Fintech Development in Taiwan



Financial Supervisory Commission May 24, 2019

A quick glance at Taiwan





- Population: 23 million
- GDP/capita: \$24,577
- 10 year avg. annual GDP
 - growth: 2.6%
- Competitiveness Rank: 13



Global Rankings (Fin+Tech, Taiwan on top in Asia)

WEF Innovation Capability

Ranks	Economy	Score
1	Germany	87.5
2	United States	86.5
3	Switzerland	82.1
4	Taiwan	80.8
5	Sweden	79.8
6	Japan	79.3
7	United Kingdom	79.2
8	Korea	78.2
9	Netherland	77.5
10	Finland	76.3

Source: WEF Global Competitiveness Index (Sep. 2018)

WEF Financial System

Ranks	Economy	Score
1	United States	92.1
2	Hong Kong	90.1
3	Finland	89.7
4	Switzerland	89.4
5	Singapore	89.3
6	Sweden	89.0
7	Taiwan	87.9
8	United Kingdom	87.8
9	Luxembourg	86.5
10	Japan	86.4

Ease of Doing Business in Taiwan

Rank	Economy	Rank	Economy
1	New Zealand	11	United Arab Emirates
2	Singapore	12	Sweden
3	Denmark	13	Taiwan
4	Hong Kong	14	Lithuania
5	Korea	15	Malaysia
6	Georgia		
7	Norway		
8	United States		
9	United Kingdom		
10	Macedonia		

Source: World Bank Ease of Doing Business, May 2018



Taiwan Fintech Development Strengths

Well established infrastructure in info. Technology

- 4G penetration:87% (13th in the globe)
- Smart phone penetration: 72% (5th in the globe)

Sound financial system

- Bank NPL ratio: 0.25%
- Account opening rate: 94% (global avg. 69%)
- 710 ppl/ATM; 2 credit cards/person; Insurance penetration: 1st in the globe

Strong commitment for innovation development

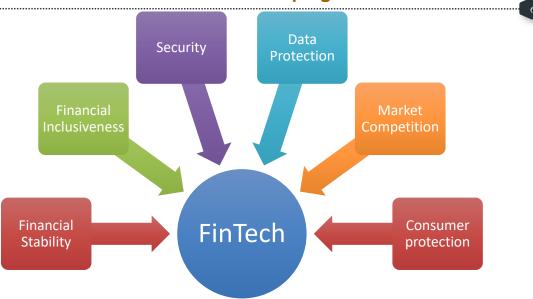
- National level: Digi+, Deregulation, enabling ecosystem
- FSC: crowdfunding, e-payment, digital financial services

Solid information security system

- Information & Communication Security Management Act (6 X-ISAC)
- F-ISAC (Dec. 2017) for joint-defense and resiliency



Issues related to developing Fintech





FSC Philosophy and Policy on Fintech



FinTech

Responsible Innovation

Technology Neutral

Consumer Protection

- Incubating innovators
 - Increase channels for dialogue
 - Create regulatory sandbox
 - Set up innovation hubs
 - Hold Fintech exhibition
- Upgrading financial institutions
 - Relax investment restrictions
 - Enhance Capacity building
- · Inducing catfish effect
 - Approve internet-only banks
- Ensuring info security
 - Establish F-ISAC
- Networking & Cooperation
 - Sign MOU...



Incubating Innovators – Channels for Dialogue

8

Fintech Center

Within ESC

- --Clear doubts or grey areas of financial regulations
- --Determine necessity of applying for experiments
- --Help improve draft application materials

Front shop back factory

Work with Ministry of Economic Affairs (MOFA)

- --Ideas not crystal enough may go to MOEA "Innovative regulatory sandbox" for general legal counseling
- --Solid, innovative, and financial related ideas may go to the Fintech Center for further guidance

Regulatory Clinic

Work with FintechSpace

- --FSC staff meets with innovators in FintechSpace every Wednesday
- --Answer specific questions or issues raised by innovators (1-on-1)





Incubating Innovators --Regulatory Sandbox I

9

Legislation: "Fintech Development & Innovative Experimentation Act"

Financial Services

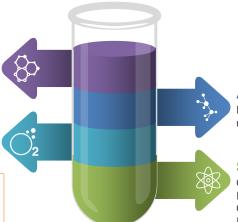
Using new tech or business models to provide FS that require approvals.

Experiment period

1 year, upto 3 years if law amendments are necessary.

Review committee:

- 7-21 ppl, 1/3~1/2 experts
- Make decision within 60 days
- FS efficiency, costs, benefits to consumers/corporations



Exemptions on related financial laws and regulations

CHF\$ 1 = NT\$ 30.86 (5/15/2019 NT\$100mn= CHF 3 24 mn

Applicants

Domestic/foreign, natural/juridical persons.

