) Helped banks implement AML/CFT guidelines:

- (a) To respond to the issuance and amendment of legislation by the competent authorities, BAROC amended the "Model Guidelines for Banks' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures," filed the amended Guidelines with the FSC for its reference, then requested that all member institutions comply with the FSC's instruction to incorporate the content of the Guidelines into the internal policies and procedures governing their internal control and audit systems.
- (b) After it came to light that implementation of AML/CFT measures by financial institutions was making many people disgruntled, the FSC advised BAROC to devise simplified measures for dealing with low-risk customers. BAROC responded by drafting a "Reference Handbook for Adoption by Banks of Simplified AML/CFT Measures or Exercise of Differential Regulatory Treatment," which it submitted to the FSC for its reference. The FSC then replied by requesting BAROC to incorporate this Reference Handbook into the "Reference Measures for Simplification by Banks of Periodic Customer Due Diligence or Procedures for Obtaining or Updating Due Diligence Documentation," which the FSC had previously adopted.
- (c) To increase transparency regarding the identity of beneficial owners who are legal persons or legal arrangements, and to properly implement AML/CFT measures, the FSC asked BAROC to draft a "Reference Handbook for Identification by Banks of Beneficial Owners" with reference to a related set of FAQs issued by the US Financial Crimes Enforcement Network (FinCEN) as well as rules and guidelines from other countries. BAROC then submitted this Reference Handbook to the FSC for its reference.
- (d) BAROC issued a set of "Model Guidelines for Banks' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures" in May 2019 and has prepared a draft amendment to the "Model Guidelines for Credit Card Companies' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures" pursuant to FSC instructions. Both of these Model Guidelines were submitted to the BAROC Joint Board of Directors and Supervisors for approval, and have now been filed with the FSC for review.
- (e) To coordinate with its issuance and subsequent amendment of the "Regulations Governing Anti-Money Laundering of Financial Institutions", the FSC requested that BAROC amend

the "Model Guidelines for Electronic Payment Institutions' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures" and the "Model Guidelines for Electronic Stored Value Card Issuers' Anti-Money Laundering and Counter Terrorism Financing Policies and Procedures." BAROC has submitted its amendments of both Model Guidelines to the FSC for review.

- (f) To strengthen financial institutions' legal compliance and AML/CFT capabilities, BAROC held a "2019 Anti-Money Laundering Case Study Seminar" at the Taiwan Academy of Banking and Finance on 6 November 2019 to provide a venue for financial institutions to share information on their AML operations, their filing of suspicious transaction reports, and questions about the applicability of laws, thus learning from one another to improve their legal compliance capabilities. BAROC invited personnel from the National Taxation Bureau of Taipei, the Ministry of Justice Investigation Bureau, the FSC Banking Bureau, the FSC Financial Examination Bureau, and BAROC member banks to deliver keynote addresses and take part in panel discussions. A total of 257 officials and others attended the Seminar.

- (2) Improved communication between financial institutions and the public:

To support smooth implementation of AML measures, the FSC asked BAROC to hold five informational meetings in 2019 to familiarize the public with bank's AML operations and explain how everyone benefits. The meetings were held on 12 March, 9 April, 15 April, 30 April, and 12 July at the headquarters of the Taichung Bank, The Magic School of Green Technologies (on the Li-Hsing Campus of National Cheng Kung University), the Taiwan Academy of Banking and Finance, the Hualien Guo'an Post Office, and the Penghu Living Museum. At each session, BAROC explained banks' AML operation to members of the public and requested their cooperation when banks ask for information regarding financial transactions. BAROC invited representatives from the FSC, the Executive Yuan's Anti-Money Laundering Office, the Ministry of Justice, the National Police Agency, and BAROC member banks to attend the meetings and exchange views with the public. The events attracted a total attendance of 1,035 persons.

- (3) After the Asia/Pacific Group on Money Laundering's Third Follow-up Report to the Mutual Evaluation Report Taiwan was placed on the APG's "regular follow-up" list, which was the most favorable rating accorded to any APG member.

- (a) The APG held its 22nd Annual Meeting during the week of 18 – 23 August 2019 in Canberra, Australia, where participants decided to place Taiwan on the APG's "regular follow-up" list, which was the most favorable rating accorded to any APG member. Then

the Executive Yuan held an event on 3 October 2019 to congratulate everyone involved in preparing the Mutual Evaluation Report, and BAROC representatives were among those invited to attend and receive recognition.

- (b) The FSC prepared a "Record of the APG's Third Follow-up Report to the Mutual Evaluation Report." This document presents a record of the resources devoted by BAROC over a six-year period to its AML/CFT work, and the successes that were achieved. The Record covers such matters as: the proceedings of important meetings; the drafting of AML/CFT regulations and research on related issues; the holding of compliance forums and training sessions; the content of related advocacy and outreach programs; and the course of planning for participation in the Mutual Evaluation Report.

2. Promoted the implementation of compliance systems, enhanced compliance awareness at overseas branches of domestic banks

- (1) BAROC held the "Conference on Collective Self-Discipline Among Taiwanese Banks" at the Bank of Taiwan's Sydney Branch on 19 February 2019. Managers from Australian branches of Taiwanese banks were invited to attend the Conference, where they discussed the topic of legal compliance.
- (2) On 19-20 March 2019, BAROC held a "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York. The event attracted a total attendance of 125 persons. Numerous supervisory officials and industry experts were invited to speak at the conference on important related topics, including legal compliance, supervisory and examination systems, internal controls and internal audit procedures, and risk management strategies. In addition to providing deep-level analyses of different countries' financial legislation, the conferences also facilitated better understanding between Taiwan's banking industry and its counterparts in other countries.
- (3) To assist the efforts of Taiwanese banks in Japan to carry out legal compliance training, BAROC joined hands with Mizuho Bank in holding a compliance course at the Mizuho Bank headquarters in Tokyo on 15-16 August 2019. The course was attended by a total of 39 persons from the Tokyo branches of eight different Taiwanese banks.

3. Strengthened financial institution information security measures, drafted related rules

- (1) In response to the galloping pace of fintech development, and in an effort to spur financial services progress while strengthening cybersecurity, BAROC drafted an amendment to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting

- Electronic Banking Business," filed the amended Directions with the FSC for its reference, and disseminated them to all member institutions with instructions to abide by their provisions.
- (2) With an eye to major cybersecurity events reported by banks in recent years, the FSC instructed BAROC to review the state of cybersecurity measures and develop ideas for improvements, and BAROC responded by amending related cybersecurity self-regulatory rules.
 - (3) The FSC held a public hearing to discuss proposed amendments to the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation," and a resolution was adopted to invite financial institutions to put forward suggestions regarding the handling of cloud service customer data, e.g. encryption and tokenization models, and storage locations. Their suggestions will serve as reference for the FSC in its ongoing work to draft legislative amendments.
 - (4) In order to strengthen the risk management mechanisms employed by participating merchants for the mobile apps they provide, the FSC instructed BAROC to develop measures to improve such risk management mechanisms. With regard to the issue of linking credit cards to mobile apps provided by participating merchants, BAROC studied the matter and recommended that participating merchants be given six months to adjust their contracts and systems. BAROC filed the recommendations with the FSC, then forwarded them to credit card institutions with instructions to act accordingly.
 - (5) BAROC reported to the National Police Agency one instance of fraud involving the alteration of business e-mail, to reduce the risk of people falling victim to the fraud.
 - (6) BAROC instructed member institutions that discover phishing websites to report them to the Financial Information Sharing and Analysis Center (F-ISAC) to facilitate the efforts of interested parties wishing to check on the identity of phishing sites posing as financial institutions.
 - (7) The FSC informed BAROC that the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) announced sanctions targeting three North Korean state-sponsored malicious cyber groups responsible for North Korea's malicious cyber activity on critical infrastructure.
4. Supported the government's policy of promoting green energy by working on recommendations, holding related conferences, and helping member banks provide financing for offshore wind power projects

