



Digital and Mobile Banking in Taiwan : Our Vision and Strategy



Outline

- 1. Mobile and Digital in Taiwan**
- 2. FinTech Promotion Strategy**
- 3. Cyber Security**
- 4. Financial Consumer Protection**
- 5. Financial Stability**



1. Mobile and Digital in Taiwan



Mobile and Digital in Taiwan

- **Taiwan has the highest smartphone penetration rate in the world**

	2016
Mobile phone users	19.8 million
% of population	84.5%
Smartphone users	17.2 million
% of population	73.4%
% of mobile phone users	86.8%

Source: eMarketer, Sep 2016

- **4G mobile & Pervasive Internet**

- At the end of 2016, 4G subscribers numbered more than 18.06 million, the fastest growth speed in the world.
- At the end of July 2017, it is estimated that 83.4% of Taiwanese (aged 12 and above) had used the Internet, and 82.3% of households were equipped with Internet service (mostly broadband connections).



Mobile and Digital in Taiwan (cont'd.)

• **Credit Card**

- Number of effective cards totals 41.4 million.
- Monthly retail purchases by credit card totaled approximately NT\$214.2 billion at the end of September 2017

• **Electronic Stored-Value Card**

- 4 specialized Electronic Stored-Value Card Companies and 2 banks engaging concurrently in electronic payment business
- Number of effective cards totals 88.70 million
- Balance of stored value was NT\$7.66 billion at the end of August 2017



Mobile and Digital in Taiwan (cont'd.)

• **Electronic Payment Institutions**

- The Act Governing Electronic Payment Institution was promulgated on February 4, 2015.
- At the end of October 2017, there was 30 electronic payment institutions approved by the FSC, including 5 specialized electronic payment institutions and 1 Electronic Stored-Value Card Company engaging concurrently in e-payment business, as well as 24 banks doing electronic payment business.

Collecting and making payments for real transactions as an agent

Accepting deposits of funds as stored value funds

Business
Scope

Transferring funds between e-payment accounts

Other businesses approved by the competent authority



Mobile and Digital in Taiwan (End)

- Mobile Payment Development**

- Reduce the inconvenience of carrying multiple cards
- Increase the application and innovation of mobile payment
- E-payment promotion activities

