



The Bankers Association of the Republic of China

Annual Report 2023

2023

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The Bankers Association of the Republic of China

3F., No.9, De-huei St., Zhongshan Dist., Taipei City 104439, Taiwan (R.O.C.)

TEL : (02)8596-2229

FAX : (02)8596-2228

WEBSITE : <https://www.ba.org.tw>

The Bankers Association of Taipei

3F., No.9, De-huei St., Zhongshan Dist.,
Taipei City 104439, Taiwan (R.O.C.)

TEL : (02)8596-2229

FAX : (02)8596-2228

WEBSITE : <https://www.bat.org.tw>

The Bankers Association of Kaohsiung

5F., No.77, Li-wen Rd., Zuoying Dist.,
Kaohsiung City 813626, Taiwan (R.O.C.)

TEL : (07)557-7112

FAX : (07)557-7113

Bankers Association of New Taipei City

4F., No.21, Fu-zhong Rd., Banqiao Dist.,
New Taipei City 220214, Taiwan (R.O.C.)

TEL : (02)2969-9366

FAX : (02)2967-6416

Bankers Association of Taiwan

4F., No.21, Fu-zhong Rd., Banqiao Dist.,
New Taipei City 220214, Taiwan (R.O.C.)

TEL : (02)2969-0555

FAX : (02)2967-6416

WEBSITE : <http://www.batwn.org.tw>

The Bankers Association of Taoyuan

No.46, Zhong-zheng Rd., Taoyuan Dist.,
Taoyuan City 330002, Taiwan (R.O.C.)

TEL : (03)334-4417

FAX : (03)334-4417

The Bankers Association of Taichung

No.140, Sec. 1, Zi-you Rd., West Dist.,
Taichung City 403307, Taiwan (R.O.C.)

TEL : (04)2222-4001

FAX : (04)2222-4274

The Bankers Association of Taichung City

No.302, Zhong-zheng Rd., Fengyuan Dist.,
Taichung City 420016, Taiwan (R.O.C.)

TEL : (04)2527-8686

FAX : (04)2529-7577

The Bankers Association of Tainan

No.155, Sec. 1, Fu-qian Rd., West Central
Dist., Tainan City 700010, Taiwan (R.O.C.)

TEL : (06)216-0168

FAX : (06)216-0188

The Bankers Association of Tainan City

No.10, Zhong-zheng Rd., Xinying Dist.,
Tainan City 730208, Taiwan (R.O.C.)

TEL : (06)635-1111

FAX : (06)632-1843

The Bankers Association of Kaohsiung City

No.20, Cao-gong Rd., Fengshan Dist.,
Kaohsiung City 830025, Taiwan (R.O.C.)

TEL : (07)741-6131

FAX : (07)743-3478

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I. Chairman's Preface

The massive post-COVID rebound in pent up demand eased off in 2023 and the global economy entered into an inventory adjustment cycle. Supply chain costs declined, international commodities prices came back down, and central banks hiked interest rates. As a result, the inflation rate fell. Due to COVID-19 and US-China rivalry caused fragmentation of supply chains, prompting multinational corporations to adopt a "China plus one" strategy to diversify their risks. As for China, which was already bedeviled by a real estate crisis and severe youth unemployment, these factors have just made things all the worse. Meanwhile, the war between Russia and Ukraine have continued unabated, as have the conflict between Israel and Palestine,



Chairman Paul C. D. Lei

so the world has gone through a year fraught with change and challenges. The International Monetary Fund (IMF) in January 2024 estimated global economic growth of 3.1% for 2023. Private consumption in Taiwan posted stable growth, but global economic growth declined, and the spreading impact of sluggish demand in mainland China undercut companies' willingness to invest. Taiwan's economic growth rate in 2023 was 1.31%, down from 2.59% in 2022.

Taiwan's Central Bank raised the discount rate by 0.125 percentage points in March 2023, leaving the discount rate, the rate on accommodations with collateral, and the rate on short-term accommodations at 1.125%, 1.5%, and 3.375%, respectively, for the rest of the year. Meanwhile, the average net interest margin rose from 1.32 percentage points in 2022 to 1.39 percentage points in 2023, the highest they've ever been since 2015. The pre-tax earnings of domestic banks in 2022 totaled NT\$472.4 billion, up 20.54% from 2022. The return on assets (ROA) of domestic banks in 2023 was 0.73%, up from 0.64% in 2022, while return on equity (ROE) was 10.4%, up from 9.19% in 2022. In terms of the quality of banks' assets, as of the end of 2023 the non-performing loan (NPL) ratio was 0.14%, down 0.01 percentage points from 2022. The NPL coverage ratio as of the end of 2023 was 968.74%, up from 910.46% as of the end of 2022, an indication that as the profitability of domestic banks rose, they were also able to maintain their risk bearing capability, and they remained on overall sound financial footing.

The Bankers Association of the Republic of China (BAROC) was founded to help the government implement its financial policies, spur economic development, and coordinate relations among peers in the industry so as to bring about the generation of benefits that can be shared among them. In 2023, BAROC continued helping to ensure sound development of the banking industry by: enhancing talent cultivation and training; drafting self-regulatory rules for the banking industry; taking steps to safeguard the interests of member banks; and issuing best practice principles.

In response to the rapidly changing financial environment and constantly toughening financial supervision, total compliance has become the single most important task currently facing the global banking industry. To maintain the confidence of overseas financial supervisory bodies in Taiwanese banks, BAROC in recent years has actively held "legal compliance conferences" and "conferences on collective self-discipline among overseas branches of BAROC member banks" in important financial centers throughout the world. In September 2023 BAROC held the 4th regional session of the "Conference of the Foreign Branches' Managers, Legal Compliance Officers, Officers of the Internal Control and Internal Audits" in New York.

To create a more friendly financial services environment, BAROC in 2022 adopted a set of "Self-Regulatory Rules for Fair Treatment by Banks of Elderly Customers" to improve banks' ability to assess the financial needs of elderly customers and take appropriate action when they observe an elderly customer engaging in an irregular financial transaction, thereby better protecting the financial security of elderly consumers. In addition, BAROC has disseminated its "Guideline for Banks When Serving Customers with Dementia or Suspected Dementia" to banks for their reference. The hope is that the steadily increasing number of persons with dementia in Taiwan can have full and equal access to financial services, and that their financial security will be safeguarded. To prevent money laundering and fraud, BAROC has developed a monitoring mechanism for long-dormant accounts, watch-listed accounts, and derivative watch-listed accounts, and instructed banks to assist with the monitoring of such accounts. The mechanism includes enhanced system-assisted monitoring and the paying of careful attention by service counter personnel to walk-in customers in order to put a stop to scams in progress and protect people's property.

In coordination with the FinTech Development Roadmap (2.0) adopted by the Financial Supervisory Commission (FSC), BAROC is promoting the Open Banking Initiative, which has now entered into the all-important third phase—Transaction Information. A set of "Self-Regulatory Rules Governing Cooperation Between Member Banks and Third-Party Service Providers" amended by BAROC, and a set of technical and information security standards adopted by the Financial Information Service Co., Ltd. (FISC), have both been accepted for recordation by the FSC in an effort to promote a fintech ecosystem marked by greater inclusivity, fairness, and sustainability, and are more closely aligned with international practices. Moreover, BAROC intends to convert fintech into an important force for the promotion of green finance and financial inclusion.

Looking ahead to 2024, the global economy will be something of a mixed bag. A decline in commodities prices will help to revitalize emerging economies, but uncertainty continues to surround monetary policies in Europe and North America, and there remains the possibility of intensified wars and conflicts around the world, both of which pose tail risks. In addition, competition among the G7 and the BRICS nations, and the US presidential election, are going to be powerful drivers of global political and economic change. Taiwan remains a focal point of geopolitical tension, and our banking industry needs to be mindful of the impact of that tension. Also, the European Union's "Carbon Border Adjustment Mechanism" (CBAM) and the US "Clean Competition Act" (CCA) will both come into force within the next few years, therefore banks, acting in coordination with the FSC's "Green Finance Action Plan 3.0," will need to further integrate financial resources and work with companies to help them achieve a transition to sustainability and achieve net-zero emissions.

We thank the competent authority for its guidance and our member banks for their support. In 2024, BAROC will continue coordinating with government policies by adopting and promoting related financial measures, helping banks to guide their corporate borrowers to pursue a transformation to low-carbon sustainability, improving internal corporate governance rules, and promoting financial security and fintech innovation, so that the financial industry and the real economy can keep pace with the times. In addition, BAROC will continue to serve as a bridge for communication among the government, banks, and the public. In addition, BAROC will strengthen banks' business management, and contribute to Taiwan's financial environment and the development of our economy.

Chairman

Paul C. D. Lei

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 fourteenth session of the first General Assembly in September 2023 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	2016-2022
Paul C. D. Lei	14	2022-

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

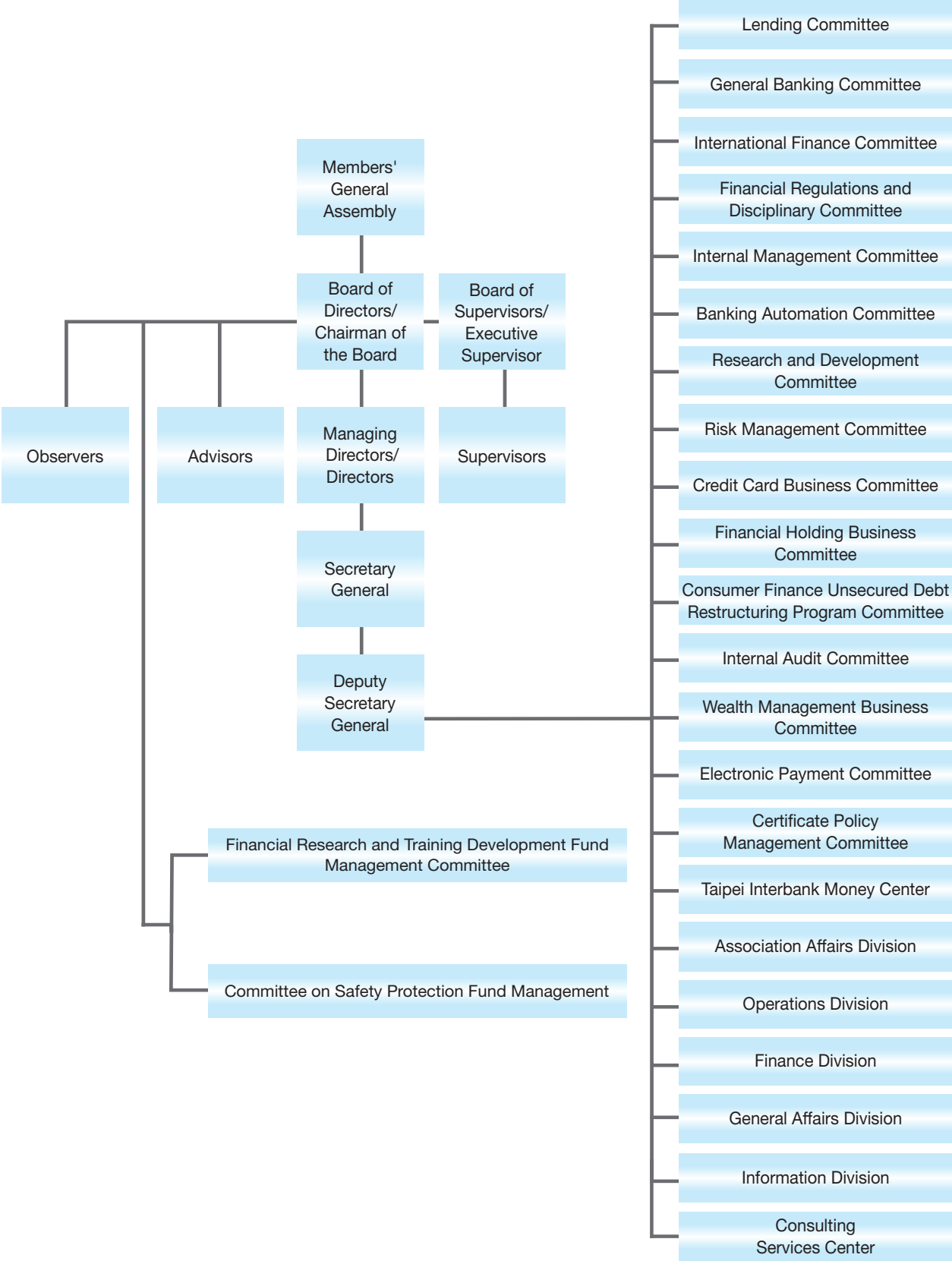
The 10 local bankers associations that have joined as BAROC members are the following: The Bankers Association of Taipei; Bankers Association of Taiwan; Bankers Association of New Taipei City; The Bankers Association of Taoyuan; The Bankers Association of Taichung; The Bankers Association of Taichung City; The Bankers Association of Tainan; The Bankers Association of Tainan City; The Bankers Association of Kaohsiung; and The Bankers Association of Kaohsiung City. As of the end of 2023, the head offices of member banks totaled 60, of which 55 belong to The Bankers Association of Taipei, 1 belongs to the Bankers Association of New Taipei City, 2 belong to The Bankers Association of Taichung, 1 belongs to The Bankers Association of Tainan, and 1 belongs to The Bankers Association of Kaohsiung. 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, 2022

Member Banks	Headquarters	Branches	Total
The Bankers Association of the Republic of China	62		
The Bankers Association of Taipei	56	884	940
Bankers Association of Taiwan		582	582
Bankers Association of New Taipei City	1	512	513
The Bankers Association of Taoyuan		252	252
The Bankers Association of Taichung	2	227	229
The Bankers Association of Taichung City		145	145
The Bankers Association of Tainan	1	134	135
The Bankers Association of Tainan City		96	96
The Bankers Association of Kaohsiung	1	297	298
The Bankers Association of Kaohsiung City		90	90
Bankers Association of Keelung City		26	26
Bankers Association of Hsinchu City		83	83
Bankers Association of Hsinchu County		55	55
Bankers Association of Miaoli County		46	46
Bankers Association of Changhwa County		95	95
Bankers Association of Nantou County		36	36
Bankers Association of Yunlin County		47	47
Bankers Association of Chiayi City		44	44
Bankers Association of Chiayi County		19	19
Bankers Association of Pingtung County		48	48
Bankers Association of Ilan County		41	41
Bankers Association of Hualien County		22	22
Bankers Association of Taitung County		15	15
Bankers Association of Penghu County		5	5

Organizational Structure of BAROC



C. Directors, Supervisors, Advisors and Observers

February 2024

Title	Name	Company Affiliation
Chairman of the Board	Paul C.D. Lei	Chairman, Mega Financial Holding Co., Ltd.
Managing Directors	Jye-Cherng Lyu	Director, Taiwan Financial Holding Co., Ltd.
	Yun-Peng Chang	Chairman, Hua Nan Financial Holdings Co., Ltd.
	Ye-Chin Chiou	Chairman, First Financial Holding Co., Ltd.
	Chuan-Chuan Hsieh	Chairman, Land Bank of Taiwan
Directors	Chang-Ken Lee	President, Cathay Financial Holding Co., Ltd.
	Yen-Mao Lin	Chairman, Taiwan Cooperative Bank
	Wen-Long Yen	Chairman, CTBC Financial Holding Co., Ltd.
	Jerry Harn	President, Fubon Financial Holding Co., Ltd.
	Tony Shen	Chairman, Yuanta Financial Holdings Co., Ltd.
	Joseph N.C. Huang	Chairman, E. Sun Commercial Bank
	Thomas Chou	President, Far Eastern International Bank
	Wei-Wen Hsu	President, Union Bank of Taiwan
	Sheng-Hung Chen	Chairman, Sunny Bank
	Ming-Ming Wu	Chairman, Agricultural Bank of Taiwan
	Chenli Yang	Chief Operating Officer, DBS Bank (Taiwan)
	Tina Y. Lo	Chairman, O-Bank
	Sung-Yie Liao	Chairman, Cota Commercial Bank
	Chao-Hsien Lai	Chairman, Hwatai Bank
	I-Meng Hwang	President, Line Bank Taiwan
	Berlin Hsu	President, Next Commercial Bank
	Jonathan Wei	President, China Bills Finance Co.
	Morris Li	Chairman, CTBC Bank
	Tommy Lin	Vice Chairman, Hua Nan Commercial Bank
	Yen-Lang Chiu	President, International Bills Finance Co.
	Pei-Jean Liu	Chairman, Taiwan Business Bank
	Grace M.L. Jeng	Chairman, Bank of Kaohsiung
	Su-Kuo Huang	Chairman, China Development Financial Holding Co.
	Teng-Shan Tai	Chairman, The Export-Import Bank of the Republic of China
	Chin-Yuan Lai	Chairman, Shin Kong Commercial Bank
	Ching-Yi Kuo	President, The Shanghai Commercial & Savings Bank