(1) BAROC suggested that the FSC ease regulatory restrictions by providing that loan amounts guaranteed by an OECD export credit agency (ECA) need not be treated as "the aggregate amount of unsecured credit" as referred to in Article 2, subparagraph 2 of the "Regulations Setting Out Requirements as Authorized Under Article 33-3 of the Banking Act." The purpose of this suggestion is to help BAROC member institutions provide financing for offshore wind power projects.

(2) BAROC commissioned the Taiwan Academy of Banking and Finance to hold two sessions of a "Seminar on Offshore Wind Power Financing" in February 2019 to build up the capacity of member institutions to provide financing for offshore wind power projects. The seminar attracted a total attendance of almost 240 persons.

5. Actively promoted international cooperation and exchange, trained international financial professionals, set up databases, helped banks expand their international presence

(1) To establish channels for exchange between Taiwanese banks and financial supervisory authorities in other Asian nations, and facilitate better mutual understanding, BAROC invited financial supervisory officials from the Philippines to take part in a study tour in Taiwan from 28 October to 1 November 2019. They delivered keynote speeches on 29 October at the "2019 Asia Financial Supervision Conference," which was held at the Taiwan Academy of Banking and Finance. At the Conference, the delegation members provided representatives of Taiwan's financial institutions with the latest information on the state of fintech development, and on financial supervisory mechanisms for foreign banks.

(2) BAROC and the Israel Economic and Cultural Office in Taipei jointly organized the "2019 Israel FinTech and Cybersecurity Delegation," inviting senior FSC officials, top financial industry executives, and managers with direct responsibility for oversight of FinTech plans and cybersecurity matters to travel to Israel for visits and discussions from 25 May to 1 June 2019. The objectives of the delegation were to: (i) learn from Israel's experience in FinTech and cybersecurity innovation and development; (ii) develop ideas for how to go about developing Taiwan's financial industry; and (iii) promote banking industry exchanges and cooperation. While in Israel, the group visited the Israel Export and International Cooperation Institute (IEICI), Citi Innovation Lab, the Bank Hapoalim Innovation Center, the Bank of Israel, CyberSpark, a business incubator program, the Israel National Cyber Event Readiness Team, and important supervisory agencies.

- (3) In order to cultivate the skills of international financial professionals, BAROC held a training program tailored to the needs of managerial personnel engaged in development of overseas business operations. The program focused on four main topics: market management; strategic management; product development; and cross-border communication. The program employed a diverse range of learning methods — e.g. senior management personnel shared their experiences, divided into groups for mock training activities, took part in overseas study trips, and presented end-of-program reports on selected topics — to help participants develop an international perspective, hone their skills in market development and management, and build up their capacity for product and services innovation. The program was attended by 35 persons from the FSC as well as 19 BAROC member banks.
 - (4) To support the government's New Southbound Policy, BAROC continued with its quarterly updates of data on the 10 main countries targeted by the Policy, added research on "supervisory trends, legal compliance and anti-money laundering in major countries around the world" to the system. All of this information is posted to a special section on the BAROC website designed to help member banks collect the type of information they need when seeking to establish business locations in selected overseas markets.
6. Coordinated with government policy by drafting measures to be taken by financial services providers
- (1) Acting upon instructions from the FSC, BAROC collected regulatory provisions from around the world that govern banks' construction lending, and suggested that where the overseas branches of domestic banks make loans to fund offshore construction projects, banks should not be required to count those funds against the cap on the total amount loans for "residential construction and construction for business purposes" as set out in Article 72-2 of the Banking Act.
 - (2) Acting upon instructions from the FSC, BAROC submitted for the FSC's reference a list of measures (and related response actions) it has taken to improve the quality of credit checks, loan approvals, and post-loan management in connection with their conduct of non-recourse factoring of accounts receivable business.
 - (3) Coordinated with the FSC's efforts to support the real economy by continuing to encourage member institutions to provide financing to firms in the key innovative fields of green energy, the Asia Silicon Valley initiative, the biotech and pharmaceutical industry, national defense, smart machinery, new agriculture, and the circular economy. BAROC also adopted goals for a phase-four project proposal, and provided these to the competent authority for its reference.

- (4) To respond to the fast pace of fintech development, and to spur progress in financial services, the FSC instructed BAROC to develop a set of concrete recommendations on how to enhance the development of online banking services. BAROC studied the matter, drew up a list of recommendations covering 10 lines of business (including deposits, lending, and wealth management), which it filed with the FSC for its reference. To coordinate with the recommendations, BAROC also drafted amendments to the "Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business."
- (5) To build a more effective national ID card verification mechanism, BAROC asked the FSC to recommend the Ministry of the Interior (MOI) to establish a platform that financial institutions can use to authenticate ID card serial numbers and laser film numbers. The MOI responded that such a platform could be established. The FSC then asked BAROC to work with the Joint Credit Information Center (JCIC) to develop a platform proposal, and subsequently asked the JCIC to collaborate with the MOI in setting up the Webservice real-time authentication platform. BAROC then coordinated with the launch of the new platform by amending the "Financial Institution Procedures for Checking With Household Registration Authorities to Verify National ID card Information." The amended Procedures include new provisions that require the establishment of ID card serial numbers and laser film numbers verification mechanism. BAROC filed the amended Procedures with the FSC for its reference, and disseminated them to all member institutions with instructions to abide by their provisions.
- (6) With regard to a virtual account that has been classified as a watch-listed account, the FSC instructed BAROC to study a possible mechanism for setting of a watch-list period or removal of the account from the watch-list. After carrying out a study, BAROC recommended that such matters be handled in accordance with the provisions of Article 9 and paragraph 1 of Article 10 of the "Regulations Governing the Deposit Accounts and Suspicious or Unusual Transactions." After the FSC's consent was obtained, BAROC disseminated its decision to member banks with instructions to comply.
- (7) To make it more convenient for persons with physical and mental disabilities to use barrier-free online banking and mobile banking services, the FSC asked BAROC's member banks to launch such services by no later than the end of June 2020. The FSC also: (a) instructed that the limits on fund transfers made using these services must be consistent with the limits applying to ordinary online and mobile banking services; and (b) provided, for banks' reference, information on the design of a "funds transfer via unregistered demand accounts" function that would be usable via a barrier-free mobile banking app.