As of the end of Aug. 2017

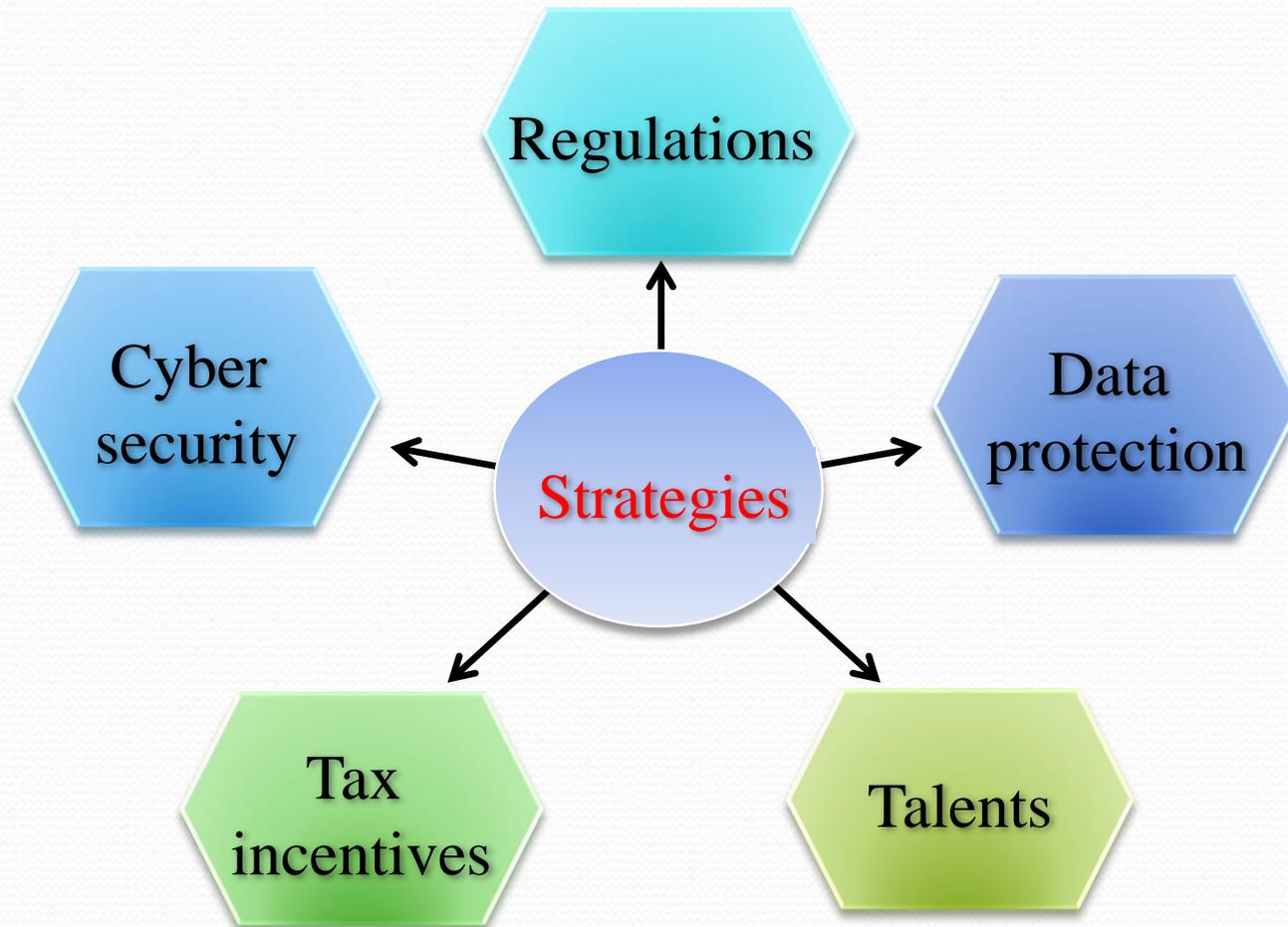
Mobile Payment Type		Number of FI
Credit Card	TSM	20
	HCE	17
	Tokenization (Apple/Samsung/ Android Pay)	12
X Card		2
QR Code		15
mPOS		7
ATM Card		16
NTD 8.98 billion dollars		



2. FinTech Promotion Strategy