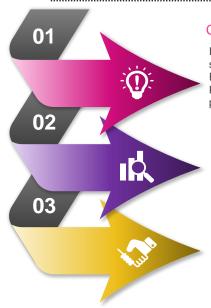
Scope limitation

Overall risk exposure=NT\$100mn Insurance=NT\$1 mn Consumer credit=NT\$0.5mn Insurance premium=NT\$100,000 Others=NT\$250,000

9

Incubating Innovators -- Regulatory Sandbox II

10



Consultation

Involving related FSC staff to offer suggestions for draft application, Especially in customer onboarding, KYC, AML, cyber security, customer protection

Observation/Supervision

- · Amendments to regulations
- Supervision adaptation

Landing measures

- Apply for approvals following current/revised regulations
- FSC provides services such as match-making, incubation

Experimenters working with the FSC

- AML Act and related rules are still applicable
- Clarify grey areas of regulations, including those under other agencies'
- Look for chances on developing SupTech



Incubating Innovators -- Regulatory Sandbox III

11

- Updates: 11 applications accepted for review, and 3 have been approved. 27 cases are under counseling and guidance
- Under experiments:
 - using personal info. in mobile phone co. to access bank loans and credit card applications;
 - foreign workers cross-border remittance

Application updates	accepted	guidance
total	11	46
approved	3	_
rejected	1	_
reviewing	7	_
under guidance	_	27
unclear ideas and need further structuring	_	19



Date: May 3, 2019



Incubating Innovators --FintechSpace I

- **Purpose:** provide innovators w/ resources of initial operations, create opportunities for cooperation
- •Establishment: opened on 9/18/2018
- •Major features: regulatory clinic, digital sandbox, enterprise laboratory, theme space design, co-creation alliance, and international networks





Incubating Innovators -- Fintech Space II

updates 45 innovators (including 8 teams from SG, USA, JP, Ph & HK, 1 int'l **Innovators** exchange team & 1 int'l accelerator) 49 teams have received 1-on-1 consultation from FSC staff since Regulatory clinic 10/16/2018 (every Wednesday afternoon, free of charge) 14 institutions offering data for API and 12 universities for **Digital** sandbox cooperation Info/resource exchange and cooperation agreements with USA, UK, Inter'l links AU, SG, Portland Topics include: regulatory sandbox, KYC/DD, AMA, payment. **Thematic** workshop AI adoption



Incubating Innovators -- Fintech Taipei (Exhibition) I

- Purpose: Showcase latest financial technology worldwide
- Dates: November 29 and 30, 2019
- Major activities:
 - ◆ International trend seminar
 - ◆ Fintech innovative forums
 - ◆ Spotlight theme showroom
 - **♦** Demos
 - **♦** Match-making events





Incubating Innovators --Fintech Taipei (Exhibition) II

Last year's exhibitors reached 200 firms and 32,000 visitors





Upgrading Financial Institutions

• Green light to hold 100% shares of Fintech co.

Relax investment restrictions Encourage R&D

- Tax reduction/ exemption
- Encourage filing for patents

 Special reserve (0.5%-1% of revenue after tax) for education, replacement

Transform **Employees**

Capacity building

• Training & cooperation w/ fintech startups



Inducing Catfish Effect-- Internet-only Banks

- •To meet customers' need, learn new business, and upgrade financial industry
- Promulgated related regulations on 11/13/2018

(Standards Governing the Establishment of Commercial Banks. Regulations Governing Investments in Other Enterprises by Commercial Banks)

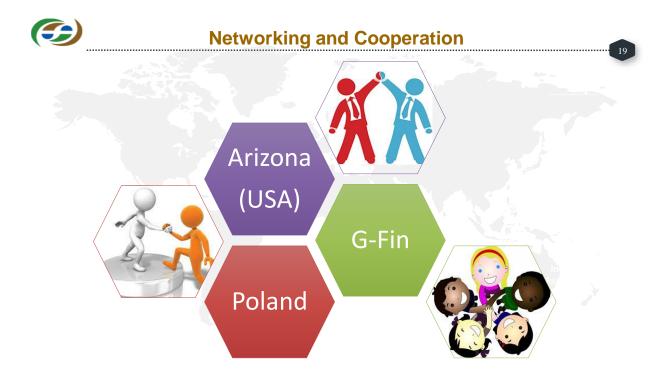
Main points	rules	
Numbers Permitted	2 at initial stage	
Capital	NT\$10 bn with shares fully subscribed by promoters	
Eligibility	1.Promoters from Fls shall subscribe >= 40% of total shares 2.At least 1 participating Fl shall subscribe > 25% of total shares 3.Promoters who are not Fls but have FinTech, e-commerce, or telecom expertise and feasible biz model, may subscribe >10% of total shares	
Board Constituencies	More than ½ board members shall have banking, FinTech, e-commerce, or telecom expertise, and at least 1 board member shall possess professional qualification in FinTech, e-commerce, or telecom expertise	
Operation	No physical branches permitted except HQ and customer service centers	



Ensuring Info. Security --F-ISAC's 6 functions

- Established in Dec. 2017, integrating banks, securities, futures, and insurance companies into the joint defense system (358 members)
- Expected benefits:
 - Early warning
 - Emergency response
 - Joint defense
 - > Improving overall response
 - Capability building of protection







Shoot for the Moon

* * even if you miss, you'll land

* * * among the Stars.

-- Les Brown, Motivational Speaker