- (8) To better protect the interests of primary cardholders, the FSC instructed BAROC to study the feasibility of either: (a) requiring card issuers, when sending a transaction notice to a secondary cardholder, to simultaneously send a notice to the primary cardholder; or (b) some other alternative measure. BAROC prepared an opinion and submitted it to the FSC, then forwarded its opinion along with the FSC's comments to credit card institutions with instructions to act accordingly.
- (9) To facilitate the statistical data analysis of "AI905 Statistical Form for Bank Customer Complaints" filed by banks to the FSC Banking Bureau, the FSC instructed BAROC to study the feasibility of a consistent and uniform filing standard. BAROC prepared an opinion and submitted it to the Banking Bureau, then forwarded its opinion along with the Banking Bureau's comments to credit card institutions with instructions to act accordingly.
- (10) To study possible amendments to the Compulsory Execution Act and the Custody Act, the Judicial Yuan asked banks to provide their views on the subject. BAROC compiled the views of banks and submitted them to the Judicial Yuan for its reference.

7. Helped resolve problems faced by all member institutions

- (1) To respond to the trend toward a complete migration to an online society, and to increased demand for the development of digital financial services, BAROC helped member banks to seek the consent of the competent authority and other relevant government agencies to allow them (if they have obtained authorization from the customer) to go online via the Joint Credit Information Center (JCIC) platform to retrieve data on that customer's income, property, labor insurance enrollment, vehicle registrations, and other such matters.
- (2) In line with a suggestion put forward by member institution, BAROC incorporated the phrase "guaranty agreements shall be handled in accordance with the applicable law of the foreign jurisdiction" into a proviso in Article 20, paragraph 2 of the "Credit Standards for Members of the BAROC" in order to rule out application of a provision requiring that joint and several guarantors receive periodic notifications.
- (3) In an effort to improve the professional expertise of member banks' foreign exchange business personnel and ensure that their skills are on a par with those of counterparts throughout the world, BAROC posted the following to the "Protests for Non-Payment" and ICC data sections of its website: (a) Chinese translations of summaries of the ICC Banking Commission's International Standard Banking Practice case studies; (b) reports on the latest international regulatory trends; and (c) a report on BAROC's participation in the ICC Banking Commission's 2019 Annual Meeting. All of this information is available to member banks' foreign exchange business personnel to access in the course of their daily work.

- (4) In order to further enhance the international competitive edge of Taiwanese banks and increase the stickiness of their corporate customers, BAROC amended "Admission Criteria of SWIFT National Member Group of Taiwan, R.O.C." to allow Taiwanese corporate users to apply for SWIFT membership, for complying with relevant legal basis and business scope.
- (5) In response to a letter received from the Financial Information Service Co., BAROC provides suggestions regarding possible amendments to the "Rules Governing the Conduct of Open API Security Control Operations by Financial Institutions and Third-Party Service Providers."
- (6) In order to spur the development of electronic payments business, and to decrease the administrative burdens borne by electronic payment institutions and management banks, member institutions called for amendment of the "Regulations Governing the Dedicated Deposit Account of Electronic Payment Institutions." BAROC then submitted suggested draft amendments to the FSC for its reference.
- (7) In order to ensure that different banks use consistent review procedures when consumers apply for pre-negotiation proceedings, pre-mediation proceedings, unified collections in rehabilitation, or unified collections in non-exempt liquidation, BAROC amended "Operational Guidelines for Pre-Negotiation Proceedings," "Operational Guidelines for Pre-mediation Proceedings," "Operational Guidelines for Unified Collections and Disbursements in Rehabilitation," and "Interim Operational Measures for Unified Collections and Disbursements in Non-exempt Liquidation."
- (8) In February 2019, political agreement was reached in the EU to extend the transitional period for third country benchmarks to comply with the EU Benchmarks Regulation (EU BMR) requirements by two years (from 31 December 2019 until 31 December 2021). In addition to waiting for notification from the competent authority about which regime will be used in determining the applicability of the EU BMR, BAROC also continued to stay in contact with European Chamber of Commerce Taiwan (ECCT), the Taiwan Stock Exchange, Bloomberg, Refinitiv, PwC Taiwan, and other such organizations to keep abreast of the latest BMR developments and the status of applications by different countries. Information thus obtained will inform BAROC's response to future developments.

8. Continued to help Taiwanese banks bring practices in line with international risk management rules

In order to help the competent authority research the Basel Committee on Banking Supervision's risk management requirements for banks, and to consider their application in Taiwan, the Basel Research Task Force (jointly established by BAROC and the FSC Banking Bureau) finished the following tasks in 2019:

- (1) Stress Test Working Group: Filed its "Guidelines for the Conduct of Stress Tests by Domestic Banks (2019 version)" with the FSC for recordation. BAROC then forwarded the Guidelines to member banks with instructions to comply with them beginning from 2020. And on 25 November 2019, BAROC held an "Informational Meeting on the Guidelines for the Conduct of Stress Tests by Domestic Banks."
- (2) Credit Risk Working Group No. 2: Provided guidances for domestic banks with the carrying out of test calculations of Interest Rate Risk in the Banking Book (IRRBB) and completed: (a) the outsourcing of a research report on the "IRRBB Consulting Services Project"; (b) a Comparison Table of Existing Provisions and Qualitative and Quantitative Disclosure Form; (c) a recommendation regarding a concrete timetable for implementation; and (d) a recommendation regarding the frequency of filling and submitting quantitative indicators. These were all filed with the Banking Bureau.
- (3) Operational Risk Working Group: Completed a Chinese translation of the "Minimum capital requirements for operational risk"; prepared recommendations for legislative amendments; compiled a list of frequently asked questions (FAQs); created a "Table for Calculation of Operational Risk Capital Charges" and a "Comparison Table of Account Titles"; and completed a research report on operation risk management mechanisms. All of these were filed with the Banking Bureau.
- (4) Capital Working Group: Completed Chinese translations of two Basel III documents ("Leverage Ratios" and "Leverage ratio treatment of client cleared derivatives") and prepared recommendations for amendments of legislation governing leverage ratio calculation methods. These were filed with the Banking Bureau.
- (5) Credit Risk Working Group No. 1: Prepared recommendations for amendments to the standardised approach (SA) to credit risk, and prepared recommendations regarding capital charges for claims secured by residential property. These were filed with the Banking Bureau.
- (6) Credit Risk Working Group No. 1, Market Risk Working Group, and Capital Working Group: Helped to prepare recommendations for the FSC for amendments to the "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets." These were filed with the Banking Bureau.

9. Adopted new self-regulatory rules, amended existing ones

- (1) In response to the trend toward digitized banking services, the FSC instructed BAROC to re-examine the operational methods set out in the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts," as well as the lines of business that

are permissible under the Guidelines. After comprehensive consideration of operational risks and business needs, BAROC recommended that sole proprietorships, minors who are at least 7 years old and have a national ID card, and foreign nationals who are at least 20 years old and have a chip-card alien residence certificate issued by the National Immigration Agency, be allowed to open digital deposit accounts. In addition, BAROC also recommended allowing for ID verification through a check of mobile phone registration. The recommended amendments to the aforementioned Guidelines were filed with the FSC for its reference, and BAROC then forwarded them to member institutions with instructions to act accordingly.