Title	Name	Company Affiliation
Executive Supervisor	Joanne Ling	Chairman, Chang Hwa Commercial Bank
Supervisors	Welch Lin	President, Taishin Financial Holding Co., Ltd.
	Shi-Kuan Chen	Chairman, Sinopac Financial Holdings Co., Ltd.
	Jui-Tang Chiang	President, Changhua Post Co., Ltd.
	Kuei-Fong Wang	Chairman, Taichung Commercial Bank
	Adam Chen	President, HSBC Bank (Taiwan) Limited
	Ian Charles Anderson	President, Standard Chartered Bank(Taiwan) Limited
	Terence Tai	Chairman, King's Town Bank
	Leo Kuo	Chairman, Taipei Star Bank
	Jennifer M.C. Liao	Chairman, Mega Bills Finance Co., Ltd.
	Kazuhiko Saiki	President, Rakuten International Commercial Bank
Alternate Supervisor	Andrew Ming-Jian Kuo	Chairman, Cathay United Bank
	Oliver Shang	President, Taishin International Bank
Advisors	Jiann-Jong Guo	Chairman, Joint Credit Information Center
	Oscar Lin	Chairman, Financial Information Service Co., Ltd.
	Tong-Liang Lin	President, National Credit Card Center of R.O.C
	Shu-Chuan Kao	President, The National Federation of Credit Co-operatives R.O.C
	Nancy Young	Advisor, The Bankers Association of the Republic of China
	Jain-Rong Su	Chairman, Taiwan Academy of Banking and Finance
	Aftab Ahmed Noor	Chairman, Citi Bank Taiwan
	Bing-Huei Lin	Chairman, Taiwan Depository & Clearing Corporation
	Ma-Li Shih	President, Bank of Taiwan
	Yu-Cheng Huang	Chairman, The Taiwan Clearing House
Observers	Claudie Yu	Chairman, EnTie Commercial Bank
	Karen Ree	Vice President, ING Bank, Taipei Branch
	Natalie Kuo	Executive Director, Credit Agricole Corporate & Investment Bank, Taipei Branch
	Esther Su	Vice President, The Bank of New York Mellon, Taipei Branch
	Nicole Wu	Director, BNP Paribas, Taipei Branch

D. Major Staff Members of BAROC

As of Jan.18 2024

Title / Position in BAROC	Name	Full-time or Part-time
Chairman, Financial Research and Training Development Fund Management Committee	Paul C. D. Lei	Chairman, Mega Financial Holdings & Mega International Commercial Bank, Part-time
Chairman, Committee on Safety Protection Fund Management	Paul C. D. Lei	Chairman, Mega Financial Holdings & Mega International Commercial Bank, Part-time
Secretary General	Tsong-Ming Wang	Full-time
Deputy Secretary General	Kou-Liang Tsai	Full-time
Deputy Secretary General	Kuo-En Wen	Full-time
Secretary	Shao-I Chou	Full-time
Secretary	Yu-Min Chou	Full-time
Chairperson, Lending Committee	Tien-Sheng Chiu	EVP, Land Bank of Taiwan, Part-time
Chairperson, General Banking Committee	Tseng-Hsiang Yi	Executive Vice President, Taiwan Business Bank, Part-time
Chairperson, International Finance Committee	Chao-Jung Chen	SEVP, Mega International Commercial Bank, Part-time
Chairperson, Financial Regulations and Disciplinary Committee	Kuei-Fen Huang	E.V.P & Chief Compliance Officer, Part-time
Chairperson, Internal Management Committee	Fu-Jinn Chiou	Chang Hwa Bank Division Head Of Financial Management Division, Part-time
Chairperson, Banking Automation Committee	Hsien-Tang Chiu	SEVP, Bank of Taiwan, Part-time
Chairperson, Research and Development Committee	Yu-Chuan Lu	Senior Executive Vice President, Mega International Commercial Bank, Part-time
Chairperson, Risk Management Committee	Chun-Jen Hsu	CEO, Global Capital Market, CTBC Bank, Part-time
Chairperson, Credit Card Business Committee	Sean Lin	Senior Executive Vice President of Credit Card and Payment Division, E.SUN Commercial Bank, Ltd., Part-time
Chairperson, Financial Holding Business Committee	Chang-Ken (C.K.) Lee	President, Cathay Financial Holdings, Part-time
Chairperson, Internal Audit Committee	Emily Chen	Chief Auditor, First Commercial Bank, Part-time
Chairperson, Wealth Management Business Committee	Winnie Wu	Executive Vice President, Taipei Fubon Commercial Bank, Part-time, Part-time
Chairperson, Consumer Finance Unsecured Debt Restructuring Program Committee	Allen Day	SVP, Head of Retail Banking, Taishin International Bank, Part-time
Chairperson, Electronic Payment Committee	Hugo Shen	Chief Strategy Officer of Credit Card and Payment Division, E.SUN Commercial Bank, Ltd., Part-time
Chairperson, Certificate Policy Management Committee	Tsung-Hsien Li	Executive Vice President, Hua Nan Commercial Bank, Part-time
Director, Taipei Interbank Money Center	Ma-Li Shih	President, Bank of Taiwan, Part-time
Chief, Association Affairs Division	Yu-Min Chou	Full-time
Chief, Operations Division	Yun-May Liao	Full-time
Chief, Finance Division	Huei-Ling Li	Full-time
Chief, General Affairs Division	Yeng-Ming Lee	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. International Economic and Financial Conditions

(1) Global economic conditions weaken, especially in the manufacturing sector

Most countries experienced slow economic growth in 2023 due to tightening monetary policies, continued high inflation, and weak trade momentum. The International Monetary Fund (IMF) has estimated global economic growth of 3.1% in 2023, down from 3.5% in 2022. An especially clear slowdown took place in the manufacturing sector, reflecting a drop in demand for goods and supply chain destocking. Linkages between international trade and manufacturing are relatively close, so the IMF estimates that the 5.2% growth in international trade seen in 2022 probably fell to 0.4% in 2023, and the rate of decline in international trade growth outstripped the rate of decline in economic growth. However, the service sectors in most countries performed more flexibly, reflecting an ongoing post-COVID recovery of demand for accommodations, dining, and other travel-related leisure services. World tourism organization have forecast a 30% increase in global tourist travel in 2023, bringing the total to 90% of the 2019 level.

In terms of the performance of major economies around the world in 2023, the economic growth rate in the US was 2.5%, primarily because a strong job market and a lower personal savings rate supported an increase in private consumption, government spending increased notably, and imports decreased due to a decline in demand for goods, all of which caused net exports to become a positive contributor to economic growth. Economic growth was 0.5% in the euro area, where inflation remained high while the rate of lending growth declined, causing a sharp decrease in private consumption. Japan's GDP grew by 1.9%, primarily because a relatively accommodative domestic monetary policy and a big increase in incoming international tourists supported the domestic economy. China's annual GDP growth rate was 5.2%, much improved from 2022 after the post-COVID lifting of travel restrictions, but the pace of the recovery fell short of market expectations, mainly due to an ongoing adjustment in housing market prices, lack of consumer confidence, and weak external demand.

(2) Key central banks continued to hike interest rates in 2023

The US Federal Reserve (Fed) began raising interest rates in March 2022, and the slowed pace of rate hikes in December of that year had convinced markets for a time that the rate hikes would soon come to an end, but core inflation failed to slow as much as expected in the first half of 2023, so the Fed continued to raise rates, albeit at a slower pace. From January to July there were four rate hikes of 25 basis points apiece, raising the target range for the federal funds rate to 5.25% – 5.5%. Rates remained unchanged after that, but the Fed would not lightly send out dovish signals of any sort. The Fed's September 2023 Summary of Economic Projections did not discount the possibility of more rate hikes, but in the fourth quarter, inflation eased further

and tight labor markets eased up a bit, prompting the Fed to leave rates untouched through December. The European Central Bank (ECB) also continued its tightening monetary policy because inflation was falling only slowly. The ECB hiked rates six times by a total of 275 basis points from January to September of 2023, leaving the Refinance rate at 4.5% and the overnight deposit rate at 4.0% at year's end. The Bank of England raised rates five times in 2023 by a total of 175 basis points to 5.25%, where they remained unchanged.

The Bank of Japan maintained its targets unchanged for short-term policy rates at -0.1% and long-term interest rates (10-year government bond yields) at 0% more or less. However, after October it adjusted the target range from -0.5% – 0.5% to -1.0% – 1.0%, and allowed for interest rates to exceed 1.0% by a certain degree, thereby increasing the flexibility of policy.

2. Domestic Economic and Financial Conditions

(1) Slower Domestic Economic Growth

Taiwan's 2023 economic growth rate was 1.31%. The first quarter continued the slump of the latter half of 2022, and contracted 3.5%, reflecting weak exports and poor end-user demand, which restricted investment performance. However, exports appear to have bottomed out in the second quarter, while private consumption remained steady. In the second half of the year, the impact of inventory destocking had started to run its course, while a low baseline from the previous year meant that GDP growth gradually began to rebound.

Domestic demand: In 2023, private consumption grew by 8.3% and contributed 3.8 percentage points to economic growth. Domestic consumption by citizens grew by 3.9%, while overseas consumption by citizens grew by a factor of 6 because the diminution of the impact of the pandemic brought an increased willingness to travel and dine out. In the latter half of 2023, the number of citizens who went traveling recovered to roughly 80% of the number in the same period in 2019, while domestic retail sales of autos and motorcycles, apparel and accessories, and department store items all increased by double digits. Capital formation decreased by 10.3%, and its contribution to economic growth was a negative 2.9 percentage points, primarily because poor end-user demand spurred manufacturers to temporarily reduce investments in equipment. Meanwhile, construction investments also decreased because builders grew cautious last year about launching new projects, and inventory destocking also played a role. In addition, slightly stronger government consumption and domestic demand contributed 1.03 percentage points to economic growth.

External demand: Exports declined for the first three quarters, but by a successively smaller percentage each quarter, before posting a rebound in the fourth quarter. The rebound was driven primarily by a turnaround in exports of tech products, reflecting an uptick in business opportunities involving products that make use of AI and other emerging technologies. Exports of non-tech products did not continue to decline but neither was there any notable improvement. For the year as a whole, exports still declined by 4.32%. Imports, meanwhile,

fell relatively sharply due to: (a) a drop in demand for intermediate goods caused by exports; and (b) sharply decreased imports of capital equipment. After the netting out of exports and imports, the contribution of net external demand to economic growth was 0.28 percentage points.

(2) Central Bank raises policy rates by 12.5 basis points

Taiwan's Central Bank raised the discount rate by 12.5 basis points in March 2023. Inflation had moderated and its future course remained uncertain, so the Bank continued to adopt moderate policy rate hikes to restrain inflationary expectations, leaving the discount rate, the rate on accommodations with collateral, and the rate on short-term accommodations at 1.875%, 2.25%, and 4.125%, respectively. Policy rates remained unchanged through December because the Central Bank expected further price rises to be very moderate, the pace of economic growth to be slower than originally expected, and a negative output gap to arise, all of which would tend toward recessionary conditions. Even so, the Central Bank would not lightly send out dovish signals. In September, for example, the Central Bank governor stated that even if inflation dropped to below 2% the Central Bank might still keep the current interest rates unchanged for some time, and in December he further stated that if inflation remained below 2% in 2024 then the cycle of interest rate hikes would come to an end, but if inflation were to stay above the level of past years, then policy rates would also be kept higher than in past years. In addition, the direction of the Fed's monetary policy is a factor that Taiwan's Central Bank must also take into account when setting its own monetary policy. Since Taiwan has been more moderate than most other countries during the current round of interest rate hikes, it seems likely that the Taiwan Central Bank will leave rates unchanged until domestic inflation takes a clearly downward turn.

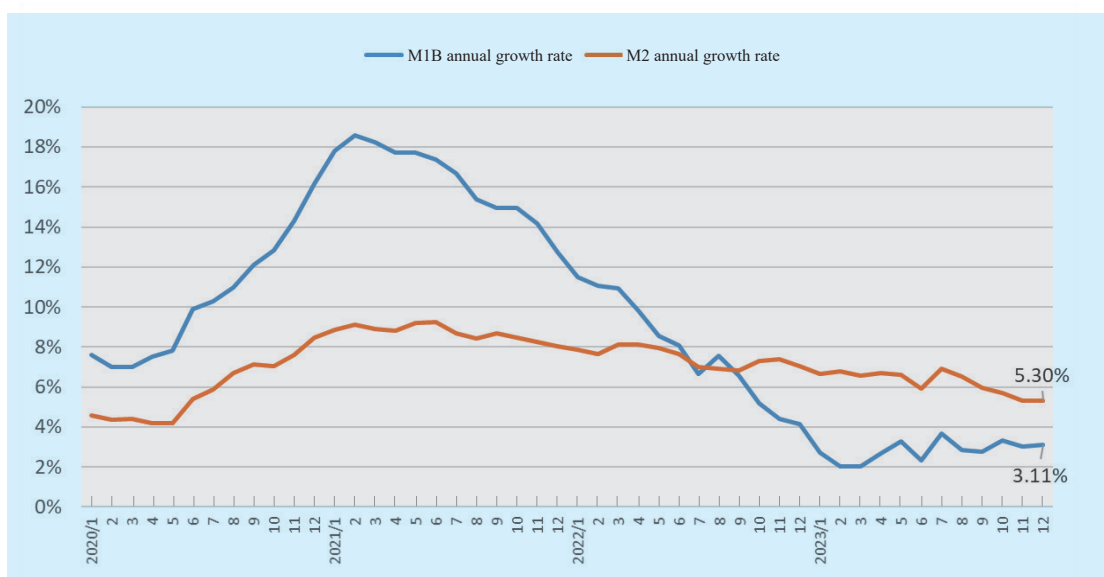
(3) Interest Spread

The average interest spread between deposits and loans at Taiwan's domestic banks in 2023 widened from 1.37 percentage points in the first quarter of 2023 to 1.42 percentage points in the third quarter, the highest spread since 2016, but then the spread narrowed to 1.39 percentage points in the fourth quarter. For all of 2023, the average interest spread was 1.39 percentage points, an increase of 0.07 percentage points over the spread of 1.32 in 2022.

(4) Monetary Aggregates

M2 money supply in 2023 showed an average increase for the whole year of 6.25%, which was down by 1.23 percentage points from the 7.48% increase in 2022, and down to within the target range for monetary growth set by the Central Bank (2.5% to 6.5%). For the more narrowly defined average M1B money supply, the growth rate was 2.82%, down by 4.99 percentage points from 7.81% in 2022. Therein, the M1B annual growth rates for September 2022 through December 2023 were below the M2 growth rate for the year as a whole.