2.1 Build a Digital Banking Environment

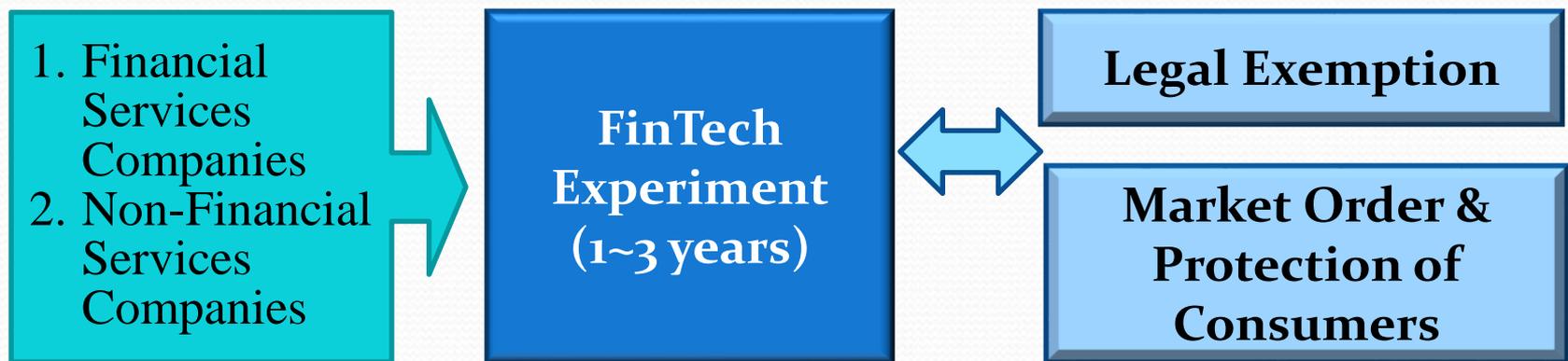




2.2 Regulatory Sandbox

- **Financial Technology Innovative Experimentation Act draft bill (passed the review of the Finance Committee at Legislative Yuan on Nov. 8, 2017)**