- (2) The FSC amended the "Directions for Confirming Customer Identity in Domestic Remittance Operations of Financial Institutions" (renaming them the "Directions for Confirming Customer Identity in Domestic Remittance Operations and Deposit Without Passbook of Financial Institutions") and instructed BAROC to amend its "Rules for the Exercise of Customer Due Diligence by Financial Institutions During the Processing of Domestic Remittances." BAROC amended the Rules as instructed (and in the process renamed them the "Rules for the Exercise of Customer Due Diligence by Financial Institutions During the Processing of Domestic Remittances and Deposits Without Passbook"), filed them with the FSC for its reference, and then forwarded them to member institutions to act in accordance.
- (3) At the "Conference on Use by Banks of Video Teller Machines (VTMs) to Verify Customers' ID Certificates, and the Exercise of Related Risk Management," the FSC adopted a resolution calling on BAROC to adopt universally applicable self-regulatory rules, and coordinate with said rules by amending related legal provisions. In view of the fact that account openings conducted via VTM are still subject to the same provisions governing account openings handled in-person at an actual service counter, banks need to strengthen their risk management. Accordingly, BAROC drafted recommendations regarding: (a) the range of customers who are eligible to use VTM services; (b) management of operational risks; (c) installation of VTM kiosks; (d) cybersecurity rules; and (e) customer interest safeguards. The recommendations were filed with the FSC for its reference.
- (4) The FSC instructed BAROC to adopt a set of "Self-Regulatory Rules for Management by Domestic Banks of Internal Control Operations at their Overseas Branches and Subsidiaries." BAROC compiled the views of its member institutions, filed them with the FSC, which granted approval for amendment of the Rules. BAROC then forwarded the Rules to its member banks with instructions to comply.
- (5) The FSC, acting upon a recommendation from BAROC, issued a set of "Rules Governing Acceptance by Credit Card Participating Merchants of Credit Card Transactions as the Means of Payment When Acting as a Collection Agent." The FSC then instructed BAROC to prepare a set of self-regulatory rules covering implementation of the more detailed aspects of the

aforementioned Rules. In response, BAROC drafted a set of "Self-Regulatory Rules for Credit Card Acquirers when Contracting with a 'Convenience Store or Supermarket Chain' to Act as a Collection Agent for Credit Card Participating Merchants" and submitted these Self-Regulatory Rules to its Board of Directors and Supervisors for review and approval. BAROC then filed the Self-Regulatory Rules with the FSC, and forwarded them to credit card institutions with instructions to act accordingly.

- (6) The competent authority instructed BAROC to draft measures for prevention of embezzlement of customer funds by bank wealth managers. BAROC, operating under the competent authority's policy guidance, drafted the "Measures for Prevention of Embezzlement of Customer Funds by Bank Wealth Managers." These Measures, after being reviewed and approved by BAROC's Joint Board of Directors and Supervisors, were filed with the FSC and forwarded to member banks with instructions to implement them. In addition, BAROC has established a special section on its website for disclosure of major enforcement actions taken against wealth managers for embezzlement of customer funds. This new website section was officially launched on 14 December 2019.

10. Carried out a special research project on financial matters of concern to the competent authority and member banks

- (1) In support of the FSC's policy of easing restrictions on banks' business operations, BAROC, acting upon instructions from the FSC, identified a list of the types of bank business to which banks could be allowed to apply open API technology. The introduction of open API technology is set to take place in three phases, with access to the following types of data opened up one at a time: (a) Phase 1 – public data; (b) Phase 2 – consumer data; and (c) Phase 3 – transactional data. To proceed with the launch of Phase 1 (access to public data) services, BAROC has already adopted the "Self-Regulatory Rules Governing Cooperation Between BAROC Member Banks and Third-Party Service Providers," filed them with the FSC for its reference, and forwarded them to member banks with instructions to implement them. To prepare for the launch of Phase 2 (access to consumer data) services, BAROC will amend the aforementioned Self-Regulatory Rules to adjust the selection criteria for technical service providers (TSPs), cybersecurity controls, and consumer safeguards, and will then file the amendment with the FSC for its reference.
- (2) BAROC contracted with the Taiwan Academy of Banking and Finance to carry out three research projects focusing on "the global presence of the leading international banks, and strategies for further development," "social conditions and the state of economic and financial development in Taiwan during the period of Japanese rule," and "how Taiwanese banks are affected by changing economic and financial conditions in mainland China, and strategies

for responding (phase 4)." These research reports have been completed and forwarded to the competent authority and member banks for their reference.

- (3) Article 17 of the "Act for Industrial Innovation" requires the FSC to conduct surveys and projections on supply and demand for key types of human resources in the financial industry. BAROC, acting on the FSC's behalf, conducted "Surveys and projections for banks and financial holding companies to identify supply and demand factors affecting employee turnover during the years 2020-2022." Survey items include: basic identifying information on the respondent firms; expected number of employee retirements over the coming three fiscal years; and analysis of the selection model for key personnel needed to implement the bank's plans for establishing new overseas business locations, with an eye to understanding the short-, medium-, and long-term allocation of human resources in Taiwan's banking industry. The results of the survey will be submitted to the proper government agencies for them to use as reference in examining supply and demand for key banking personnel.

11. Participated in international financial conferences and activities

- (1) Dispatched personnel to attend the International Chamber of Commerce Banking Commission Annual Meeting in Beijing on 10-11 April 2019. The attendees returned with information and news on the latest trends in the industry, and prepared a report for the reference of BAROC member banks.
- (2) Dispatched personnel to take part in the "2019 International Conference of the Institute of Internal Auditors" in Anaheim, California from 7 to 11 July 2019 to get up to date on the latest professional know-how and spur increase international exchange in the auditing field.
- (3) Held the "2019 Financial Examination and Audit Conference Series" from 1 to 6 September 2019 in Singapore. While there, BAROC officials took advantage of the event to visit local financial supervisory authorities and banks.
- (4) Dispatched personnel to attend the "2019 Asian Confederation of Institutes of Internal Auditors Conference" on 17-18 September 2019 in Tokyo to get up to date on the latest professional know-how and spur increase international exchange in the auditing field.
- (5) Dispatched personnel to attend the SWIFT International Banker's Operations Seminar (Sibos 2019) in London on 23-26 September 2019 to stay up to date on the latest trends in SWIFT technologies, to promote increased international participation by Taiwanese banks, and to raise Taiwan's international profile.
- (6) Dispatched personnel to take part in the 2019 International Common Criteria Conference from 1 to 3 October 2019 in Singapore to collect the latest information on ICT product security certification trends. This information will serve as reference for BAROC in its future rule making efforts.