Annual Growth Rates of Daily Monetary Aggregates

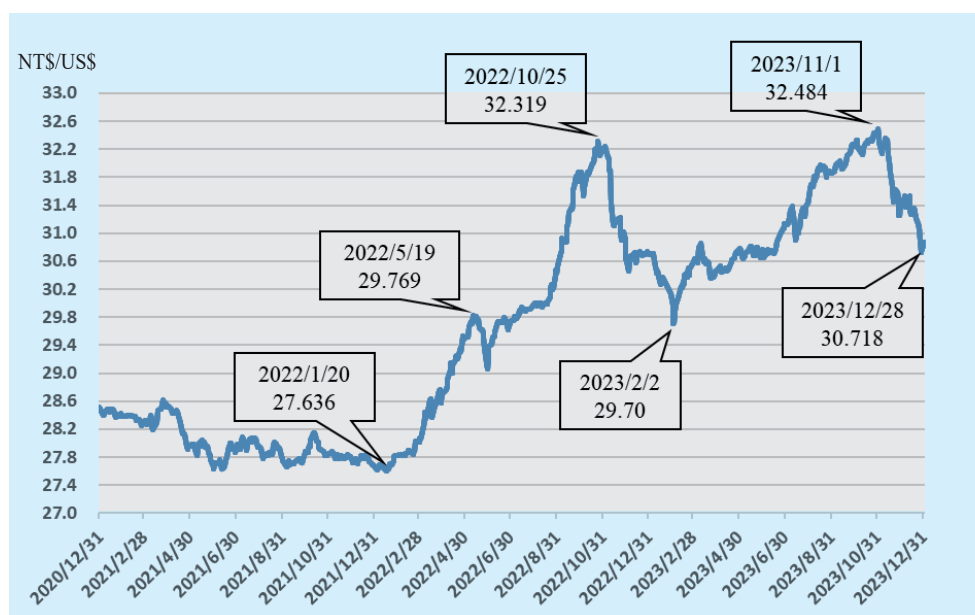


Source: Central Bank of the Republic of China (Taiwan)

(5) NTD Exchange Rates

The exchange rate of the NT Dollar versus the US Dollar showed a V pattern in the first quarter of 2023, starting at 30.7 : 1 at the beginning of the year, appreciating to about 29.7 : 1 in early February, then falling back once more, primarily due the resilience of the US economy, which caused markets to re-evaluate the Fed's interest rate hikes. From early March to mid-June the NT Dollar generally traded at around 30.65 : 1 versus the US Dollar. After that, the US Fed's forward guidance turned relatively hawkish, adjusting 2023 terminal rate expectations upward and pushing back the likely timetable for rate cuts in 2024. As a result, the US Dollar and US yields rose to new highs. In addition, dividend payouts peaked in Q3, spurring relatively large outward remittances of funds by foreign investors, while trade momentum at the same time remained somewhat weak, causing the NT Dollar to depreciate versus the US Dollar, eventually reaching a rate of roughly 32.5 : 1 at the end of October. Later, because inflation had declined by the end of the year and some labor markets were still tight (though easing), the Fed's rate cut guidance was more accommodative than in September, and market activity reflected more optimism regarding the likely size of rate cuts. As the US Dollar depreciated, other currencies all appreciated. By the end of the year, the NT Dollar exchange rate had appreciated to 30.75 : 1 versus the US Dollar. The average exchange rate of the NT Dollar versus the US Dollar in 2023 was 31.15 : 1, which was a 4.41% depreciation from 2022.

Exchange Rates of the NT dollar against the US dollar

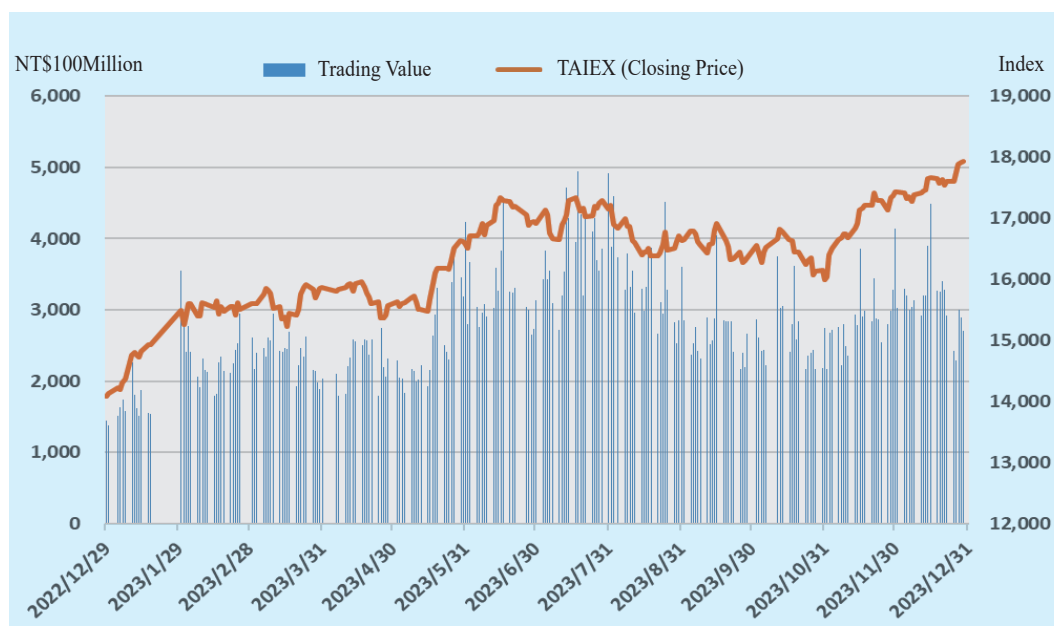


Source: Central Bank of the Republic of China (Taiwan)

(6) Taiwan Stock Exchange TAIEX Index

In January 2023, the TAIEX index rose in reaction to market expectations for the US Fed to ease the pace of its rate hikes, which spurred foreign investors to become net buyers on the Taiwan Stock Exchange (TWSE). From February to mid-May, however, Taiwanese stocks traded in a range-bound pattern, reflecting a change in foreign investors' expectations regarding the US Fed's terminal federal funds rate. The new expectations prompted them to become net sellers on a small scale, but strong purchasing activity on the part of domestic investors prevented any major slump on the TAIEX. From mid-May through mid-June, the TAIEX rose sharply on the strength of a boom in AI. But then the Fed's forward guidance turned hawkish through late October, while foreign investors took advantage of market highs to realize profits. Despite the fact that domestic investors were net buyers across the board, the TAIEX nevertheless retrenched slightly. In November and December, because the US had made some progress in bringing inflation under control, the Fed softened its hawkish monetary stance and indicated a greater receptiveness than before toward cutting interest rates in 2024. The TAIEX reacted by rising to its highest level in 2023. On 29 December 2023 the TAIEX closed at 17,930.81 points, up by 3,793.12 points (26.83%) from the end of 2022.

TAIEX and Trading Volume



Source: Taiwan Stock Exchange

3. The Domestic and International Economic Outlook for 2024

(1) Global Economic Outlook

The January 2024 edition of the World Economic Outlook issued by the IMF projects global growth of 3.1% in 2024, up by 0.2 percentage points from the projection published in October 2023. This reflects the resilience demonstrated by the economies of the United States and several major emerging market and developing economies, and the fact that China has increased its fiscal support, although different regions have performed differently. Therein, the 2024 projection for US economic growth is 2.1%, an upward revision of 0.6 percentage points; the projection for the eurozone is 0.9%, a downward revision of 0.3 percentage points; the projection for Japan is 0.9%, a downward revision of 0.1 percentage points; and the projection for China is 4.6%, an upward revision of 0.4 percentage points. Prices: With the impact of tightening monetary policies gradually beginning to hit home, the IMF expects global headline inflation to fall from 6.8% in 2023 to 5.8% in 2024 and to 4.4% in 2025, and most countries are expected to reach their inflation target ranges. However, the war in Ukraine rages on, while the conflict in Gaza and Israel continues to generate tension that affects shipments of goods through the Suez Canal and other Middle East waterways. On top of that, climate risks affect the operations of the Panama Canal, threaten harvests, and erect significant barriers on the road to a lowering of global inflation.

The World Bank in January projected a 2024 global economic growth rate of 2.4%. Global economic growth has slowed for the past three consecutive years, and is notably lower than the 3.1% average for the decade starting in 2010 (the pre-COVID decade), primarily due to the gradual appearance of the delayed impact of tightening policies, a decline of savings rates in developed nations to relatively low levels, weakening growth of service consumption, and increasingly tightening fiscal policies. US economic growth in 2024 is expected to be clearly lower than in 2023, but the US economy should still outperform that of Europe and Japan, and the chances of a soft economic landing are increasing. European 2024 economic growth is projected to be better than in 2023, but still not as good as the average among developed nations, reflecting the clearly apparent impact of deflationary policies there. Japan's 2024 economic conditions are about the same as they were prior to the pandemic due a decline in exports of automobiles and services. A slowdown in China's economic growth reflects an ongoing adjustment of housing market prices, insufficient consumer confidence, and other disadvantageous factors.

Global & major country economic growth forecasts

Unit: %

Area \ Institute	International Monetary Fund		World Bank	
	2024	2025	2024	2025
Global	3.1% (3.0%)	3.1% (2.9%)	2.6% (2.1%)	2.4% (2.4%)
US	2.5% (2.1%)	2.1% (1.5%)	2.5% (1.1%)	1.6% (0.8%)
Eurozone	0.5% (0.7%)	0.9% (1.2%)	0.4% (0.4%)	0.7% (1.3%)
Japan	1.9% (2.0%)	0.9% (1.0%)	1.8% (0.8%)	0.9% (0.7%)
China	5.2% (5.0%)	4.6% (4.2%)	5.2% (5.6%)	4.5% (4.6%)

Note: Figures in parentheses are the previous forecast.
Source: IMF (Jan. 2024), WB (Jan. 2024).

(2) Domestic Economic Outlook

As the impact of inventory destocking in the manufacturing sector has gradually run its course, business conditions in the tech sector are beginning to improve. In addition, the previous year's baseline is low, so Taiwan's 2024 exports and investments can be expected to rebound, and consumption can also be expected to pick back up thanks to falling inflation. However, the degree of recovery in exports of non-tech products may be somewhat slow, given the weak momentum of global economic activity. Government agencies and various domestic and overseas forecasting bodies have projected that Taiwan's 2024 economic growth rate could be better than in 2023, and have called for it to fall between 2.7% and 3.43%.

Various economic growth forecasts for Taiwan

Unit: %

Institution		2024
Official and domestic forecasting institutions	Directorate-General of Budget, Accounting and Statistics (DGBAS) (2024.02)	3.43%
	Central Bank (2023.12)	3.12%
	Academia Sinica (2023.12)	3.02%
	Chung-Hua Institution for Economic Research (2024.01)	3.10%
	Taiwan Institute of Economic Research (2024.01)	3.15%
	Joint study by Cathay Financial Holdings and National Taiwan University (2023.12)	2.80%
International forecasting institutions	Asian Development Bank (2023.12)	2.70%
	International Monetary Fund (2023.10))	3.00%

Sources: The various institutions.

B. Major Financial Measures Adopted by the Government

1. To maintain the informational self-determination of credit cardholders, and to prevent cooperation among banks and third parties which involves the use of cardholders' personal data from resulting in consumer disputes, the Financial Supervisory Commission (FSC) declared in March 2023 that when cooperation between a card issuer and a social media platform involves the use of cardholders' personal data for "purposes other than an application for credit or the performance of a contract," the card issuer must separately obtain the express consent of the cardholder. The FSC urged card issuers, when cooperating with third parties, that if they make use of cardholders' personal data, the cooperation procedures must be prudently assessed by the issuer's legal compliance unit to ensure that use of such data is done in compliance with applicable legislation, so as to safeguard the security of the personal data of credit cardholders.
2. The FSC had asked banks earlier during the pandemic to provide deferral or rescheduling of payments for 3 to 6 months for people having repayment difficulties due to the pandemic. These relief measures applied to home loans, auto loans, unsecured consumer loans, and credit card debts. At the closing date of the application period (end-June 2023), the FSC decided to extend the debt workout mechanism for credit card debts and other personal loans until end-December 2023.
3. To enhance controls to prevent the use of dummy accounts, the FSC in June 2023 called on banks to take the initiative to show concern and ask probing questions when a member of the public seeks to open an online bank account or set up a designated transfer account, and to ensure that any

transactions conducted using such accounts benefit from one-time password (OTP) authentication to prevent the account funds from being fraudulently transferred. From May through July, the FSC also conducted targeted examinations of the 10 financial institutions where fraudulent investment cases in 2022 most often involved the use of dummy accounts. In addition, the ROC Bankers Association adopted a set of strengthened customer due diligence measures, and instructed members banks implement them.

4. Financial institutions in recent years have actively introduced cloud computing, cloud storage, and other technologies in order to increase the agility and flexibility of digital transformation and financial services, and to gradually broaden the scope of application. To facilitate the construction of a comprehensive risk management framework for outsourced operations in the banking industry, and to review relevant application and reporting procedures, the FSC on 10 August 2023 amended the "Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation." However, a financial institution still bears ultimate responsibility, so it must handle cyber defense and customer data in compliance with applicable legislation.
5. In coordination with the government policies of promoting urban renewal and the reconstruction of unsafe and old buildings (hereinafter, "renewal and reconstruction"), the FSC in October 2023 amended the "Operating Principles for Asset Management Companies Invested by Financial Holding Companies (Banks)" to allow financial holding companies and banks to invest in lines of business run by asset management companies (AMCs). For example: (a) a financial holding company is now allowed to accept an engagement to provide consulting and management advisory services in connection with renewal and reconstruction projects; (b) under the amended provisions, an AMC is no longer required to serve as the implementer or builder of a renewal or reconstruction project, and can accept an engagement to provide related services; (c) and the amended provisions enhance regulation of AMCs that belong to financial holding companies and banks.
6. In response to text message phishing and one-page advertising fraud activity, BAROC strengthened anti-fraud measures for mobile devices that are bound to credit cards. The FSC in December 2023 oversaw an effort by BAROC to formulate a set of card-fraud prevention measures to address mobile device contactless payments provided by international digital payment services providers. The new measures: (1) enhance the identity verification mechanism for mobile devices that are bound to credit cards; and (2) enhance the mechanism for sending a notice when a device has been successfully bound.
7. To streamline the operating procedures that apply to banks which provide financial products to high-asset customer, and to encourage major international banks to participate in Taiwan's

domestic wealth management market for high-asset customers, the FSC amended the "Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers" in December 2023. The FSC therefore, besides adding a provision that high-asset customers who are overseas Chinese or foreigners shall be exempted from the requirement to complete registration procedures with Taiwan Stock Exchange Corporation, also allow a wider range of parties to be eligible for incentives to attract investments and talent from abroad.