This is the first time the special law approach has been used to establish a FinTech experimentation mechanism, providing a safe environment for Fintech R&D trials and giving FinTech innovative experimentation legal liability exemption and related administrative regulations for specially licensed financial businesses.





2.2 Regulatory Sandbox (cont'd.)

- **Experimentation Results**

The handling party reports to the FSC the results of experimentation

The FSC holds a review meeting

The FSC reviews related regulations in accordance with the results

The handling party applies for business operation and is subject to financial regulations



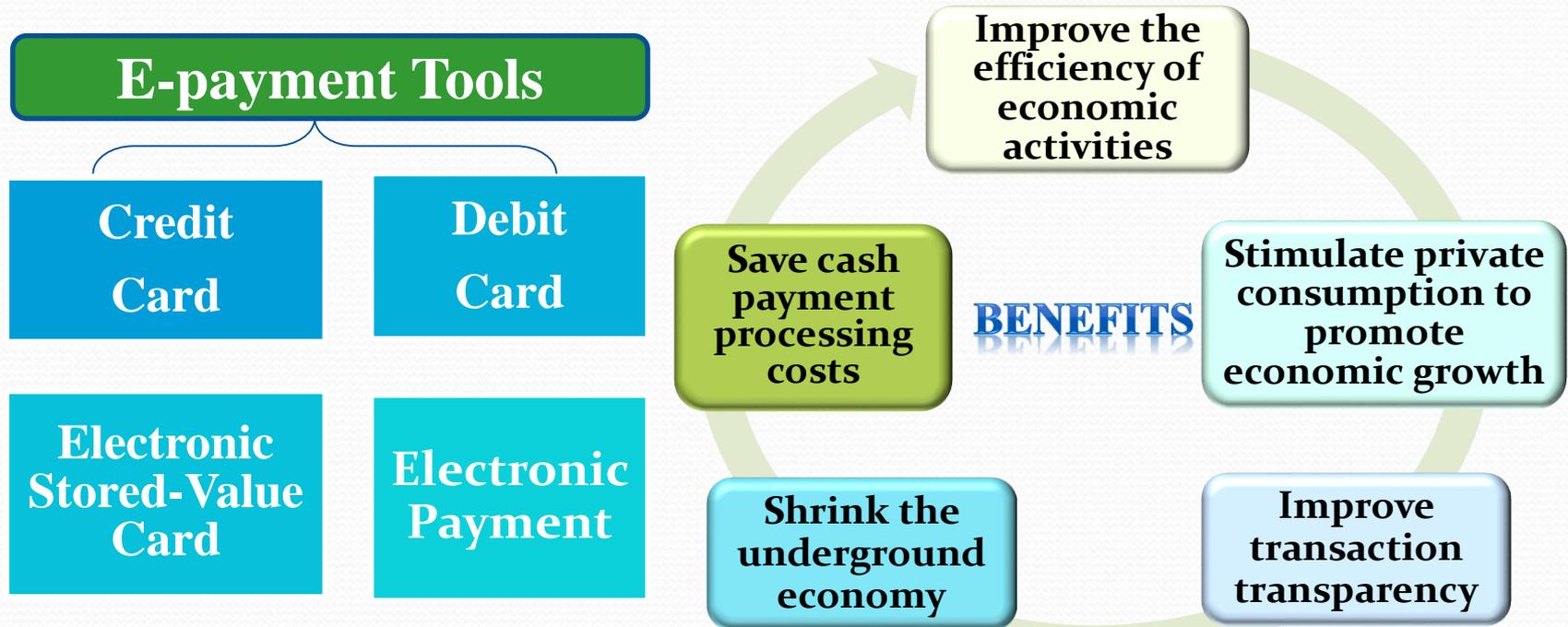
2.3 Encourage Digital and Mobile Banking Innovation

- To assist banks to **acquire business of digitalized development**, banks are allowed to provide 12 online services including deposit, lending, credit card, wealth management and cross-selling.
- FSC will continue to create an environment conducive to digital and Mobile Banking, and encourage the financial industry to explore Fintech innovation and strengthen information security.