12. Held financial seminars and lectures to cultivate professional talent

(1) Financial seminars and lectures

- (a) BAROC held the "Conference on Latest Banking Developments in Central and Eastern Europe" on 5 March 2019 at the Taiwan Academy of Banking and Finance. The outstanding economic prospects for Central and Eastern Europe means that there is strong development potential for the region's financial industry, so BAROC invited Mr. Stefan Dörfler, CEO of Erste Bank in Austria, to lead a delegation to take part in the event, where Mr. Dörfler delivered a talk on his bank's prospects for the next decade, and also met with local financial regulators and financial industry executives. The Conference attracted a total attendance of 248 persons.
- (b) On 26 March 2019 BAROC held a "Legal Compliance Seminar" where payments professionals updated participants on SWIFT's Payment Controls service as well as its KYC Registry, which are designed to improve the security of global banking services. Participants also discussed how to use Payment Controls to prevent fraudulent transfer requests and thus reduce online crime.
- (c) BAROC held two sessions of a "Seminar on the Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business" on 10 May 2019 to facilitate amendment of the aforementioned Directions, and to receive feedback from member institutions that would serve as reference for ongoing work to draft the amendment.
- (d) On 28 May 2019 BAROC held an informational meeting on SWIFT's Global Payment Innovation (GPI) initiative. Experts spoke to participants about SWIFT's policy of making parts of the GPI become mandatory, as well as the details and timetable of the policy's implementation, to help BAROC's member institutions understand the latest rules and developmental trends.
- (e) To help financial professionals in Taiwan to better understand "what economics can learn from the humanities," BAROC held a "Cents and Sensibility" seminar on 27 June 2019 and invited Dr. Morton Schapiro (President of Northwestern University, in Chicago) to deliver a speech at the event, which was attended by six guests from Northwestern University as well as 255 employees of domestic Taiwanese banks.
- (f) BAROC held an "ISO 20022 Informational Meeting" on 16 July 2019 to familiarize participants with the current state of the ISO 20022 standards and implementation methods. Changes to the Standard Release 2020 were also explained. The event was intended to help staff from member institutions to understand the new rules and developmental trends.

- (g) To help member banks better understand key economic and financial issues, BAROC held two conferences on economic and financial matters in 2019. On 2 August Chairman Chung-Shu Wu of the Taiwan Academy of Banking and Finance presented a talk on the topic of "Economic Conditions at Home and Abroad: Current State and Future Prospects," then on 4 October Associate Professor Meng-Han Chuang of the Department of Industrial Economics at Tamkang University delivered a lecture on "The Current Status and Future Prospects of Real Estate in Taiwan."
- (h) To provide the employees of member institutions with channels via which to learn about and discuss trust business, BAROC and the Trust Association of R.O.C. on 14 August 2019 jointly held an informational meeting on "International Developments and Latest Trends in Wealth Management and Trust Business." The meeting attracted a total attendance of 121 persons.
- (i) BAROC hired a team of attorneys led by Chien-Ting Yeh of Chien Yeh Law Offices to collaborate with a law firm from mainland China in holding the 2019 (2nd year) "Training Program for Credit Business and Trade Finance in Mainland China" on 1 October 2019. The event was attended by a total of more than 90 persons.
- (j) BAROC held the "2019 SWIFT Technical Workshop" on 17 October 2019 to familiarize participants with cybersecurity improvement measures for SWIFT's API technologies, Payment Controls Service product, and the Hong Kong Real-Time Gross Settlement (HK RTGS) system.
- (k) To support the government's "returning salmon" policy (for encouraging offshore firms to return to Taiwan), BAROC on 22 October 2019 held a "Conference on Banks' Business Operations and Special Legislation Governing Repatriation of Offshore Funds." BAROC invited personnel from the Ministry of Finance's Taxation Agency, the FSC Banking Bureau, and financial institutions to provide information on the aforementioned Special Legislation to employees from banks, and everyone also discussed banks' business operations in order to help customers repatriate funds to invest in Taiwan. Total attendance was over 220 persons.
- (l) On 30 October 2019, BAROC held an informational meeting on legislative provisions governing special Ministry of Transportation and Communications project loans and credit guarantees designed to revitalize the business of tourist inns and other hotels. The purpose of the meeting was to help personnel at member banks better understand the content of government directives applying to government policy-driven loans (and guarantees). The meeting was attended by around 106 persons.
- (m) In order to help judicial system personnel better understand trends in the development of

innovative financial services and measures to prevent fraud, BAROC joined forces with the Judges Academy and the Ministry of Justice's Department of Prosecutorial Affairs to hold the "5th Financial and Legal Affairs Workshops" on 31 October and 1 November as well as 7-8 November. Some 100 participants—including judges, prosecutors, officials from the competent authority, and representatives of financial institutions—attended the workshops.

- (n) To help member banks understand the key points of amendments to electronic payments-related legislation, and to use informational meetings attended by member institutions to achieve the goal of increasing business ties among members, BAROC held an "Informational Meeting on Work by the Electronic Payments Committee to Publicize Related Legislation and Electronic Payment Operations" on 5 November 2019. The event was attended by 110 persons.
 - (o) From 11 to 13 December 2019, BAROC held six sessions of a "Financial Cyber Security Joint Defense Training Workshop" to heighten risk awareness at BAROC's member institutions, and to enhance their collective cyberdefense capabilities. The event was attended by 470 persons.
 - (p) On 12 December 2019, BAROC held a meeting of experts to discuss "how to spur sound development of the reverse mortgage business and pursue the public interest." The meeting was attended by 29 government officials, scholars, and experts. After discussing the topics on the agenda, they provided the competent authorities with concrete suggestions for measures that could be taken.
- (2) Personnel training and video courses
- (a) In running its "Training Program for Core Banking Personnel," BAROC organized two basic types of course, one with a domestic focus and the other with an international focus. On the domestic side, BAROC hired experts in Taiwan's domestic financial industry to serve as instructors and teach the sorts of skills needed by domestic bank employees. A total of 79 sessions in 19 different categories were conducted, and attracted a total attendance of 4,320 persons. On the international side, BAROC hired experts in the international financial industry to serve as instructors; they introduced attendees to information on the latest business practices and developmental trends, and helped the attendees raise their skills to an international level. The 15 courses with an international focus were completed by 534 persons.
 - (b) BAROC conducted a "Training Program for Key Fintech Personnel" that included an "International Fintech Forum" (four sessions) and a "Training Program for International Fintech Personnel" (three sessions). These two Training Programs were attended by a total of 921 persons from the competent authority and various financial institutions.

- (c) BAROC ran a "Training Program for Senior Management at Financial Institutions," where a wide variety of training methods (e.g. experience sharing among senior executives; case studies; hands-on exercises; overseas study trips) to cultivate leaders with foresight. The Program was attended by 36 persons from 19 different banks.
- (d) BAROC conducted a "Key Personnel Training Project for the Buildup of Banks' Presence in Asia," which included a "Training Workshop to Prepare Personnel for Asian Markets" (nine sessions, 249 attendees).
- (e) BAROC conducted a series of "Courses on Cross-Strait Financial Business," which included a "Cross-Strait Financial Seminar Series" (four sessions) and a "Series of Courses on Taiwanese Banking Operations in Mainland China" (six sessions). These seminars and courses attracted a total attendance of 1,075 persons.
- (f) To enable member institutions to update themselves on the latest information and trends concerning labor legislation, and to provide a channel for exchanges among peer institutions, BAROC held a "Workshop on the Determination of What Constitutes a Workplace Accident (Work-Related Injury)" (one session) and a "Workshop on Interpretation of the Labor Incident Act" (two sessions). The two workshops were attended by a combined total of 254 persons.
- (g) To respond to the growing popularity of digital instruction, and to provide employees at financial institutions with a wide range of professional development choices, BAROC in 2015 launched an open courses platform (can be accessed on the Chinese-language version of the BAROC website by clicking on "Open courses" and then the "Members only" tab). At the end of 2019 a total of 321 courses—including everything from introductory to advanced content, plus professional English series courses—were available on the "Members only" section of the BAROC website. Course materials have been browsed a total of 18,819 times, for an average of 59 visits per course.