8. To enhance the transparency of disclosures on the remuneration of directors at financial institutions, and in order to encourage financial institutions to disclose carbon reduction information, the FSC in December 2023 initiated the public comment period on a proposed amendment to the "Regulations Governing Information to be Published in the Annual Reports of Banks." Key points include the following: (1) the range of conditions under which a financial institution is required to disclose the remuneration of individual directors has been expanded; (2) newly added provisions require a financial institution to disclose a baseline year for greenhouse gas (GHG) emission reductions, as well as reduction targets, strategies, and action plans; and (3) an appendix entitled "State of the Company's Promotion of Sustainable Development" has been amended. The aforementioned amendments came into force in February 2024.
9. In December 2023 the FSC joined forces with the Taiwan Financial Services Roundtable (TFSR) and various financial industry trade associations to discuss the recommendations put forward by the TFSR in the "2023 White Paper on Financial Recommendations." Key points of the White Paper include 25 general issues requiring thought and 37 suggested actions, which in broad outline can be grouped under one of the following five themes: "how to increase financial resilience and the benefits of risk management," "how to build an environment for financial development and growth momentum," "promotion of the development of digital finance and cybersecurity," "enhanced development of sustainable finance and its social impact," and "adaptation of financial supervisory legislation and systems." After assessing the feasibility of the recommendations, the FSC adopted 11 concrete recommendations and continued to assess 11 others.
10. In view of the fact natural persons are accounting for a rising number and percentage of entities applying for second home mortgage loans, and that average loan-to-value ratios for second home mortgage loans in certain specific areas are high and continue to rise even higher, the Central Bank in June 2023—in order to enhance the management of banks' credit resources and to reduce credit risks—ruled that the maximum loan-to-value ratio is 70% for a natural person applying for a second home mortgage in a specific area. This marks the fifth adjustment to selective credit control measures since December 2020.

C. Banking Operations in 2023

1. Changes in the Operating Units of Financial Institutions

Financial institutions in Taiwan include monetary institutions and life insurance companies. Among the monetary institutions, a distinction is made between the Central Bank and other monetary institutions. Among the latter, a further distinction is made between domestic banks, Taiwan branches of foreign and mainland China banks, credit cooperatives, farmers' association credit departments, fishermen's association credit departments, and the Chunghwa Post Co. As of the end of 2023, there were 427 financial institutions in Taiwan with 5,971 branch units.

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

Total NPLs at Taiwan's domestic banks stood at NT\$54.942 billion as of the end of 2023, down by NT\$0.246 billion from the end of 2022. This makes for an NPL ratio of 968.74%, up 58.28 percentage points from the end of 2022.

3. Overview of Bank Profitability

The Central Bank's raising of interest rates in March 2022 triggered a gradual widening of the average interest spread at domestic banks. In addition, hawkish rate hikes by the US Fed caused the NTD/USD yield spread to widen, triggering a big jump in bank earnings on foreign currency swap transactions. The pre-tax earnings of domestic banks in 2023 totaled NT\$472.4 billion, up 20.54% from NT\$391.94 in 2022. The return on assets (ROA) of domestic banks in 2023 was 0.73%, while return on equity (ROE) was 10.4%, the highest for both figures since 2016.

4. Major Lines of Banking Business

(1) Deposit Business

Deposits at all monetary institutions at the end of 2023 totaled NT\$59.43 trillion, up NT\$3.098 trillion (5.5%) from the end of 2022. Demand deposits accounted for the largest portion of this total (39.90%), followed by time and time savings deposits (29.72%).

The only deposit categories that declined from 2022 were NT Dollar deposits by foreigners, repurchase agreements, and money market mutual funds. NT Dollar deposits by foreigners have declined two years in a row, the result of sharp rate hikes by the US Fed, which caused funds to flow into US Dollar assets. Other deposit categories, meanwhile, all increased from 2022.

Compared with the end of 2022, time deposits and time savings deposits increased by NT\$1.72 trillion (10.77%), a possible indication that rising interest rates encouraged the public

to save. Demand deposits grew at the next fastest pace, rising NT\$852.6 billion (3.73%). Foreign-currency deposits and postal savings deposits increased by NT\$291 billion (3.35%) and NT\$236 billion (3.50%), respectively, while government deposits rose slightly by NT\$18.9 billion (1.07%).

Changes in Deposits by Category of All Monetary Institutions

Unit: NT\$ 100 million

Item \ Year	End of 2023	End of 2022	Change (NT\$)	Change (%)
Demand deposits	237,106	228,580	8,526	3.73
Time and time savings deposits (Note)	176,600	159,430	17,170	10.77
Foreign currency deposits	89,717	86,807	2,910	3.35
Postal savings deposits	69,848	67,488	2,360	3.50
NT dollar deposits by foreigners	1,958	2,018	(60)	-2.97
Repurchase agreements and money market mutual funds	1,172	1,290	(118)	-9.15
Government deposits	17,877	17,688	189	1.07
Total	594,278	563,301	30,977	5.50

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

Source: Central Bank of the Republic of China (Taiwan)

(2) Loans and Investments

The balance of outstanding loans and investments at all monetary institutions stood at NT\$46.48 trillion at the end of 2023, an increase of NT\$2.86 trillion (6.56%) over the end of 2022. Claims on the public sector, state-run enterprises, and the private sector were all up from 2022. Claims on the private sector increased the most, by NT\$2.51 trillion (8.09%), followed by claims on state-run enterprises, which increased by NT\$255.6 billion, thus marking a double-digit increase for the second straight year. Claims on the public sector rose by NT\$95.6 billion, or 1.71%.

Loans and Investments by Monetary Institutions

Unit: NT\$ 100 million

Item \ Year	End of 2023	End of 2022	Change (NT\$)	Change (%)
Claims on the government	56,848	55,892	956	1.71
Claims on state-owned enterprises	19,836	17,280	2,556	14.79
Claims on the private sector	388,088	362,996	25,092	6.91
Total	464,772	436,168	28,604	6.56

Source: Central Bank of the Republic of China (Taiwan)

(3) Foreign Exchange Business

The average daily foreign exchange turnover (total of bank-customer and interbank markets) in 2023 was US\$37.818 billion, up by an average of 9.7% from 2022. Average daily turnover in the bank-customer market was US\$11.58 billion, up 7.2% from 2022, while average daily turnover in the interbank market was US\$26.238 billion, up 10.9%.

Looking at the detailed categories of interbank foreign exchange transactions in 2023, the amount of spot transactions fell from 2022 (by US\$0.403 billion), while the amounts of all other types increased. Foreign exchange swaps increased the most (by US\$2.455 billion, achieving double-digit growth for a second straight year), followed by forward transactions (US\$0.287 billion) and options transactions (US\$0.227 billion).

Daily Average Volume of Foreign Exchange Transactions between Banks by Product

Unit: US\$ million

Item \ Year	2023	2022	Change (US\$)	Change (%)
Spot	7,802	8,205	(403)	-4.91
Forwards	1,363	1,076	287	26.67
Swaps	16,075	13,620	2,455	18.02
Options	970	743	227	30.55
Cross-currency swaps	28	20	8	40.00
Total	26,238	23,664	2,574	10.88

Source: Central Bank of the Republic of China (Taiwan)

(4) Consumer Finance Business

A total of 58.12 million credit cards issued by 32 institutions were in circulation at the end of December 2023, up by 3.3% from the end of 2022. The total number of active cards stood at 37.77 million, an increase of 6.1% from the end of 2022, and the percentage of active cards rose from 63.3% at the end of 2022 to 65.0% at the end of 2023. The total amount of transactions paid for with these cards in 2023 amounted to NT\$4.186 trillion, an increase of 19.9% compared to 2022. The total amount of transactions paid for with credit cards increased by more than 80%, reflecting a major post-COVID rebound in overseas travel by Taiwanese nationals. The amount of revolving credit outstanding was NT\$106.2 billion, up 0.7% from 2022, while cash advances outstanding totaled NT\$18.9 billion, a decline of 5.6%.

There were 32,957 automatic teller machines (ATMs) in Taiwan as of the end of December 2023, up by 0.85% from the end of 2022. The cumulative number of financial cards issued rose

by 3.71% to 241.63 million at the end of 2023. There were 948.63 million ATM transactions during 2023, an increase of 3.0% from 2022, and ATM transactions totaled NT\$12.3756 trillion in value, up by 4.2%.

(5) Financial Derivatives Business

At the end of December 2023, the nominal amount of open derivatives positions of domestic banks (including headquarters, domestic and overseas branches, and offshore banking units) and foreign banks, stood at NT\$74.1038 trillion, up approximately 5.33% from 2022.

Over-the-counter (OTC) transactions and exchange-traded contracts accounted for 99.85% and 0.15% of open derivatives positions, respectively. Of the OTC transactions, forward contracts accounted for the largest share (55.93%) of the notional value of total open positions, followed by swaps (38.92%).

Notional Amounts Outstanding of Financial Derivatives

Unit: NT\$ million, %

Item	End of 2023		End of 2022		Changes	
	NT\$	%	NT\$	%	NT\$	%
I. Notional Amounts Outstanding	74,103,750	100.00	70,354,855	100.00	3,748,895	5.33
A. OTC	73,996,288	99.85	70,191,602	99.77	3,804,686	5.42
1. Forwards	41,447,850	55.93	38,906,712	55.30	2,541,138	6.53
2. Swaps	28,844,785	38.92	28,040,479	39.86	804,306	2.87
3. Bought options	1,784,144	2.41	1,568,233	2.23	215,911	13.77
4. Sold options	1,919,509	2.59	1,676,178	2.38	243,331	14.52
B. Exchange-traded contracts	107,462	0.15	163,253	0.23	(55,791)	-34.17
1. Futures- long positions	24,711	0.03	49,125	0.07	(24,414)	-49.70
2. Futures- short positions	82,524	0.11	113,030	0.16	(30,506)	-26.99
3. Bought options	227	0.00	257	0.00	(30)	-11.67
4. Sold options	0	0.00	841	0.00	(841)	-
II. Notional Amounts Outstanding	74,103,750	100.00	70,354,855	100.00	3,748,895	5.33
A. Total contracts held for trading purpose	73,266,512	98.87	69,653,629	99.00	3,612,883	5.19
B. Total contracts held for non-trading purpose	837,238	1.13	701,226	1.00	136,012	19.40

Source: Central Bank of the Republic of China (Taiwan)

(6) Digital Deposit Accounts Business

As of the end of 2023, 36 banks handled online applications to open digital deposit accounts, and there were a total of 19.686 million such accounts, an increase of 32.95% from the end of 2022.

Digital deposit accounts in Taiwan are divided into three categories, depending on the type of ID verification used. Of them, the largest number are type 3 accounts (accounts opened online by customers with deposit accounts at other banks, or existing customers with credit cards issued by the same bank), with 10.585 million. In second place are type 2 accounts (accounts opened online by existing customers with deposit accounts at the same bank), with 5.324 million, while there are 3.778 million type 1 accounts (accounts opened online with a Citizen Digital Certificate).

Changes in the Number of Digital Deposit Accounts

Unit: Number of accounts

Item \ Year	End of 2023	End of 2022	Change (Accounts)	Change (%)
Type 1 accounts	3,777,690	2,989,922	787,768	26.35
Type 2 accounts	5,323,788	4,295,677	1,028,111	23.93
Type 3 accounts	10,584,696	7,521,696	3,063,000	40.72
Total	19,686,174	14,807,295	4,878,879	32.95

Source: Financial Supervisory Commission

(7) Commercial Reverse Mortgages

As of the end of December 2023 there are 15 domestic banks in Taiwan that offer commercial reverse mortgage services. They had extended a combined 7,838 commercial reverse mortgages, lending a total of NT\$44.4 billion. These two figures were up by NT\$6.6 billion and 1,141 mortgages, respectively, compared to the end of December 2022, indicating that there is steady growth in this type of lending.

Changes in Commercial Reverse Mortgages

Unit: Transaction; NT\$ 100 million

Item \ Year	2023	2022	Change (Transaction; NT\$)
Loans granted	7,838	6,697	1,141
Lending amount	444	378	66

Note: Numbers for loans granted and lending amount are calculated from the date that each bank opened for business.

Source: Financial Supervisory Commission

(8) Cross-Strait Remittances Business

The Central Bank of the ROC established a Foreign Exchange Clearing System in September 2012, and in September 2013 began to handle domestic and cross-border RMB remittances. Moreover, in February 2014 cross-strait US dollar remittances were incorporated into the System. The goals were to streamline bank operating procedures, achieve economies of scale, and reduce bank operating costs. In 2023 outward and inward remittances to and from China by all banks totaled US\$450.905 billion and US\$341.175 billion, respectively, down by 21.43% and 22.72%, respectively, from 2022.

Changes in Cross-strait Remittances

Unit: US\$ 100 million

Item \ Year	2023	2022	Change (US\$)	Change (%)
Outward remittances	4,509.05	5,738.96	(1,229.91)	-21.43
Inward remittances	3,411.75	4,415.06	(1,003.31)	-22.72

Source: Financial Supervisory Commission

(9) Other Business

In 2023, domestic banks' fee income was NT\$259.5 billion, an increase of 12.3% compared to NT\$259.5 billion in 2022. Fee income accounted for 7.72% of the total income of domestic banks in 2023, slightly down from 8.22% in 2022, primarily due to an increase in interest income as a share of total income.

Changes in Banks' Fee Income

Unit: NT\$ 100 million

Item \ Year	2023	2022	Change (NT\$)	Change (%)
Fee income	2,595	2,310	284	12.30
Fee income as share of total income of domestic banks (%)	7.72	8.22	-	-

Source: Financial Supervisory Commission

IV. Report on the Work of BAROC

A. Major Achievements in 2023

1. Coordinated with the government's anti-fraud policies by drafting anti-fraud measures
 - (1) To prevent fraud, BAROC amended the "Operating Procedures for Coordinated Handling by Financial Institutions of Watch-listed Accounts" to extend from 24 to 48 hours the length of time that fraud proceeds may be put on hold in a beneficiary account so that law enforcement authorities can have more time to investigate cases and prevent crime rings from transmitting funds. BAROC reported the "Operating Procedures" to the competent authority for its reference and disseminated them to member institutions with instructions to abide by their provisions.
 - (2) To prevent dummy account, BAROC amended the "Model Checklist for Detection of Dummy Accounts" by adding a new provision requiring that passbooks carry a cautionary statement reminding customers that providing their account for illegal use could damage their credit and leave them legally liable. BAROC filed the "Model Checklist" with the Financial Supervisory Commission (FSC) for registration and disseminated it to member institutions with instructions to abide by its provisions.
 - (3) To prevent the use of dummy accounts, the FSC asked BAROC to conduct a study on measures to strengthen monitoring of dormant accounts. BAROC developed a set of related measures, reported them to the FSC for its reference, and disseminated them to member institutions with instructions to abide by their provisions.
 - (4) To coordinate with the government's efforts to fight fraud, BAROC held a Financial Industry Anti-Fraud Summit, where Premier Chen Chien-jen delivered an address and spoke in praise of 10 bank teller who had done a superior job of demonstrating concern for the well-being of walk-in customers who were possibly on the verge of being victimized by scammers. The Premier and other special guests held a ceremony marking the launch of the "Anti-Fraud Campaign Covering the 368 Districts of Taiwan," then the Taiwan High Prosecutors Office, the Ministry of Justice Investigation Bureau, the National Police Agency, E.Sun Commercial Bank, and Taipei Fubon Bank all discussed their respective experiences in fraud prevention. The purpose was to encourage bank employees to continue taking active steps to prevent fraud and protect people's property.