2.4 The E-Payment Ratio Multiplication 5-Year Plans

In order to enhance the efficiency of payment, the FSC aims to double the ratio of e-payment within five years from 26% in 2015 to 52% in 2020.





2.5 Increase FinTech Investment and Talent Cultivation

- **FinTech Investment**

Banks and financial holding companies are allowed to invest in companies related to big data, cloud computing, mobile payment, biometrics, etc.

- **Talent Cultivation**

Taiwan Financial Services Roundtable, a financial association, set up a FinTech fund that initiated the “FinTechBase” program in 2016. The purposes of the program are to provide financial support and counseling to new FinTech enterprises or R&D teams and to provide learning and training resources to bank staff and students.

* **Fintech Park** is expected to be established in 2018, as the 1st fintech innovative incubation center in Taiwan.



3. Cyber Security



Cyber Security Issue

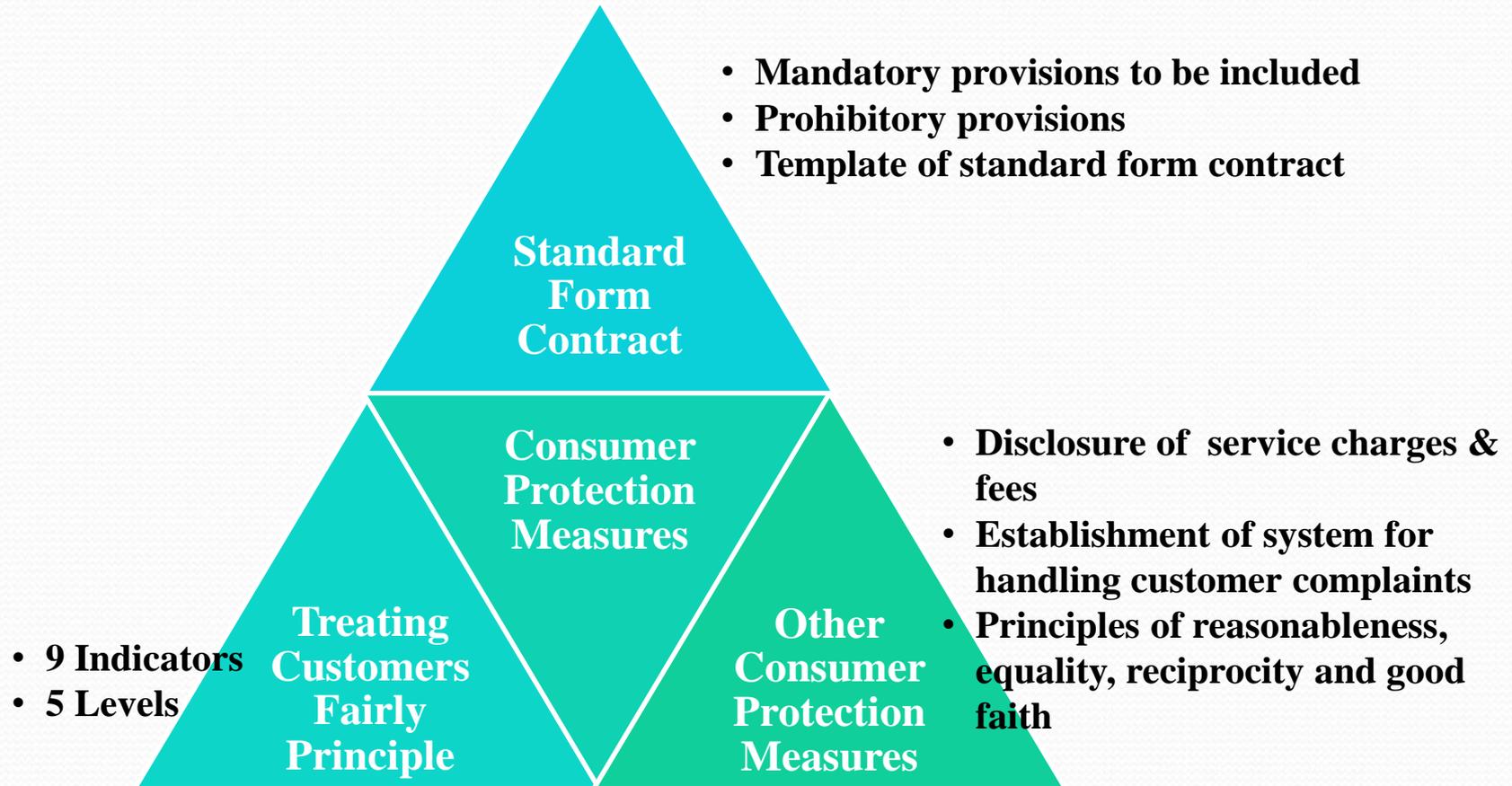
- **Essential to strike balance between market development and cyber security**
 - Ensure rules and regulations are adapted in a timely way in line with market trends
 - Enhance customer protection and IT capability of bank staff
 - Self-discipline by all market participants
- **Financial Information Sharing and Analysis Center**
 - Establish overall financial analysis and security mechanisms for Taiwan's financial industry
 - Build information security mechanisms and contingency plans
 - Industry-wide information sharing platform
 - Provide early warning, event notification and information sharing services
 - Connect the Taiwan Computer Network Crisis Management Coordination Center to synchronize the latest system vulnerability information