13. Provided financial information and consulting services to the public, and donated to charity

- (1) BAROC joined hands with the Taiwan Academy of Banking and Finance, the Taiwan Insurance Institute, and the Financial Ombudsman Institution to conduct the 2019 Nationwide "A+ for Financial Literacy" School Lecture Series, holding events throughout Taiwan at government agencies, institutions of higher education, and remote villages. Parents and children attending the events had an opportunity to gain a proper understanding of financial matters in a fun environment where the atmosphere was enlivened by performances of the Just Apple Children's Theater Troupe. A total of 16 events were held, attracting a combined attendance of 1,592.

- (2) On 16 October 2019, BAROC joined hands with the National Federation of Credit Co-operatives R.O.C. to hold a refresher seminar for instructors taking part in the 2019 School and Community Financial Literacy Campaign. A total of 143 instructors attended the seminar, thus giving a good indication of their intention to continue taking part in the campaign.
- (3) BAROC provided information or explanations to help with the handling of cases where consumers had questions or complaints (including calls referred to BAROC from the FSC's 1998 hotline) about interactions with banks. In 2019, BAROC responded to 779 consumer inquiries and 22 cases involving customer complaints against member institutions.
- (4) BAROC provides a one-stop credit card information hotline service (when includes the handling of calls referred to BAROC from the FSC's 1998 hotline). In 2019, BAROC responded to 129 complaints, all of which were resolved when the hotline service contacted the proper credit card institution to help the complainant obtain a satisfactory response.
- (5) BAROC took 6,031 phone calls from consumers seeking to discuss debt restructuring issues in 2019, and financial institutions processed 13,836 applications for pre-negotiation procedures relating to debts totaling NT\$16.815 billion.
- (6) BAROC received 9,245 letters in 2019 from the heirs of member institutions' customers who inquired about deposits, safe deposit boxes, and other assets left behind by their benefactors. In another 2,110 cases, BAROC helped bank customers check their own account balances.
- (7) BAROC handled 105 identity theft cases referred by the competent authority to the Ministry of the Interior. The cases involved counterfeiting or fraudulent application for a victim's national ID card to make a fraudulent withdrawal of money.
- (8) BAROC periodically collected data on fees that were charged by all banks in connection with non-discretionary money trust services, and made the data available for public inspection.
- (9) The following items of lending-related information were posted once each quarter on the BAROC website for public reference: (a) a list of the providers of outsourced debt recovery and outsourced marketing services that had passed review by member institutions and subsequently had their contracts renewed; (b) data on the cash card interest rates and fees for both unsecured and secured loans charged by each member institution; (c) information on each member institution's personal loan information contact window, descriptions of their main products, URLs, etc.; (d) information on each bank's standards governing penalties for early repayment of consumer loans; (e) information on each bank's performance in adopting financial measures to support women in their efforts to find employment or start businesses; (f) information on each member institution's contact window for the handling of complaints following the sale of problematic assets; and (g) information on commercial reverse mortgage business conducted by banks.

- (10) BAROC continued to periodically compile the following seven types of information related to the credit card business and posted it to its website: (a) revolving interest rates charged by credit card institutions, and fee schedules for different fees; (b) service fees for credit card installment payment plans; (c) systems adopted by each credit card institution to prevent credit card theft following their use in online transactions; (d) a "List of Outside Credit Card Sales Service Providers With Which BAROC Member Institutions Have Renewed Outsourcing Arrangements After the Providers Have Passed a Performance Review"; (e) expiration periods and scope of use for the bonus points awarded by each credit card issuer; (f) information on whether each credit card issuer allows customers to retrieve their credit card statements free of charge; and (g) information on each credit card issuer's provision of friendly financial services and friendly alternative measures.
- (11) To ensure that consumers with debt problems understand that they could best protect their own interests and avoid being swindled by going directly to their bank (rather than via a middleman) to apply for a pre-negotiation procedure, BAROC continued to play a public service video on its website to inform consumers that pre-negotiation procedures are free of charge and yield a successful resolution in a high percentage of cases.
- (12) In the run-up to the 2019 Chinese New Year holidays, out of consideration for the plight of people experiencing debt repayment difficulties, BAROC communicated with member institutions (including debt collection agencies contracted by those institutions) to urge them to declare a moratorium on all debt collection operations during the holidays.
- (13) For the benefit of economically disadvantaged persons having temporary difficulties with debt repayment, BAROC helped them to weather short-term cash flow problems by continuing to administer the "Unsecured Consumer Debt Rescheduling Program for Economically Disadvantaged Debtors Experiencing Difficulties with Repayment."
- (14) In order to help students from underprivileged backgrounds obtain scholarships, and to promote financial literacy, BAROC donated funds to support scholarships offered by the Financial Services Education Charity Fund.
- (15) In order to fulfill its social responsibilities and provide support for charitable groups, BAROC donated funds to the Child Welfare League Foundation, the Little Sisters of the Poor, Genesis Social Welfare Foundation, the Chinese Christian Relief Association's 1919 Food Bank, and After School Association of Taiwan. These donations supported underprivileged families, low-income households, underprivileged children, and senior citizens living alone.
- (16) To do its part for Taiwan's 2019 National Day celebrations, BAROC took part in the construction of a viewing platform and National Day arch in front of the Presidential Office Building, and funded part of the cost.

B. Major Tasks in 2020

No	Tasks
1	To help member institutions enhance their collective cyberdefense capabilities, and to heighten risk awareness, BAROC will establish a cybersecurity information sharing platform and a Computer Security Incident Response Team (CSIRT) to enable member institutions to implement a cybersecurity joint defense mechanism.
2	In response to Fintech trends, BAROC will devise various innovative financial services and applications (e.g. mobile payments, e-payments, open banking), and will act in a timely manner to develop deregulatory measures and adopt related self-regulatory rules, which will be forwarded to member institutions with instructions to comply.
3	In order to properly implement legal compliance and internal audit systems, and to enhance compliance awareness at overseas branches of domestic banks, BAROC will continue to enhance the collective self-regulation mechanisms of its member institutions, and intends to continue holding seminars on overseas legal compliance. These undertakings will facilitate communication and exchanges.
4	In order to strengthen Taiwan's anti-money laundering / countering the financing of terrorism (AML/CFT) regime, BAROC will coordinate with the competent authority by continuing to amend various requirements (e.g. model guidelines for the AML/CFT policies and procedures; red flags for transactions suspected to involve money laundering or terrorism financing; and handbooks for identification of beneficial owners) that apply to banks, credit card institutions, e-payment institutions, and electronic stored value card issuers.
5	BAROC will coordinate with government policy by encouraging member institutions to provide financing to firms in the key innovative fields of green energy, the Asia Silicon Valley initiative, the biotech and pharmaceutical industry, national defense, smart machinery, new agriculture, and the circular economy. The purpose is to spur real economic growth in Taiwan and support industrial upgrading.
6	To coordinate with government policy, BAROC will fight COVID-19 by pushing for member institutions to implement lending assistance measures, thereby helping domestic companies and individuals to weather the crisis.
7	The competent authority has adopted a policy of applying with European Union authorities by 1 January 2022 to have the Taipei Interbank Offered Rate (TAIBOR) and Taiwan's overnight call-loan rate recognized as compliant with the EU Benchmark Regulation (BMR). BAROC will act in support of this policy.
8	BAROC will continue to collect cybersecurity reports and use them to research securities issues related to banking automation, and adopt security rules.
9	BAROC will help member banks obtain the information they need when seeking to establish business locations in selected overseas markets, will continue updating the section on the BAROC website where such information is posted, and will use this information to serve as reference for member banks in their efforts to expand their overseas presence.
10	BAROC will continue carrying out training programs for financial industry personnel and offering open courses to provide the employees of member institutions with free-of-charge online learning opportunities.