- (5) In the "Anti-Fraud Campaign Covering the 368 Districts of Taiwan," all domestic banks and all branch units of Chunghwa Post Co. worked with local law enforcement agencies over a period of seven months and proceeded to 368 districts (including offshore islands) to conduct anti-fraud outreach activities that were attended by 20,725 persons.
- (6) In response to a request from the FSC, BAROC—making reference to the National Police Agency's "Early Warning System for Offshore Accounts Suspected of Being Used for Fraud"—conducted a study on domestic accounts suspected of having been earmarked for use in receiving scam proceeds (where the proceeds haven't yet been transferred because the scams have been prevented by concerned by bank teller). The study focused on the feasibility of the National Police Agency alerting teller when someone seeks to initiate a transfer of funds to an account of this sort. After completing the study, BAROC developed a set of coordinated measures and file formats to facilitate the establishment of an "Early Warning System for Onshore Accounts Suspected of Being Used for Fraud." BAROC developed a set of related measures, reported them to the FSC for its reference, and disseminated them to the Bank of Taiwan and six other banks that would be involved in their trial implementation, with the understanding that the measures would be fully complete and ready for implementation within three months.
- (7) The FSC asked BAROC to study the possibility of strengthened anti-fraud measures in preset accounts for wire transfers. After completing the study, BAROC decided that each individual bank would be allowed to determine, on the basis of customer profiles and degrees of risk, whether to extend the application review period (from the current "to take effect the day next following the date of application" to "to take effect two days after the date of application"). If a particular preset account is a watch-listed account or a derivative watch-listed account at the same financial institution, the institution will adopt enhanced reasonable measures to show concern. BAROC reported the matter to the FSC for its reference, and informed member institutions with instructions to act accordingly.
- (8) In order to improve the process for both in-person and online applications to establish preset transfer accounts, increase account transfer limits, and establish transaction control mechanisms for both online banking and mobile banking services, the FSC asked BAROC to study measures for enhancing control measures. BAROC drafted suggestions regarding an advance preparations phase, implementation phase, and post-implementation phase for the establishment of preset transfer accounts. These suggestions were then reported to the FSC.

- (9) Article 15-2 of the "Money Laundering Control Act" provides that persons who share account information without any legitimate reason shall be reprimanded by law enforcement authorities. With respect to control measures for the accounts of such persons, the Ministry of Justice has adopted a set of "Regulations Governing Suspension or Restriction of the Functions of Accounts or Account Numbers, or Direct Closure of Accounts, as Provided for in Article 15-2, Paragraph 6 of the Money Laundering Control Act" and invited government agencies as well as BAROC to jointly discuss related matters. The Ministry of the Interior's National Police Agency then set up a database of official reprimands to provide banks with lists of account holders who have received reprimands, so that banks can refer to such lists when going about the task of suspending or restricting the functions of accounts or account numbers, or directly closing accounts. This matter involved banking operations and the adjustment of information systems, so BAROC assisted by providing opinions on legislative questions and banking operations, by inviting banks to take part in informational meetings, and by responding to queries. The aforementioned Regulations were formally posted online on 1 March 2024.
- (10) In view of the fact that third-party payments have been used for money laundering and fraud, the FSC has instructed BAROC to study the control measures that banks use when they provide third-party payment service providers with virtual account services. With regard to the enhancement of customer due diligence measures, BAROC has recommended that banks sign contracts that stipulate related provisions and transaction monitoring operations. These recommendations have been reported to the FSC for its reference and disseminated to member institutions with instructions to act accordingly.
- (11) To improve the public's ability to protect themselves from fraud, BAROC put out 2,044 public service advertisements on 14 television stations, including SET Taiwan, Era Communications, ETTV, Formosa Television, CTS Television, and TVBS. The advertisements focused on showing members of the public how to spot scams so as not to fall victim.
- (12) In order to strengthen the anti-fraud defense network that financial institutions and law enforcement authorities have built by working in concert with each other, the Ministry of the Interior's National Police Agency is planning to establish an Electronic Platform for the Accessing and Reporting of Financial Data for the Purpose of Anti-fraud Joint Defense. In March 2023 the National Police Agency (NPA) held a second informational meeting at which BAROC lent its assistance by inviting member banks to attend. In June 2023, the National Police Agency invited the First Commercial Bank and four other banks to take part in a pilot seminar, where they decided that each of the banks would bring a system online by 3 July 2023, while payment system operators were asked to complete their systems as quickly as possible.

- (13) To enhance measures for the prevention of card hijacking in connection with mobile device contactless payments, the FSC asked BAROC to develop recommendations for corrective actions. BAROC responded by recommending three corrective actions, reporting them to the FSC for its reference, giving a six-month buffer period for adjustments, and disseminating them to member institutions with instructions to act accordingly.
 - (14) In response to members of the public falling victim to new types of fraud and transferring funds to other persons' credit card billing numbers, the FSC has instructed BAROC to recommend a method for dealing with credit card billing numbers that have been reported as watch-listed accounts. BAROC responded by recommending a collaborative method and reporting it to the FSC for its reference, giving a six-month buffer period for adjustments, and notifying member institutions with instructions to comply.
 - (15) The FSC instructed BAROC to amend the "Operating Procedures for Conduct by Electronic Payment Institutions of Anti-fraud Joint Defense and Derivative Watch-listing in Connection with Watch-listed Electronic Payment Accounts" with an eye to the content of the "Operating Procedures for Coordinated Handling by Financial Institutions of Watch-listed Accounts." The length of time that an e-payment account that has received funds may be put on hold has been lengthened from 24 to 48 hours. This amendment has been registered with the FSC, and member institutions have been notified of it with instructions to act accordingly.
 - (16) Members of the public, having received one-time passwords (OTPs) from banks, sometimes fall victim to fraud and reveal these OTPs to others, who assume their names in applying for digital deposit accounts or digital payment accounts. To prevent this from happening, the FSC asked BAROC to instruct member institutions—when issuing OTP text messages related to the opening of digital deposit accounts, e-payment accounts, or e-payment accounts that are bound to a preset deposit account—to include fields indicating "purpose of message," an "anti-fraud reminder," and a note on "legal liability"; OTP text messages for other services must at least include fields indicating "purpose of message" and an "anti-fraud reminder." In addition, banks must avoid using boilerplate language that scammers can easily imitate for the purpose of crime.
2. Coordinated with the FSC's "Green Finance Action Plan 3.0" and helped develop related promotional measures
 - (1) Completed a "Handbook for Scope 3 Financed Emissions of Domestic Banks' Portfolio Carbon Footprints (Including Inventory Tool Template)," which domestic banks can use to promote the

conduct of inventories of financed emissions. Such inventories will then serve as reference in calculating and disclosing assurance reports. BAROC also held three informational meetings to help member institutions familiarize themselves with the content of the Handbook, and to quickly gain an understanding of inventories of financed emissions as well as management methods.

- (2) Added a new Article 20-6 to the "Credit Standards for BAROC Members," which provides that a bank engaging in "green," "ESG," or "sustainable" credit business is advised to make reference to the Taiwan Sustainable Taxonomy issued by the FSC and three other central government agencies to guide financial services firms to direct funds toward sustainable economic activities, thereby promoting enterprises' sustainable development and their low-carbon transformation.
- (3) Added a new paragraph 2 to Article 7 of the "Credit Standards for BAROC Members," and a new Article 7-1 to the "Credit Check Standards for BAROC Members." The new additions provide that credit investigators and credit personnel shall attend at least three hours of continuing education courses every year focusing on sustainable finance. The purpose of this training is to help financial institutions enhance training and cultivate sustainable finance talent.
- (4) To coordinate with the Green Finance Action Plan 3.0 and to jointly implement related measures, BAROC, acting on the basis of instructions from the FSC, amended the "Corporate Governance Best-Practice Principles for Banks" to strengthen sustainable finance training provided by banks to their directors and supervisors. BAROC registered the amended Best-Practice Principles with the FSC and disseminated them to all member institutions with instructions to abide by their provisions.
- (5) In response to measures related to the Green Finance Action Plan 3.0, BAROC and the Financial Industry Net-Zero Working Platform have collaborated and integrated our resources to strengthen sustainable finance training for directors, supervisors, senior management, and rank-and-file employees at financial services firms, and provided financial support for the conduct of sustainable finance evaluations.

3. Continued helping banks to provide more customer-friendly financial services

- (1) To ensure that financial institutions provide friendly services, the FSC instructed BAROC to hold regular meetings with groups representing persons with disabilities to discuss relevant issues. On 31 July 2023, BAROC convened meetings on the provision of friendly financial

services by financial institutions, to which the competent authorities, groups representing persons with disabilities, and bank representatives were invited. They discussed issues that included the schedule for installation of barrier-free ATMs, the possibility of taking their main websites and their introductory customer service webpages and combining them into a single portal site that can be used for accessing internet banking and mobile banking services, online real-person services, and intelligent text services. BAROC suggested that member institutions continue improving education and training, conduct unannounced inspections of the functioning of barrier-free ATMs, and expand online barrier-free communications regarding financial services. These suggestions were reported to the FSC.

- (2) To make it easier for hearing-impaired persons to receive prompt assistance if they experience difficulty when operating ATMs, disability rights groups have posted 24-hour customer service hotline on the side of ATMs along with a QR code that provides access to online customer service. These measures have been incorporated into the "Guidelines for Friendly Banking Services." BAROC has registered the amended Guidelines with the FSC for its reference, and disseminated them to member institutions with instructions to abide by their provisions within six months.
- (3) To provide visually impaired persons with access to more friendly services, after disability rights groups suggested that a deposit function should be added to voice-enabled ATMs, BAROC amended the "Recommended Operating Procedures for Voice-enabled ATMs for the Visually Impaired" and reported them to the FSC.
- (4) To help create friendly financial environments, BAROC collected information on the behavioral traits typically exhibited by persons with cognitive impairment or possible cognitive impairment when they appear at a service counter to handle financial matters, the problems faced by financial institutions when they serve persons with cognitive impairment or possible cognitive impairment, and how such situations are handled overseas. On the basis of its findings, BAROC prepared a document entitled "A Look at How Some Banks Have Served Persons with Cognitive Impairment or Possible Cognitive Impairment." This document was reported to the FSC, then forwarded to BAROC member institutions. BAROC held a related informational meeting on 12 June 2023. FSC Banking Bureau Deputy Director General Phil Tong spoke at the event, and representatives from Formosa Transnational Attorneys at Law and Taiwan Alzheimer's Disease Association delivered speeches. The meeting provided an excellent opportunity for participants to discuss how banks can provide financial services that are better tailored to meet the needs of the cognitively impaired.

- (5) To expand the range of financial services that persons with physical and mental disabilities are able to conduct online, a financial institution shall—on the basis of its digital strategy, customer needs, and internal resources—phase in special services involving short-term (less than one year), mid-term (one to three years), and long-term (more than three years) use of online banking, mobile banking apps, or collaboration with OpenAPI or TSP firms. Also, a financial institution may assess its security design and transaction risks, and add a "non-designated account transfer" function to its introductory customer service webpage. BAROC has suggested that when a bank develops a new version of an online banking or mobile banking app system, it should incorporate barrier-free demand into the scope of the new version.
- (6) BAROC periodically updates the data in the "Summary Table of Friendly Financial Services and Friendly Alternative Measures" of credit card issuing institutions in order to provide more convenient financial services to persons with disabilities.

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

In order to implement the provisions of "Basel III: Finalising post-crisis reforms," the Basel Research Task Force (BRTF), jointly established by BAROC and the FSC Banking Bureau, completed the following tasks in 2023:

- (1) Acting upon FSC instructions, BAROC on the morning of 1 June 2023 held an "explanatory meeting on the calculation of leverage ratios after Basel III reforms," and on the afternoon of that same day BAROC held an "explanatory meeting on the standardized approach to credit risk after Basel III reforms." The meetings attracted a total of 360 attendees.
- (2) BAROC drew up plans for assistance with test calculations and opportunities to resolve points of uncertainty for member banks, helped member banks amend internal rules related to test calculations of the standardized approach (SA) to credit risk, the internal ratings-based (IRB) approach to credit risk, operational risk, and leverage ratio, and "dry run" completion of related disclosure forms.
- (3) BAROC surveyed member banks to understand their opinions after the test calculations, then developed parts 2, 4, 6, and 7 of the "Methods for Calculating Banks' Regulatory Capital and Risk-Weighted Assets" for suggestions for amendments (and data supplements) to legislation and forms related to the standardized approach (SA) to credit risk, the internal ratings-based (IRB) approach to credit risk, operational risk, and leverage ratio. This was reported to the FSC.

- (4) Completed various documents, including "Reporting Form for Market Risk Capital Charges and Internal Model Approach Reporting Documents," "Suggested Amendments to Legislation Governing Minimum Capital Requirements for Market Risk," and "FAQs From the Task Force on Test Calculations of Market Risk Capital Charges." These were reported to the FSC.
5. Actively trained international financial professionals, helped banks expand their international presence
- (1) Training Program for Senior Management at Financial Institutions: BAROC seeks to cultivate "battle-ready overseas branch managers" who have a cosmopolitan outlook, the ability to engage in strategic thinking, and the ability to manage and communicate with a cross-cultural team. Workshop topics focus on key skills that overseas branch managers need to master, and the workshop is composed of the following four main training modules: market trend analysis; thinking on business strategy; cross-cultural leadership and communication; and integrated management of overseas business. The Training Program also featured senior management personnel who shared their experiences, divided into groups for mock training activities, assessed learning ability, employed task force special report and a diverse range of other learning styles to assist with the establishment of an international outlook, enhanced managerial and innovative ability, and gained a clear picture of the latest localized business management issues, thereby enhancing the market's preparedness for adversity. A total of 35 persons completed the Training Program, including two persons from the FSC Banking Bureau and 33 representatives from 21 different banks.
 - (2) Key Personnel Training Project for the Buildup of Banks' Presence in Asia: To support the government's New Southbound Policy, BAROC began conducting the "Key Personnel Training Project for the Buildup of Banks' Presence in Asia" in 2016. The idea was to carry out a series of systematic training courses to strengthen domestic banks' ability to do business in Asian markets. In the past, courses in the Training Project always featured physical attendance, but in 2023 the Project began preparing for a switch to digital courses and focused on the Vietnam market. BAROC launched nine courses to make it easier for personnel posted overseas by banks to obtain needed training.
 - (3) To upgrade the professional skills of foreign exchange personnel at BAROC member banks and keep pace with international practices, BAROC continued to upload Chinese-language summaries of explanations of case studies of banking practices as well as

international regulatory trends provided by the International Chamber of Commerce to special sections on the BAROC website in order to facilitate access to and use of this information by member banks' foreign exchange personnel.

6. Coordinated with government policy by drafting measures to be taken by financial services providers

(1) Continued to coordinate with government policies, extended financial measures adopted in response to the pandemic:

- a. With regard to enterprises which intended to stay in business and paid interest normally, for the principal of existing loans due before 31 June 2024, BAROC adopted rescheduling measures that allowed for deferrals of six months, and relaxed guarantor requirements for the rescheduling of outstanding corporate loans were extended to 31 December 2024.
- b. For borrowers who seek to reschedule an existing relief loan, BAROC dispensed with the requirement for the provision of pro forma financial statements, and extended the deadline for implementation of various simplified requirement to 31 December 2024.
- c. With regard to the debt rescheduling negotiations to be held in accordance with BAROC's "Self-regulatory Rules for Enterprise Debt Rescheduling Negotiations," with the agreement of financial institutions holding more than one-half of the value of all claims, and given the fact that the deadline for debtor relief measures had already passed, BAROC decided to reschedule the debt until 31 December 2024.

(2) Acting upon an FSC request, BAROC added a new Article 9-1 to the "ROC Bankers Association Guidelines for Member Bank Compliance With Article 12-1 of the Banking Act," which contains provisions related to a bank's notification of a borrower's guarantor if the borrower falls more than one month behind schedule in payments of principal or interest. After the FSC acknowledged the registration of the amendment, BAROC notified member institutions. Acting upon an FSC request, BAROC added a new Article 9-1 to the "ROC Bankers Association Guidelines for Member Bank Compliance With Article 12-1 of the Banking Act," which contains provisions related to a bank's notification of a borrower's guarantor if the borrower falls more than one month behind schedule in payments of principal or interest. After the FSC acknowledged the registration of the amendment, BAROC notified member institutions.