4. Financial Consumer Protection



Digital & Mobile Banking related Consumer Protection Measures





Standard Form Contract

- To safeguard consumers' interests and provide a legal basis for financial institutions to comply with, the FSC announced and adopted the **Mandatory Provisions to be Included in, Prohibitory Provisions** and the **Template of Standard Form Contract** for the following digital & mobile banking related products and services:
 - Credit Card
 - Electronic Stored Value Card
 - Business of Electronic Payment Institutions
 - Personal Online Banking Services

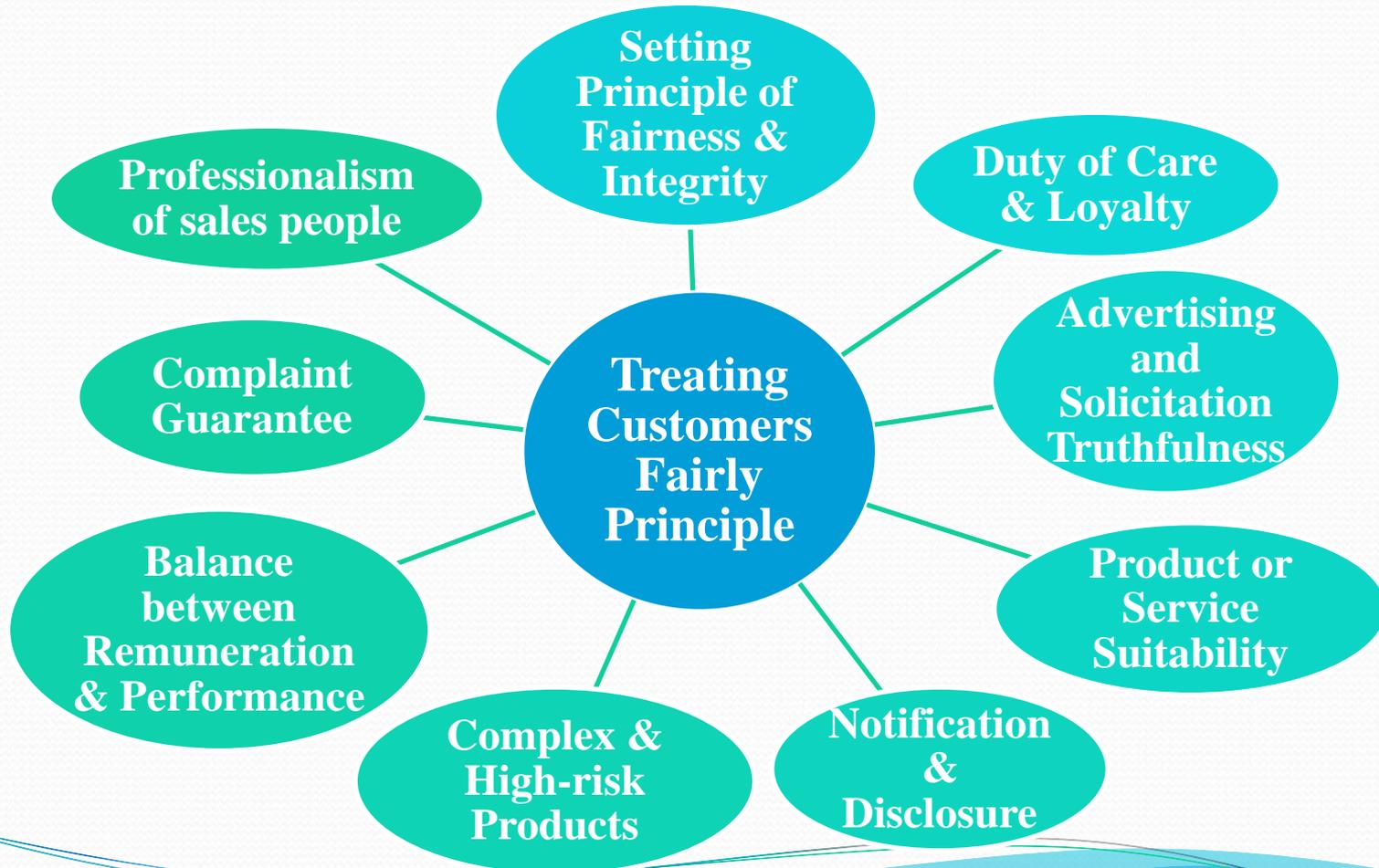


Financial Services Enterprise Treating Customers Fairly Principle

- On December 31, 2015, the FSC announced the Financial Services Enterprise Treating Customers Fairly Principle, with 9 indicators serving as guiding principles for the protection of consumers by financial services companies.
- Goals for the implementation of the Treating Customers Fairly Principle.
 - To promote a “Customer fair-treatment” centered culture, formulation of related policy & strategy, and implementation by financial service enterprises;
 - To increase the awareness of consumer protection, and the level of compliance with consumer protection related regulations;
 - To reduce the cost of illegality, and promote the trust & confidence of financial consumers in the financial services industry.



Financial Services Enterprise Treating Customers Fairly Principle (cont'd.)





5. Financial Stability



Maintain Financial Stability (1)

● **Capital Adequacy**

- Banks are required to meet minimum common equity ratio, tier-one capital ratio and capital adequacy ratio of 7%, 8.5% and 10.5%, respectively, by 2019.

● **Leverage Ratio**

- With reference to BCBS recommendations, the FSC requires that, starting in 2018, the leverage ratio (tier 1 capital/total exposures) of banks shall not be less than 3%.



Maintain Financial Stability (2)

- **Phased in the Liquidity Coverage Ratio (LCR) since 2015**
 - To enhance the ability of banks to restore short-term liquidity, the FSC and the Central Bank have implemented the Liquidity Coverage Ratio (high-quality liquid assets / total net cash outflows over the next 30 calendar days) since 2015. Banks are required to meet minimum LCR requirement and reach 100% by 2019.
- **Adopted the Net Stable Funding Ratio (NSFR)**
 - To make sure banks hold sufficient long-term stable funds to support their business development, the FSC, in consultation with the Central Bank, had promulgated the requirement for NSFR (available stable funding / required stable funding) with reference to the BCBS recommendation. The NSFR of banks shall not be less than 100% starting in 2018..



Thank You