V. Appendices

A. Chronology of Major Events in 2019

- ©2019.01.24 Held the 23rd joint meeting of the 12th Board of Directors and Supervisors.
- ©2019.02.14 and 27 Held two sessions of the "Conference on the Risks of Offshore Wind Power Financing."
- ©2019.02.19 Held the "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in Sydney, Australia.
- ©2019.03.05 Held the "Conference on Latest Banking Developments in Central and Eastern Europe."
- ©2019.03.07 Held the 24th joint meeting of the 12th Board of Directors and Supervisors.
- ©2019.03.19 ~20 Held the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York, U.S.
- ©2019.04.25 Held the 25th joint meeting of the 12th Board of Directors and Supervisors.
- ©2019.05.10 Held the "Seminar on the Directions Concerning the Security Control Operations of Financial Institutions Conducting Electronic Banking Business."
- ©2019.05.23 Held the 26th joint meeting of the 12th Board of Directors and Supervisors.
- ©2019.05.25 ~06.01 Organized the "2019 Israel FinTech and Cybersecurity Delegation" in collaboration with the Israel Economic and Cultural Office in Taipei.
- ©2019.06.27 Held a "Cents and Sensibility" seminar, where Dr. Morton Schapiro (President of Northwestern University) delivered a speech.
- ©2019.06.27 Held the 6th meeting of the 12th Board of Directors.



Chairman Jye-Cherng Lyu represented BAROC in accepting an award from the Executive Yuan for outstanding performance in the fight against money laundering on 3 October 2019.



BAROC held the "Conference on Collective Self-Discipline Among Overseas Branches of Taiwanese Banks" in Sydney, Australia on 19 February 2019.

- ©2019.06.28 Held a conference entitled "Cross-strait Financial Business: AML/CFT Operations."
- ©2019.07.25 Held the 27th joint meeting of the 12th Board of Directors and Supervisors.
- ©2019.08.02 Held a conference on "The Current Status and Future Prospects of Economies and Financial Markets at Home and Abroad."
- ©2019.08.15 Jointly held with Mizuho Bank a "Legal Compliance Training Course" in Tokyo, Japan.
~16



BAROC held the "Conference on the Latest Developments of the U.S. Financial Regulations for Foreign Banking Organizations" in New York, U.S. on 19-20 March 2019.



Chairman Jye-Cherng Lyu represented BAROC in accepting a certificate of appreciation from Tainan City Mayor Wei-Che Huang at the "2019 Financial Services Charity Fair" held in Tainan on 29 June 2019.

- ©2019.08.23 Held a conference on "Cross-strait Financial Business: Financial Risks Amidst the US-China Trade Dispute, and How to Respond."
- ©2019.08.29 Held the 28th joint meeting of the 12th Board of Directors and Supervisors.



BAROC Chairman Jye-Cherng Lyu and FSC Vice Chairman Chuang-Chang Chang posed for a group photo with guests at the "2019 Asia Financial Supervision Conference" on 29 October 2019.

- ◎2019.09.26 Held the 1st session of the 13th General Assembly.
- ◎2019.09.26 Held the 1st meeting of the 13th Board of Directors.
- ◎2019.10.01 Held the "2019 Training Workshop on the Handbook for Credit Business and Trade Finance in Mainland China."
- ◎2019.10.04 Held a conference on "The Current Status and Future Prospects of Real Estate in Taiwan."
- ◎2019.10.18 Held the 1st joint meeting of the 13th Board of Directors and Supervisors.
- ◎2019.10.18 Held a conference on "Cross-strait Financial Business: Financial Liberalization in Mainland China, and the Overall Risk of Foreign Banks."
- ◎2019.10.22 Held a conference on the "Special Act Governing the Repatriation of Offshore Funds, and Related Banking Practice."
- ◎2019.10.29 Held the "2019 Asia Financial Supervision Conference."
- ◎2019.10.30 Held an informational meeting on the "MOTC Tourism Bureau Directions for Stimulus Measures for Tourist Hotels and Credit Guarantees for Hotels."
- ◎2019.11.03 Held a "Workshop on Determining What Constitutes a Work-Related Injury"
- ◎2019.11.05 Held an "Informational Meeting on Work by the Electronic Payments Committee to Publicize Related Legislation and Electronic Payment Operations."
- ◎2019.11.28 Held the 2nd joint meeting of the 13th Board of Directors and Supervisors.
- ◎2019.12.03 Held a "Seminar on the Labor Incident Act."
- ◎2019.12.06 Held a conference on "Cross-strait Financial Business: Latest Innovative Finance Trends in Mainland China."
- ◎2019.12.11 Held a "Training Workshop on Financial Cyber Security Joint Defense."
~13
- ◎2019.12.19 Held the 3rd joint meeting of the 13th Board of Directors and Supervisors.



BAROC Chairman Jye-Cherng Lyu posed for a group photo with guests at the "Training Workshop on Financial Cyber Security Joint Defense," which was held by BAROC from 11 to 13 December 2019.

B. List of Member Banks of BAROC

March 2020

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairman President	Jye-Cherng Lyu Ye-Chin Chiou	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Bor-Chang Hwang Chuan-Chuan Hsieh	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	Chung-Dar Lei Shih-Ching Chen	(02)21738888	(02)27316026	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Tsan-Chang Liao Grace M.L. Jeng	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	Yun-Peng Chang Jeng-Fang Jang	(02)23713111	(02)87291747	www.hnbc.com.tw
Chang Hwa Commercial Bank	Chairman President	Joanne Ling Jui-Mu Huang	(04)22222001	(02)25716871	www.bankcnb.com
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Hung-Ching Yung Shan-Chung Chen	(02)25817111	(02)25318501	www.scsb.com.tw
Taipei Fubon Commercial Bank	Chairman President	Eric Chen Roman Cheng	(02)27716699	(02)27736769	www.fubon.com/banking
Cathay United Bank	Chairman President	Andrew Ming-Jian Kuo Alan Lee	(02)87226666	(02)87898789	www.cathaybk.com.tw
The Export-Import Bank of the Republic of China	Chairman President	Shui-Yung Lin Pei-Jean Liu	(02)23210511	(02)23940630	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	Rueen-Fong Chu Chang-Yi Chen	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	Chao-Shun Chang Yong-Yi Tsai	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	Ming-Ming Wu Han-Ming Yen	(02)23805100	(02)23805251	www.agribank.com.tw
Citibank Taiwan, Ltd.	Chairman President	Paulus Mok Christie Chang	(02)87269600	(02)87801300	www.citibank.com.tw
O-Bank Co., Ltd.	Chairman President	Kenneth C.M. Lo Elton F.Y. Lee	(02)87527000	(02)87519568	www.o-bank.com
Taiwan Business Bank	Chairman President	Bor-Yi Huang Chih-Chien Chang	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank (Taiwan) Limited	Chairman President	Gregory John Powell Anthony Lin	(02)27166261	(02)66036399	www.sc.com/tw/en
Taichung Commercial Bank	Chairman President	Kuei-Fong Wang Te-Wei Chia	(04)22236021	(04)22240748	www.tcbbank.com.tw
King's Town Bank	Chairman President	Chen-Chih Tai Jih-Cheng Chang	(06)2139171	(06)2136885	customer.ktb.com.tw
HSBC Bank (Taiwan) Limited	Chairman President	Mark McKeown Adam Chen	(02)66339000	(02)27575150	www.hsbc.com.tw
Taipei Star Bank	Chairman President	Chuan-Pu Kuo Eric Chen	(02)25575151	(02)25534883	www.taipeistarbank.com.tw