- (3) Acting upon an FSC request, with respect to a workplace accident involving a construction company, BAROC studied the question of how to act via financial institutions to spur borrowers to appreciate the importance of a mechanism for strengthening corporate governance and corporate social responsibility. BAROC studied the matter and reported it to the FSC. After receiving the FSC's response, BAROC notified member institutions.
- (4) Acting pursuant to FSC instructions, BAROC put forward an opinion regarding the "Proposal to Include the Practice of <Relying on a Single Third-Party ATM User to Act on Multiple Borrowers' Behalf in Making Principal and Interest Payments> Among the Practices that Receive Scrutiny in the Mechanism to Prevent Investors From Ramping up Real Estate Prices by Seeking Loans Via Dummy Applicants." The idea of the proposal is to facilitate the efforts of banks to manage risks in a manner that is feasibly achievable. After the FSC developed the proposal, BAROC submitted its opinion and disseminated it to its member institutions.
- (5) Acting pursuant to FSC instructions, BAROC prepared an opinion regarding a "Project to Optimize Cooperation Among Peer-to-Peer Lending Platforms and Banks" and also amended the "Self-regulatory Rules Governing Cooperation between Member Banks and Peer-to-Peer Lending Platform Operators" as well as the "Handbook for the Establishment of Business Relationships Between Banks and Peer-to-Peer Lending Platform Operators." The opinion and the amendments were reported to the FSC.
- (6) To support the Ministry of the Interior's "Program to Support Loans for the Purchase of Owner-Occupied Residences by Middle- and Lower-Class Buyers," BAROC coordinated with banks taking part in the planning of the Program, provided opinions regarding the Program's implementation for the Ministry's reference, and asked member institutions to assist by taking publicity materials prepared by the Ministry and forwarding them to their branch units. At the same time, BAROC placed a Program-related QR code on its website to remind eligible members of the public to apply for loans as soon as possible.
- (7) To strengthen banks' management of anti-money laundering, acting pursuant to FSC instructions, BAROC adopted self-regulatory rules governing the establishment of business relationships among banks and virtual asset service providers (VASPs), transaction monitoring, and other matters requiring attention, incorporated a previously completed handbook, and reported these to the FSC. After that, the FSC sent a letter noting that there are doubts about the workability of "the demand that VASPs should only

allow platform users to make use of the deposit accounts of banks that do business with the same VASP" (including monitoring of the transactions of platform users). To facilitate smooth implementation of other provisions in the self-regulatory rules, the FSC instructed BAROC to take the registered amendment to the self-regulatory rules attached to the FSC's letter and disseminated it to member institutions with instructions to act in compliance.

- (8) The FSC instructed BAROC to draft amendments to the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts" to establish operating procedures for a pilot project in which an internet-only bank onboards a corporate customer with three or more directors, where said customer has applied online and the bank conducts identity confirmation offline, while other types of corporate customers are included among eligible applicants. BAROC provided some relevant opinions to the FSC, received a reply from the FSC, and filed its amended version of the "Guidelines for the Handling by Banks of Customers' Online Opening of Digital Deposit Accounts" with the FSC.
- (9) Banks have internal control principles in place to prevent wealth management specialists from misappropriating client funds, and a 1996 regulation of the Ministry of Finance that strictly prohibited bank personnel from acting on a customer's behalf to withdraw deposited funds or to maintain custody of customers' seals is no longer being enforced. The FSC therefore instructed BAROC to study the question of whether to amend the "Guidelines for the Handling by Financial Institutions of Deposit and Withdrawal Operations on Behalf of Customers" and the "Guidelines for the Handling by Financial Institutions of Seals, Passbooks, and Similar Items Left by Customers." BAROC studied the matter, concluded that the aforementioned Guidelines would not prevent bank personnel from misappropriating customers' funds, and therefore suggested that the Guidelines be repealed and that each bank assess its own risk tolerance and establish a more appropriate internal control system that would also provide the degree of operational flexibility that suits each bank's business needs. This suggestion was reported to the FSC.
- (10) To support the government's so-called "returning salmon" policy (for encouraging offshore firms to return to Taiwan), with respect to the provisions related to supplementary contracts for segregated foreign currency deposit accounts and bank practices under the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act" of the Ministry of Finance, BAROC, taking into account banks' needs, continued to assess reference methods or referred to relevant rules and provided these to banks for their reference, in order to assist customers to smoothly repatriate their funds back to Taiwan for investment and use.

- (11) In order to better protect digital privacy and personal information, the National Development Council (NDC) collected related opinions. BAROC provided suggestions for reference, and the NDC then adopted a set of "Guidelines on Objection to the Use of Personal Data for Marketing Purposes" for the reference of non-government agencies, BAROC forwarded the Guidelines to member institutions with instructions to abide by their provisions.
- (12) In response to the FSC's implementation of phase three (Transaction Information) of the Open Banking policy, and the FSC's 2010 decision to make "Partner APIs provided by an individual financial institution in cooperation with a third-party service provider" subject to related regulations, BAROC amended the "ROC Bankers Association Self-regulatory Rules Governing Cooperation Between Member Banks and Third-Party Service Providers" and registered it with the FSC. After that, acting pursuant to FSC instructions and in response to a query from a member of the Legislative Yuan Finance Committee regarding the Open Banking policy, BAROC collected the views of banks regarding practical banking matters and provided them to the FSC Banking Bureau for its reference.
- (13) The Ministry of Digital Affairs formulated a draft set of "Rules for Ratings-Based Regulation of Non-Government Agencies, and Cyber System Defense Standards," and the FSC Banking Bureau instructed BAROC to assess whether there is any need to adopt or amend related self-regulatory rules. BAROC has already responded to the Banking Bureau.
- (14) In coordination with the "Project for the Streamlining, Integration, and Modernization of Legislation Under the Jurisdiction of the Financial Supervisory Commission," the Executive Yuan instructed BAROC to assess the advisability of either continuing to maintain the legislation, issuing new legislation, or discontinuing its application. After that, pursuant to instructions from the FSC, BAROC informed member institutions to act accordingly.
- (15) The FSC issued a letter regarding amendment by the Ministry of Digital Affairs of the "Rules Establishing Standards for Interpretation of Data Sets," "Government Open Data Cross-Platform Interface Rules," and "Guidelines for Improvement of Government Data Quality," and adoption by the same Ministry of the "Standard Application Programming Interface Guidelines," and also instructed BAROC to examine and adjust open data sets. BAROC acted as instructed.
- (16) BAROC coordinated with the FSC in conducting a "survey and projections on the supply and demand of human resources for key industries, 2024-2026" in accordance with Article 17 of the "Statute for Industrial Innovation." With respect to Taiwan banks and financial holding companies, BAROC conducted a survey and projections for supply factors and demand factors

in turnover of critical human resources for the banking industry. Survey items include: basic identifying information on the respondent firms; expected number of employee retirements over the coming three fiscal years; analysis of the selection model for key personnel needed to implement the bank's plans for establishing new overseas business locations; and the number of additional key personnel needed by the bank due to the launch of new lines of business. The goal was to understand the short-, medium-, and long-term disposition of human resources in Taiwan's banking industry. The information was provided to relevant government agencies for reference in judging the supply and demand of critical human resources in the banking industry.

- (17) In order to enhance the quality of human resources in the banking industry and acting on the basis of the Ministry of Labor's "Directions for the Promotion of Competency and Application Standards," BAROC established a set of occupational competency standards for personnel engaged in corporate sustainability work. These standards were reported to the Banking Bureau which in turn asked the FSC to ask the Ministry of Labor to include them on the Workforce Development Agency's "Integrated Competency and Application Platform" (i-CAP) for reference and use by various sectors in society.
- (18) To strengthen banks' cyber security measures, BAROC acted in line with an FSC request by drafting an amendment to the "Cybersecurity Standards for Financial Institutions." The amended provisions focus primarily on frameworks for network security management, operating environment security management, and information system security management. After the FSC accepted the filing of the amendment for registration, BAROC forwarded the amended Standards to member institutions with instructions to abide by their provisions.
- (19) To coordinate with financial cyber security improvement measures in the FSC's Financial Cyber Security Action Plan 2.0, one of which is to "expand the adoption of international cyber security standards and the establishment of Security Operation Centers (SOCs)," BAROC has prepared a proposal regarding "the range of financial institutions required to obtain international Information Security Management System (ISMS) certification" and submitted it to the FSC for its reference. BAROC also prepares quarterly reports on the state of member institutions' implementation of Financial Cyber Security Action Plan 2.0, and files the reports with the FSC for its reference.
- (20) The FSC Banking Bureau instructed BAROC to assess the feasibility of raising (from NT\$20,000 to NT\$30,000 per transaction) the maximum amount of credit card and electronic payment collections that credit card companies and electronic payment institutions may

outsource to convenience stores. BAROC suggested leaving the limit unchanged, and submitted its suggestion to the FSC for its reference.

- (21) The FSC instructed BAROC to help provide information on the state of each member institution's implementation of the "Self-regulatory Rules for Fair Treatment by Banks of Elderly Customers," compile the information into a single report, and submit the report to the FSC. Individual banks have already adopted their own measures to implement the aforementioned Self-regulatory Rules, and are carrying out those measures on a daily basis. However, different banks are different in size and have different internal control systems with different priorities. The state of different member institutions' implementation of the Self-regulatory Rules has already been reported to the FSC.
- (22) The FSC instructed BAROC to review its "Self-regulatory Rules for Fair Treatment by Banks of Elderly Customers" and, with respect to investments by elderly customers in financial products denominated in non-mainstream currencies, the FSC asked BAROC to study the feasibility of various enhanced methods of protecting customer interests, such as creating audio and video records of interactions with customers. Following a reply from the FSC, BAROC amended the Self-regulatory Rules in late February 2024 and filed the amended provisions with the FSC.

7. Helped resolve business and operational problems faced by member institutions

- (1) BAROC asked SWIFT to assist users in Taiwan to complete their security certifications under the Customer Security Programme (CSP), then held an Asia-Pacific regional online CSP informational seminar on 27 April 2023 and conducted the proceedings in Mandarin. In addition, on 27 October 2023 SWIFT held its fourth users meeting, where it reminded those in attendance that the current year's CSP would be focusing on the revised 1.5 advisory control for Customer Environment Protection, which has been changed from an optional to a mandatory item. BAROC asked all member institutions to take note of this change, and to complete a third-party verification report by the end of 2023.
- (2) To help the competent authority stay up-to-date on banks' progress in making the transition in response to the discontinuation of the LIBOR benchmark, and to continue pushing for banks to make the transition, BAROC has continued carrying out phase 2 of the LIBOR transition program. BAROC disseminates questionnaires to understand the state of banks' readiness for LIBOR discontinuation and their exposure to related risks, BAROC regularly prepares a "Report on the Impact of the LIBOR Transition." These questionnaires and reports have been submitted to the FSC and the Central Bank, and BAROC resolves points of uncertainty for member banks each quarter regarding LIBOR-related matters.

- (3) Three financial institutions came to BAROC in 2023 to apply for certification of the specifications for a financial chip card product, and obtained certification.
- (4) To safeguard the interests of financial consumers, to better protect data autonomy, and to narrow the scope of bank marketing activities (i.e. "internal bank marketing") that might give rise to controversies, BAROC on 25 April 2023 convened a meeting to discuss how to reduce customer complaints related to internal bank marketing. BAROC compiled the views of banks and dispatched personnel to attend the meeting. BAROC representatives at the meeting explained current operating procedures and commented on the unfeasibility of a set of principles on internal bank marketing that the FSC intends to adopt. A set of "required disclosures on credit card business applications" was adopted by a resolution at the meeting, and BAROC has already notified other banks of the content of the resolution. In addition, BAROC has also amended the "Compliance Principles for Telemarketing by Banks." After these are accepted by the FSC for registration, BAROC will forward them to member institutions with instructions to comply.
- (5) To safeguard the interests of cardholders, the FSC on 24 November 2023 held a meeting to study the "Measures to Protect Consumer Interests in Cases Where a Card Institution Intends to Suspend a Long-Dormant Card's Use (i.e. Deactivate the Card)." BAROC attended the meeting, put forward suggestions and views, amended the "Self-regulatory Agreement on the Conduct of Credit Card Business by Members of the ROC Bankers Association Credit Card Business Committee" in accordance with resolutions adopted at the aforementioned meeting, and advised member institutions to comply with the amended Self-regulatory Agreement.
- (6) BAROC asked that banks continue to be allowed to conduct credit card business under the provisions of the "Administrative Rules Governing Financial Institutions' Access to Government Agency Data Via the Joint Credit Information Center." The FSC replied that it agreed in principle to allow card institutions to access data in the Financial Data Center of the Ministry of Finance. The amendment to the related bylaw was registered with the FSC and formally entered into force on 1 November 2023.
- (7) In order to strengthen supervision of Taipei Interbank Offered Rate (TAIBOR) reporting banks by the institutions that manage the TAIBOR, the TAIBOR Supervisory Commission convened for its annual meeting, checked to see whether the internal TAIBOR reporting bylaws of each reporting bank were in compliance with the spirit of the aforementioned Reporting Code of Conduct, and whether they properly implement their internal reporting rules and procedures.

- (8) BAROC made daily announcements of market transaction statistics, evaluated the degree of market participation of rate reporting banks on a monthly basis, acted at year-end to evaluate the TAIBOR reporting banks selected by the Taipei Interbank Money Center and their qualifications to continue serving as reporting banks, and called three meetings in 2023 to discuss market conditions as well as coordinate among member institutions and BAROC and other institutions regarding interbank offered rate matters, in order to improve market efficiency.

8. Adopted New Self-regulatory Rules, Amended Existing Ones

- (1) To ensure that all banks that provide financial services via video teller machines (VTMs) are subject to a consistent set of regulatory requirements, after banks received permission to handle account openings via VTMs, the FSC went on to further allow that other matters could be handled via VTMs subject to the passage of self-regulatory rules governing security design measures and equipment security requirements. Member institutions and relevant BAROC committees collaborated in the drafting of a set of "Self-regulatory Rules Governing the Use of Video Teller Machines by Financial Institutions to Conduct Business Operations." The Self-regulatory Rules have been filed with the FSC.
- (2) To improve customer data protection and risk management in connection with financial institutions' use of artificial intelligence (AI) technology to conduct bank business, BAROC drafted a set of "Self-regulatory Rules for the Financial Industry's Use of AI" and filed it with the FSC for registration.
- (3) In order to strengthen the risk assessment and management of financial supply chain systems, BAROC drafted a set of "Financial Institution Information System and Services Supply Chain Risk Management Rules." BAROC then filed the Rules with the FSC for registration, and forwarded them to member institutions with instructions to observe them.
- (4) To improve security controls for the use by financial institutions of an electronic signature mechanism for the signing of electronic documents, and to ensure that electronic signatures are subject to consistent operational guidelines, BAROC drafted a set of "Security Control Self-regulatory Rules for the Use of an Electronic Signature Mechanism" and filed them with the FSC for registration.
- (5) BAROC, acting pursuant to FSC instructions, amended the "Self-regulatory Rules for Banks Dealing in Derivative Products" to expressly set out requirements to be complied with by any unit meeting solicitor qualifications (other than a bank's head office unit responsible for the conduct of financial derivatives transactions) that engages in solicitation work when a customer

uses a device other than a telephone to trade in structured instruments. BAROC registered the Self-regulatory Rules with the FSC and disseminated them to all member institutions with instructions to abide by their provisions.

- (6) BAROC, acting pursuant to FSC instructions, amended the "Self-regulatory Rules for Risk Management by Banks Engaged in Securities Business" to add new provisions governing the sharing of customer data and provisions that allow for shared use of employees and business locations involved in business of the same nature. After the FSC approved the Self-regulatory Rules, BAROC disseminated them to all member institutions with instructions to abide by their provisions.
- (7) To improve liquidity management by domestic banks, BAROC, acting pursuant to FSC instructions, amended the "Self-regulatory Rules for Liquidity Risk Management by Banks" to add new provisions that require member institutions to establish appropriate monitoring and control of negative news on social media and an alert mechanism for large online funds transfers, enhance stress tests and contingency plans. BAROC filed the Self-regulatory Rules with the FSC for registration.
- (8) To make the Standards for Security Management more readable, and to respond to the flexibility of technological development, BAROC amended the "Standards for the Security Management Operation of Electronic Banking Business of Financial Institutions" and on 20 July 2023 held an online informational meeting to help member institutions understand the amendments to the Standards.
- (9) To achieve more efficient financial institution operations and more resilient information system control measures, and to ensure that they are subject to a consistent set of operational guidelines, BAROC drafted a set of "Self-regulatory Rules for Resiliency in Financial Institution Information Operations," held an online informational meeting on 25 July 2023 so that member institutions could understand the content of the draft Self-regulatory Rules and provide suggestions.
- (10) The age of majority as set out in Article 12 of the Civil Code has been lowered from 20 to 18. In addition, Article 21 of the "Regulations Governing Institutions Engaging In Credit Card Business" was amended to provide that the applicant for a principal card must be an adult. In response, BAROC amended the "Self-regulatory Agreement on the Conduct of Credit Card Business by Members of the ROC Bankers Association Credit Card Business Committee," reported it to the FSC for registration, and disseminated them to member institutions with instructions to act accordingly.

- (11) To ensure the security of electronic payment transactions and pay balanced attention to the need to properly conduct e-payment business, BAROC adopted the "Standards for Information System and Security Management of Electronic Payment Institutions," filed them with the FSC for registration, and disseminated them to member institutions with instructions to abide by their provisions.
- (12) To ensure that banks have consistent review procedures for handling applications from citizens for pre-negotiation proceedings, pre-mediation proceedings, rehabilitation and liquidation proceedings, unified collection of funds in rehabilitation, and unified collection of funds in non-exempt liquidation, BAROC continued acting in line with business needs to amend the "Operational Guidelines for Pre-Negotiation Proceedings," "Operational Guidelines for Pre-Mediation Proceedings," "Operational Guidelines for Rehabilitation or Liquidation Proceedings," "Operational Guidelines for Unified Collections and Disbursements in Rehabilitation," and "Interim Operational Measures for Unified Collections and Disbursements in Non-exempt Liquidation."

9. Carried out Special Research Projects on Financial Matters of Concern to the Competent Authority and Member Banks

- (1) In response to an amendment to the "Business Mergers and Acquisitions Act," the FSC instructed BAROC to study the application of business mergers and acquisitions legislation, put forward recommendations, and retain a law firm to help prepare a research report. BAROC has already convened a preliminary meeting to discuss an "Analytical Report on the Possible Impact of the Merger of the 'Business Mergers and Acquisitions Act' Upon Financial Industry M&A Deals." Senior officials from the FSC's Department of Legal Affairs, Banking Bureau, Securities and Futures Bureau, and Insurance Bureau attended the meeting and will continue taking part in the ongoing process.
- (2) In order to spur Taiwan's banks to establish an accountability-based corporate governance framework, and to improve the accountability mechanism for senior management, the FSC instructed BAROC to conduct an outsourced research project with reference to the UK's Senior Managers Regime. BAROC retained an accounting firm to prepare an "Analytical Report on the Adoption by Taiwanese Banks of Responsibility Map Regimes." BAROC has filed this report with the FSC for its reference. Since then, in keeping with the findings of the research report, BAROC drafted a set of "Self-regulatory Rules for Adoption of an Accountability Map System by Banks," and to help member institutions better understand the content of the Self-regulatory Rules as well as the manner of their implementation, BAROC formulated a set of FAQs for the Self-regulatory Rules and reported them to the FSC.

- (3) In response to various studies on economic and finance-related matters, BAROC retained outside entities to conduct the following three studies: "An Examination of the Characteristics of Taiwanese Family-Led Enterprises and Managerial Efficiency"; "Economic and Financial Risks Faced by Taiwanese Banks in Post-Pandemic China"; and "An Examination of Global Inflation Trends, and Strategies for Responding to its Impact on Taiwanese Banks." BAROC has submitted these reports to the competent authority and disseminated them to its member institutions for their reference.
- (4) To help member banks manage climate-related risks, BAROC developed the updated "Appendix 5: Transition Risks Grouped by Emission Intensities in Different Industries, and Comparison Chart of Operating Losses" of the "Domestic Banks' Conduct of Climate Scenario Analysis Planning Projects (2022)." BAROC disseminated this updated Appendix 5 to domestic banks with instructions refer to the Appendix in conducting their 2024 climate scenario analyses.

10. Participated in International Financial Conferences and Activities

- (1) BAROC dispatched a delegation to attend the 2023 Bank Examiners and Auditors Program in Sydney, Australia on 10–12 July, 2023. The 36-person delegation was headed by the FSC's Financial Examination Bureau Director General Chang Tzy-Hao. The Program focused on the following five key topics: international trends in financial supervision; the switch to digital techniques in internal auditing; cyber security; fraud examination; and sustainable development. Through a combination of speeches, professional visits, and Q&A sessions, competent authorities and financial industry representatives while in Australia picked up valuable knowledge and insights that will provide valuable reference moving forward as they work to improve their craft, whether it be financial supervision or internal auditing.
- (2) BAROC assigned staff to participate in the 2023 IIA International Conference on 10–12 July, 2023 in Amsterdam. IC 2023 focused on the theme of "one world, ONE FUTURE."
- (3) BAROC held the "Conference of the Foreign Branches' Managers, Legal Compliance Officers, Officers of the Internal Control and Internal Audits" on 12–13 September 2023 in New York. US branches of BAROC member banks took active part in the event, and 12 domestic banks dispatched representatives to attend the event. The chairpersons of four of those banks and the chairperson of the Taiwan Academy of Banking and Finance led a group of senior executives to the event, which was attended by a total of 110 financial industry professionals, including speakers from around the US and representatives from bank head offices and overseas branches. On the morning after the conference concluded (i.e. 14 September),

Deputy BAROC Chairman Jye-Cherng Lyu—accompanied by a total of 16 persons including FSC Banking Bureau Deputy Director General Phil Tong, Mega Bank Chairman Paul C. D. Lei (current BAROC Chairman), Chang Hwa Bank Chairperson Joanne Ling, President Su Jain-rong of the Taiwan Academy of Banking and Finance, and chief compliance officers from various domestic banks—visited Superintendent Adrienne A. Harris of the New York State Department of Financial Services (NYDFS) and other senior supervisory officials. The two sides conducted in-depth discussions regarding the state of the overall financial sector's handling of such matters as legal compliance, cyber security, and the formation of corporate culture. These discussions will have a very positive impact on active cooperation between Taiwanese banks and US financial supervisory authorities, and will strengthen host-country compliance.

- (4) BAROC assigned staff to participate (via videoconference) in the 2023 ACIIA Regional Conference on 11–13 October, 2023 in Cebu City, Philippines. The theme of this year's conference was "Sustaining Relevance and Elevating Impact."

11. Held Financial Seminars and Lectures to Cultivate Professional Talent

(1) Financial seminars and lectures

- a. To help domestic banks conduct their first climate scenario analyses, BAROC held an informational meeting on "Domestic Banks' Conduct of Climate Scenario Analysis Planning Projects" on 12 January 2023. In addition to providing briefings on "Trends Regarding Quantitative Analysis of Climate Risks" and an informational meeting on "Domestic Banks' Conduct of Climate Scenario Analysis Planning Projects," BAROC also asked the FSC Banking Bureau to explain the key points of related policies. The meeting was attended by 196 persons.
- b. To cultivate senior management at member banks with professional expertise in cyber security, and to strengthen the cyber defense capabilities of member banks, BAROC on 24 February 2023 held a Training Course on Inspecting the Soundness of Cybersecurity. The course was attended by 30 bank employees, each of whom had at least two years of experience in cyber security or network.
- c. BAROC held a Credit Card Business Workshop on 10 March 2023. The workshop was attended by 70 persons.
- d. BAROC on 15 March 2023 held an "Informational Meeting to Explain Key Points to Be Understood on the Day of the Switchover to ISO 20022" and an "Informational Meeting for Legislation and Policies Regarding Property-secured Loans."

- e. To help BAROC member banks understand climate risk management and related supervisory trends, BAROC on 22 March 2023 held a "Meeting for Domestic Banks to Share Their Experience in the Adoption of Climate Risk Management." BAROC invited First Commercial Bank, Cathay United Bank, Taipei Fubon Bank, and CTBC Bank to share their experiences, and also invited officials from the FSC Banking Bureau to attend the event and offer the views of the competent authority. The meeting was attended by 210 persons.
- f. To help BAROC member banks understand the 2021 ISDA Interest Rate Derivatives Definitions, the legal impact of carbon credits, and the 2022 ISDA Verified Carbon Credit Transactions Definitions, on 5 May 2023 BAROC held a "Workshop on ISDA Documents" that was attended by 83 persons.
- g. To help BAROC member banks understand climate change response strategies, real estate development trends, and other such industrial and economic issues, BAROC held a pair of lectures in May 2023. First, on 9 May, General Manager of British Standards Institution (BSI) Northeast Asia, Shu-Sheng Pu, was invited to deliver an address on the topic of "Introductory Climate Risk, Strategies for Climate Change Response, and International Development Trends." Then on 11 May, H&B Housing analyst Hsu Chia-hsin spoke on the "Current Status and Future Prospects of Real Estate in Taiwan."
- h. On 19 June 2023 BAROC held the "Conference on Promotion of Digitization of Internal Audits at Banking Enterprises," inviting member institutions to deliver speeches and provide opinions on the establishment of a method for transitioning to use of digital techniques in internal auditing at domestic banks, audits of the progress toward digitization of domestic bank internal audits, analyses of the drivers, analyses of the application of tools, and provision of recommendations.
- i. On 1 September 2023 BAROC held a Seminar on Prevention of Credit Card Fraud. The event was attended by 70 representatives from the Criminal Investigation Bureau, the police departments of Taipei City and New Taipei City, and credit card companies.
- j. To improve customer data protection and risk management in connection with financial institutions' use of artificial intelligence (AI) technology to conduct bank business, BAROC drafted a set of "Self-regulatory Rules for the Financial Industry's Use of AI" and on 11 September 2023 held an online informational meeting on the Self-regulatory Rules so that member institutions could understand the content of the draft Self-regulatory Rules and provide suggestions.

- k. To help member banks understand the key points of amendments to legislation related to electronic payments, foreign migrant worker remittance business, and financial crime typologies, and to use informational meetings attended by member institutions to achieve the goal of increasing business ties among members, BAROC held "Informational Meetings on Work by the Electronic Payments Committee to Publicize Related Legislation and Electronic Payment Operations" on 20 and 22 September 2023. The events were attended by 199 persons.
 - l. BAROC joined forces with the Judges Academy and the Ministry of Justice's Department of Prosecutorial Affairs to hold the "8th Financial and Legal Affairs Workshops" on 19-20 October and 2-3 November 2023. The two sessions were attended by some 100 participants, including judges, prosecutors, officials from the FSC, and representatives from various financial institutions.
 - m. To strengthen financial institutions' legal compliance and AML/CFT capabilities, BAROC held the "2023 Anti-Money Laundering Case Study Seminar" on 28 November 2023. This event provided a venue for financial institutions to share information on their AML/CFT operations, their filing of suspicious transaction reports, and questions about the applicability of laws, and communication and mutual learning among peers, so that they learn from one another to improve their legal compliance capabilities. A total of 141 persons attended the Seminar.
 - n. On 1 December 2023 BAROC joined hands with the National Federation of Credit Cooperatives to hold refresher seminars for instructors taking part in the "2023 School and Community Financial Literacy Campaign." A total of 70 instructors registered to participate in the training.
 - o. Held a "Conference on Corporate Loan Fraud Risk Management" on 5 December 2023.
 - p. To raise awareness of cyber security risks in member banks and enhance collective cyber security defense capabilities, BAROC held three sessions of the "Financial Cyber Security Joint Defense Training Workshop" and three sessions of the "Information Security Threats and Intelligence Analysis Workshop" in 2023. The workshops were attended by a total of 826 persons.
- (2) Personnel Training and Video Course
- a. Training Program for Senior Management at Financial Institutions: The Training Program comprised three main training modules that focused on "leadership," "strategy," and

"sustainability." In addition, small groups studied special topics, and members of senior management also attended overseas courses to carry out systematic training. A wide variety of training methods (including experience sharing among senior executives, case studies, hands-on exercises, and overseas study trips) were used to cultivate financial institution leaders with foresight. The Program was attended by 33 people from the Bank of Taiwan and 20 other banks.

- b. "Training Program for Core Banking Personnel" courses with a domestic focus: BAROC hired experts on Taiwan's domestic financial practices to serve as instructors and teach the sorts of skills needed by domestic bank employees. A total of 90 sessions in 19 different categories were conducted, training 4,385 participants in the following fields: financial product transactions; corporate credit operations; risk management; trust operations; human resource management; accounting; branch service counter operations; internal auditing; legal compliance; wealth management; fintech; foreign exchange/OBU operations; consumer finance; and financial product investments and asset allocations.
- c. "Training Program for Core Banking Personnel" courses with an international focus: BAROC hired experts in international financial practices to serve as instructors, introduce the latest international trends in financial services, and help bank employees stay up-to-date with international expert knowledge. The courses covered the five major topics of legal compliance, trade finance, corporate finance, business finance, and risk management. A total of 14 courses were conducted, training 386 participants.
- d. Training Program for Key FinTech Personnel: In order to properly implement the FSC's plan to promote FinTech development, and to help banks cultivate FinTech personnel, BAROC has conducted a "Training Program for Key FinTech Personnel" since 2017, which has included an "International Fintech Forum" and a "Training Program for International Fintech Personnel." In 2023 there were four sessions of the "International Fintech Forum" and two sessions of the "Raise A+ Career for Digital Enablement (RACE) Training Program." A total of 996 participants from the competent authority and financial institutions attended.
- e. In order to ensure that member banks comply with laws and regulations related to occupational safety and health, and that the latter conform to banks' operational needs, BAROC held 98 sessions of "On-the-job Training for First-aid Personnel at Banking Enterprises" in seven locations Taipei and elsewhere in 2023, training 5,419 participants.

- f. To enable all member banks to conform to the provisions in the "Fire Services Act" and to coordinate with the needs of banking operations, BAROC arranged for 97 sessions of on-the-job education and training for fire safety managers in Taipei and five other locations in 2023, training 4,640 participants.
- g. In order to spur development of increased expertise in the protection of labor rights at any business entity where a labor dispute has occurred or the entity has been sanctioned by a government agency pursuant to labor-related legislation, BAROC and the Bankers Association of Taipei on 19 April 2023 held two sessions of the "2023 Labor Legislation Workshop on Common Types of Labor-Management Disputes," which was attended by a total of 82 persons.
- h. Video courses: In response to the global trend toward digitalization and to provide employees at financial institutions with abundant, in-depth, flexible, and diverse professional advanced learning choices, BAROC in 2015 launched a video courses platform. (It can be accessed on the Chinese-language version of the BAROC website by clicking on "Open courses" and then the "Members only" tab.) In 2023 a total of 297 courses—including advanced courses on financial practices and knowledge—were available.

12. Provided Financial Information and Consulting Services to the Public, and Donated to Charity

- (1) In 2023 BAROC continued to provide 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. BAROC responded to 828 consumer inquiries and handled 23 cases involving customer complaints against member institutions. In another 4,783 cases, BAROC helped bank customers check their own account balances. Finally, BAROC handled 136 identity theft cases referred by the competent authority to the Ministry of the Interior.
- (2) In 2023 BAROC's one-stop credit card information hotline service received 211 credit card complaints from consumers, and mediated a total of 214 credit card complaints in all (because some complaints reported via the hotline involved more than one financial institution). Each of the aforementioned complaints was resolved after the one-stop credit card information hotline service contacted the credit card company involved and coordinated with the latter to handle the case.