Institution	Position	Name	Telephone	Fax	Website
Hwatai Bank	Chairman President	Chao-Hsien Lai Hong-Jeng Chen	(02)27525252	(02)27775213	www.hwataibank.com.tw
Shin Kong Commercial Bank	Chairman President	Tseng-Chang Lee Chang-Rung Hsieh	(02)87587288	(02)87895600	www.skbank.com.tw
Sunny Bank	Chairman President	Sheng-Hung Chen Wei-Hao Ding	(02)28208166	(02)28233414	www.sunnybank.com.tw
Bank of Panhsin	Chairman President	Ping-Hui Liu Ming-Hsien Kao	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	Sung-Yie Liao Jung-Shien Chiu	(04)22245171	(04)22275237	www.cotabank.com.tw
Chunghwa Post Co., Ltd.	Chairman President	Hong-Mo Wu Jui-Tang Chiang	(02)23931260	(02)23911209	www.post.gov.tw
Union Bank of Taiwan	Chairman President	Shiang-Chang Lee Jeff Lin	(02)27180001	(02)27174093	www.ubot.com.tw
Far Eastern International Bank	Chairman President	Ching-Ing Hou Thomas Chou	(02)23786868	(02)23779000	www.feib.com.tw
Yuanta Bank	Chairman President	Tony Fan Yu-De Chuang	(02)21736699	(02)27722455	www.yuantabank.com.tw/bank/
Bank SinoPac	Chairman President	Chia-Hsien Chen Eric Chuang	(02)25173336	(02)81618485	bank.sinopac.com
E.Sun Commercial Bank, Ltd.	Chairman President	Gary K.L. Tseng Joseph N.C. Huang	(02)21751313	(02)27138713	www.esunbank.com.tw
KGI Bank	Chairman President	Pao Sheng Wei Amy Tsao	(02)21717577	(02)27849848	www.kgibank.com
DBS Bank (Taiwan)	Chairman President	Danny Leong Kay Teoh Him Chuan Lim	(02)66129889	(02)66129285	www.dbs.com.tw
Taishin International Bank	Chairman President	Thomas T.L. Wu Oliver Shang	(02)25683988	(02)25234551	www.taishinbank.com.tw
Jih Sun International Bank	Chairman President	Jin-Tang Huang Chih-Fang Wang	(02)25615888	(02)25217698	www.jihsunbank.com.tw
EnTie Commercial Bank	Chairman President	Jesse Ding Claudie Yu	(02)81012277	(02)81012233	www.entiebank.com.tw
CTBC Bank	Chairman President	Morris Li James Chen	(02)33277777	(02)87809122	www.ctbcbank.com
Mega Bills Finance Co., Ltd	Chairman Acting President	Jennifer M.C. Liao Jennifer M.C. Liao	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman Acting President	Cheng-Ching Wu Gwo-Cheng Tu	(02)27991177	(02)26592919	www.cbf.com.tw
International Bills Finance Co.	Chairman President	Chi-Lin Wea Yen-Lang Chiu	(02)25181688	(02)25158430	www.ibfc.com.tw
Grand Bills Finance Co.	Chairman President	Ho-Sheng Wang Yong-Liang Lai	(02)87802801	(02)87884031	www.grandbill.com.tw

Institution	Position	Name	Telephone	Fax	Website
Hua Nan Financial Holdings Co., Ltd.	Chairman President	Yun-Peng Chang Pao-Chu Lo	(02)23713111	(02)87291943	www.hnfhc.com.tw
Fubon Financial Holding Co., Ltd.	Chairman President	Richard M. Tsai Jerry Harn	(02)66366636	(02)66360111	www.fubon.com
China Development Financial Holding Co., Ltd.	Chairman Acting President	Chia-Juch Chang Daw-Yi Hsu	(02)27638800	(02)27660047	www.cdibh.com
Cathay Financial Holding Co., Ltd.	Chairman President	Hong-Tu Tsai Chang-Ken Lee	(02)27087698	(02)23252488	www.cathayholdings.com.tw
CTBC Financial Holding Co., Ltd.	Chairman President	Wen-Long Yen Daniel Wu	(02)33277777	(02)26539580	www.ctbcholding
SinoPac Financial Holdings Co., Ltd.	Chairman President	Wen-Chyi Ong Stanley Chu	(02)81618935	(02)81618485	www.sinopac.com
E.Sun Financial Holding Co., Ltd.	Chairman President	Yung-Jen Huang Joseph N.C. Huang	(02)21751313	(02)27199313	www.esunfhc.com/en
Yuanta Financial Holdings Co., Ltd.	Chairman President	Tony Shen Chien Weng	(02)27811999	(02)27721585	www.yuanta.com
Taishin Financial Holding Co., Ltd.	Chairman President	Thomas T.L. Wu Welch Lin	(02)23268888	(02)37076889	www.taishinholdings.com.tw
Shin Kong Financial Holding Co., Ltd.	Chairman Acting President	Eugene T.C. Wu Min-Yi Huang	(02)23895858	(02)23892868	www.skfhc.com.tw
Mega Financial Holding Co., Ltd.	Chairman President	Chao-Shun Chang Kuang-Hua Hu	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Tsan-Chang Liao Chien-Hao Lin	(02)23111111	(02)23119691	www.firstholding.com.tw
Jih Sun Financial Holding Co., Ltd.	Chairman President	Jin-Tang Huang Chih-Fang Wang	(02)25673688	(02)25175408	www.jsun.com
IBF Financial Holdings Co., Ltd.	Chairman President	Chi-Lin Wea Michael Y. J. Ding	(02)25154567	(02)25010606	www.ibf.com.tw
Taiwan Financial Holding Co., Ltd.	Chairman President	Jye-Cherng Lyu Jan-Lin Wei	(02)23493456	(02)23115060	www.twfhc.com.tw
Taiwan Cooperative Financial Holdings Co., Ltd.	Chairman President	Chung-Dar Lei Mei-Tsu Chen	(02)21738888	(02)27313677	www.tcfhc.com.tw
Yuanta Securities Finance Co., Ltd.	Chairman President	Ting-Shian Huang Rong-Ting Hong	(02)21736833	(02)27721101	www.yuantafinance.com.tw