- (3) The BAROC debt restructuring hotline (02-8596-1629) accepted 6,621 calls for debt restructuring advice from members of the public in 2023.
- (4) In 2023, BAROC processed 10,828 applications for pre-negotiation procedures from persons facing difficulties retiring debts totaling NT\$11.782 billion.
- (5) In the run-up to the 2023 Chinese New Year holidays, out of consideration for the feelings of people experiencing debt repayment difficulties, BAROC communicated with member banks (including debt collection agencies contracted by those institutions) to urge them to strengthen dissemination of information related to debt negotiations before the holidays and to declare a moratorium on all debt collection operations during the holidays.
- (6) 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."
- (7) Acting in accordance with instructions from the FSC, from January to end-December 2023 BAROC assisted financial institutions in continuing to provide assistance measures for "temporary debt deferrals" in cases in which debtors who have complied with their obligations under "2006 BAROC debt negotiations," "pre-negotiation proceedings," or "pre-mediation proceedings" are having difficulty continuing to repay their loans.
- (8) 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.
- (9) On its website, BAROC disclosed bank ESG engagement (Equator Principles) practices for public reference.

- (10) BAROC periodically updated its "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" and posted the List on its website for browsing and reference by the general public.
- (11) BAROC continued to periodically compile the following types of information and posted it to its website: (a) revolving interest rates charged by credit card issuing institutions and fee schedules for different fees; (b) standards for collecting processing fees for credit card installment payment services; (c) information on whether each credit card issuer allows customers to retrieve their credit card statements free of charge; (d) information on each credit card issuer's provision of friendly financial services and friendly alternative measures; (e) a summary table of systems adopted by each credit card institution to prevent credit card theft following their use in online transactions; and (f) a summary table of expiration periods and scope of use for the bonus points awarded by each credit card issuer.
- (12) BAROC collected data on fees that were charged by all banks in connection with non-discretionary money trust services, and made the data available on its website for public inspection.
- (13) 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, in order to fulfill the financial industry's obligation to give back to society.
- (14) In order to fulfill its social responsibilities and provide support for charitable groups, BAROC donated funds to Little Sisters of the Poor, Genesis Social Welfare Foundation, Chinese Christian Relief Association, After School 368, Yu-Cheng Social Welfare Foundation, and Syin-Lu Social Welfare Foundation. These donations supported underprivileged families, low-income households, underprivileged children, and senior citizens living alone.
- (15) To do its part for Taiwan's 2023 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 2024

No	Tasks
1	Coordinate with FSC policy by joining the Financial Industry Net Zero Working Group: The Working Group includes a number of different workstreams—including "Funding and Statistics," "Policies, Guidelines, and Data," and "Risk Control Data"—to help with development of suggestions for amendments to related self-regulatory rules, setting of carbon reduction targets and planning strategies for financial institutions, suggestions for the provision of financing to sectors with leading-edge technologies, and promotion of the establishment of the Enterprise ESG Data Platform.
2	Coordinate with the fraud prevention policies of the Ministry of the Interior's National Police Agency and the financial supervisory authorities by continuing to help member banks deal with watch-listed accounts and the use of counterfeit IDs for various types of applications, and study ways to improve the effectiveness of the anti-fraud joint defense network and scam prevention measures that financial institutions and law enforcement authorities have built in order to safeguard the property of members of the public.
3	Coordinate with the policies of the competent authority, respond to technological progress, assist with the outsourcing of cloud-based services and the utilization of emerging technologies, and implement the Open Banking policy in order to help member banks improve the competitiveness of digital finance.
4	Coordinate with government policies and the development needs of the financial industry by helping member institutions to provide financing to the Six Core Strategic Industries: information and digital industries; cybersecurity industry; precision health industry; green and renewable energy industry; national defense and strategic industries; and strategic stockpile industries.
5	Coordinate with the competent authority's policy of creating friendly financial environments, act in a timely manner to invite disabled people's groups to meet and communicate with bank representatives, retain experts to collect and research issues of professionalism in the context of friendly financial services, continue helping member institutions to develop better ways to serve persons with disabilities, amend the "Guidelines for Friendly Banking Services" and the "Q&As on Friendly Financial Services," and help member institutions prepare easily readable versions of such Q&As while they conduct on-the-job training designed to ensure that persons with disabilities can obtain proper financial services.
6	Making reference to the Task Force on Climate-related Financial Disclosures (TCFD) and international practices, BAROC will draft a "Climate Risk Management Handbook" for domestic banks, and is planning to conduct an awareness raising campaign for all banks to help them incorporate these concepts into their operations.
7	To meet the demand for development of digital financial services, BAROC will continue helping member institutions to devise measures to deregulate and promote business.
8	Continue to conduct training programs for financial industry personnel and offer open video courses to provide the employees of member institutions with free-of-charge online learning opportunities.

V. Appendices

A. Chronology of Major Events in 2023

- ◎17 Feb. 2023 Held the 4th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎30 Mar. 2023 Held the 5th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎19 Apr. 2023 Held the "2023 Labor Legislation Workshop on Common Types of Labor-Management Disputes"
- ◎27 Apr. 2023 Held the 6th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎09 May 2023 Held the "Conference on Introductory Climate Risk, Strategies for Climate Change Response, and International Development Trends"
- ◎25 May 2023 Held the 7th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎12 June 2023 Held the "Conference on Service by Banks of Customers with Dementia or Suspected Dementia".
- ◎19 June 2023 Held the "Conference on Promotion of Digitization of Internal Audits at Banking Enterprises"
- ◎29 June 2023 Held the 2nd meeting of the 14th Board of Directors.
- ◎11 July 2023 Held an online informational meeting regarding the "Standards for the Security Management Operation of Electronic Banking Business of Financial Institutions"
- ◎27 July 2023 Held the 8th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎31 Aug. 2023 Held the 9th joint meeting of the 14th Boards of Directors and Supervisors.



2023.02.17 Held a banquet to celebrate the Chinese New Year.



2023.05.11 Opening ceremony of the Financial Industry Anti-Fraud Summit.

- ◎1 Sep. 2023 Held an informational meeting regarding inventories of Scope 3 financed emissions of domestic banks' portfolio carbon footprints.
- ◎10 Sep. 2023 Held the "Conference on the Latest Developments of Financial Regulations for Foreign Banking Operations"
- ◎28 Sep. 2023 Held the 10th joint meeting of the 14th Boards of Directors and Supervisors
- ◎11 Oct. 2023 Held the "2024 Conference on the Current Status and Future Prospects for Real Estate Markets in Taiwan".
- ◎20 Oct. 2023 Held the 11th joint meeting of the 14th Boards of Directors and Supervisors
- ◎2 Nov. 2023 Held an "Information Security Threats and Intelligence Analysis Workshop"
- ◎20 Nov. 2023 Held a "Financial Cyber Security Joint Defense Training Workshop"
- ◎30 Nov. 2023 Held the 12th joint meeting of the 14th Boards of Directors and Supervisors.
- ◎5 Dec. 2023 Held a "Conference on Corporate Loan Fraud Risk Management"
- ◎11 Dec. 2023 Held an online informational meeting on a draft proposal regarding "the range of financial institutions required to obtain international Information Security Management System (ISMS) certification"
- ◎21 Dec. 2023 Held the 3rd meeting of the 14th Board of Directors.
- ◎25 Dec. 2023 Held an informational meeting regarding a "Handbook for Scope 3 Financed Emissions of Domestic Banks' Portfolio Carbon Footprints."



2023.03.10 Seminar on Prevention of Credit Card Fraud.



2023.10.19 Held the 8th Financial and Legal Affairs Workshop.

B. List of Member Banks of BAROC

January 2024

Institution	Position	Name	Telephone	Fax	Website
Bank of Taiwan	Chairman President	Jye-Cherng Lyu Ma-Li Shih	(02)23493456	(02)23315840	www.bot.com.tw
Land Bank of Taiwan	Chairman President	Chuan-Chuan Hsieh Ying-Ming He	(02)23483456	(02)23757023	www.landbank.com.tw
Taiwan Cooperative Bank	Chairman President	Yen-Mao Lin Tso-Cheng Su	(02)21738888	(02)27316026	www.tcb-bank.com.tw
First Commercial Bank	Chairman President	Ye-Chin Chiou Chia-Hsiang Lee	(02)23481111	(02)23892967	www.firstbank.com.tw
Hua Nan Commercial Bank, Ltd.	Chairman President	Yun-Peng Chang Chun-Chih Huang	(02)23713111	(02)87291747	www.hncb.com.tw
Chang Hwa Commercial Bank	Chairman President	Joanne Ling Chao-Chun Chou	(02)25362951	(02)25716871	www.chb.com.tw
The Shanghai Commercial & Savings Bank, Ltd.	Chairman President	Ching-Yen Lee Ching-Yi Kuo	(02)25817111	(02)25318501	www.scsb.com/tw
Taipei Fubon Commercial Bank	Chairman Deputy President	Richard M. Tsai Tim Kuo	(02)27716699	(02)27736769	www.taipeifubon.com.tw
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	Teng-Shan Tai Fu-Hua Hsieh	(02)33220202	(02)23222858	www.eximbank.com.tw
Bank of Kaohsiung	Chairman President	Grace M.L. Jeng Tsui-Mei Hsu	(07)5570535	(07)5580529	www.bok.com.tw
Mega International Commercial Bank Co., Ltd.	Chairman President	Paul C. D. Lei Kuang-Hua Hu	(02)25633156	(02)23569169	www.megabank.com.tw
Agricultural Bank of Taiwan	Chairman President	Ming-Ming Wu Lee, Kuo-chung	(02)23805100	(02)23805252	www.agribank.com.tw
Citi Bank Taiwan, Ltd.	Chairman President	Aftab Ahmed Noor Christie Chang	(02)87269999	(02)87801300	www.citibank.com.tw
O-Bank Co., Ltd.	Chairman President	Tina Y. Lo Elton F.Y. Lee	(02)87527000	(02)87519568	www.o-bank.com
Taiwan Business Bank	Chairman President	Pei-Jean Liu Chih-Chien Chang	(02)25597171	(02)25507942	www.tbb.com.tw
Standard Chartered Bank (Taiwan) Limited	Chairman President	Wai-Yi Mary Huen Ian Charles Anderson	(02)27166261	(02)66036399	www.sc.com.tw
Taichung Commercial Bank	Chairman President	Kuei-Fong Wang Te-Wei Chia	(04)22236021	(04)22240748	www.tccb.com.tw
King's Town Bank	Chairman President	Terence Tai Hung-Liang Chiang	(06)2139171	(06)2136885	www.ktb.com.tw
HSBC Bank (Taiwan) Limited	Chairman President	David Allen Grimme Adam Chen	(02)27230088	(02)27575150	www.hsbc.com.tw
Taipei Star Bank	Chairman President	Leo Kuo Chen Jui Chang	(02)25575151	(02)25534883	www.taipeistarbank.com.tw

Institution	Position	Name	Telephone	Fax	Website
Hwatai Bank	Chairman President	Chao-Hsien Lai Ruey-Yuan Fu	(02)27525252	(02)27775213	www.hwataibank.com.tw
Shin Kong Commercial Bank	Chairman President	Chin-Yuan Lai Cheng-Kuo Lee	(02)87587288	(02)87895600	www.skbank.com.tw
Sunny Bank	Chairman President	Sheng-Hung Chen Wei-Hao Ting	(02)66188166	(02)28233414	www.sunnybank.com.tw
Bank of Panhsin	Chairman Deputy President	Ming-Daw Chang	(02)29629170	(02)29572011	www.bop.com.tw
Cota Commercial Bank	Chairman President	Sung-Yie Liao Lee Shih Chao	(04)22245161	(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	Jeff Lin Wei-Wen Hsu	(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	Ming-Hsiu Tsai Tsai-Yu Chang	(02)21736699	(02)27722455	www.yuantabank.com.tw/ bank
Bank SinoPac	Chairman President	Wei-Thyr Tsao Eric Chuang	(02)25173336	(02)81618485	bank.sinopac.com
E.Sun Commercial Bank, Ltd.	Chairman President	Joseph N.C. Huang Lung-Cheng Lin	(02)27191313	(02)27138713	www.esunbank.com.tw
KGI Bank	Chairman President	Stefano Paolo Bertamini Hsu Way Min	(02)27011777	(02)27849848	www.kgibank.com
DBS Bank (Taiwan)	Chairman President	Andrew Ng Sier Han Ng	(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
EnTie Commercial Bank	Chairman President	Claudie Yu Jeff Chang	(02)81012277	(02)81012233	www.entiebank.com.tw
CTBC Bank	Chairman Deputy President	Morris Li Tony Yang	(02)33277777	(02)87809122	www.ctcbank.com
NEXT Commercial Bank Co., Ltd.	Chairman President	Fu-Kuei Chung Berlin Hsu	(02)89797000	(02)27001999	www.nextbank.com.tw
LINE Bank Taiwan Limited	Chairman President	In Joon Hwang I-Meng Hwang	(02)66229999	(02)27585553	www.linebank.com.tw
Rakuten International Commercial Bank	Chairman President	Dong-Ho Wang Kazuhiko Saiki	(02)55692688	(02)25180508	www.rakuten-bank.com.tw
Mega Bills Finance Co., Ltd.	Chairman President	Jennifer M.C. Liao Yao-Kuang Tsai	(02)23831616	(02)23822878	www.megabills.com.tw
China Bills Finance Co.	Chairman President	Cheng-Chuan Chang Jonathan Wei	(02)27991177	(02)26592919	www.cbf.com.tw

Institution	Position	Name	Telephone	Fax	Website
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 Yeong-Liang Lai	(02)87802801	(02)87884031	www.grandbill.com.tw
Hua Nan Financial Holdings Co., Ltd.	Chairman President	Yun-Peng Chang Robert Li	(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/ financialholdings
China Development Financial Holding Co., Ltd.	Chairman President	Su-Kuo Huang Stefano Paolo Bertamini	(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 James Chen	(02)33277777	(02)26539580	www.ctbcholding.com
SinoPac Financial Holdings Co., Ltd.	Chairman President	Shi-Kuan Chen Stanley Chu	(02)81618888	(02)81618485	www.sinopac.com
E.Sun Financial Holding Co., Ltd.	Chairman President	Joseph N.C. Huang Mao-Chin Chen	(02)21751313	(02)27199313	www.esunfhc.com/zh-tw/
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 President	Julius Chen Stephen Chen	(02)23895858	(02)23892868	www.skfhc.com.tw
Mega Financial Holding Co., Ltd.	Chairman President	Paul C. D. Lei Yu-Mei Hsiao	(02)23578888	(02)33938755	www.megaholdings.com.tw
First Financial Holding Co., Ltd.	Chairman President	Ye-Chin Chiou Fen-Len Chen	(02)23111111	(02)23119691	www.firstholding.com.tw
IBF Financial Holdings Co., Ltd.	Chairman President	Chi-Lin Wea Michael Chen	(02)77520088	(02)77520099	www.ibf.com.tw
Taiwan Financial Holding Co., Ltd.	Chairman President	Jong-Chin Shen Jan-Lin Wei	(02)23493456	(02)23115060	www.twfhc.com.tw
Taiwan Cooperative Financial Holdings Co., Ltd.	Chairman President	Ray B. Dawn Mei-Tsu Chen	(02)21738888	(02)27313677	www.tcfhc.com.tw
Yuanta Securities Co., Ltd.	Chairman President	Shao-Hsing Kung Li-Hua Yang	(02)21736833	(02)27721101	www.yuantafinance.com.tw