

Financial Supervisory Commission Strategy Map for Anti-Money Laundering and Counter Terrorism Financing

Matter handled pursuant to resolution adopted at the 36th meeting of the Financial Supervisory Commission Board of Commissioners on 27 August 2018

- I. Legal compliance, AML/CFT operations, and risk management are the cornerstones of financial supervision. They are extremely important to the sound development and stability of financial markets. The FSC has targeted AML/CFT operations as a key supervisory focus, and it works to promote a culture of AML/CFT awareness, domestic policy coordination, and compliance with international regulations.

- II. In order to integrate AML/CFT work, the FSC established an ad hoc AML/CFT taskforce in 2015 to coordinate and discuss AML/CFT policies, measures, risk assessments, and other AML/CFT issues. At the same time, in order to bring about better understanding of and communication regarding the ML/TF risks of the financial industry as a whole, the FSC cooperates with organizations at home and abroad in hopes of acting as a responsible participant in the international AML/CFT supervisory regime.

- III. To do a better job of promoting AML/CFT policies and systems, the FSC has adopted an AML/CFT strategy featuring five focal aspects, and has developed a related action plan. This strategy and action plan are based on international standards and Chinese Taipei's national risk assessments, and are revised on the basis of strategies adopted in the past. They address our main ML/TF threats and vulnerabilities as well as challenges posed by emerging technologies, and take into account the special characteristics of our financial industry as well as its current

state of development. Under the aforementioned action plan, periodic reviews and rolling revisions constitute the FSC's strategy map for AML/CFT matters. The FSC hopes to shape and internalize a culture of AML/CFT compliance at financial institutions and improve the overall effectiveness of AML/CFT operations in Chinese Taipei, thereby making our financial system more transparent, winning international trust, and ensuring the sustainable financial and economic development in our country.

IV. The following is a brief description of the content of the FSC Strategy Map for Anti-Money Laundering and Counter Terrorism Financing.

1. Enhancing the AML/CFT legal framework and infrastructure

- (1) Making reference to the international regulations adopted by the Financial Action Task Force (FATF), the FSC continues to amend AML/CFT legislation and flesh out AML/CFT requirements governing financial leasing firms and certified public accountants.
- (2) In order to spur financial services firms to implement AML/CFT regulations, the FSC will adopt a diverse range of supervisory tactics and adopt more stringent punitive provisions in financial legislation in order to strengthen the dissuasive effect, and will also factor the status of AML/CFT operations into decisions on whether to approve applications submitted by regulated entities.
- (3) By fleshing out the nation's payments legislation and building a safe and effective payments environment, the FSC will increase the domestic use of e-payment services, thus reducing the risk of cash being used for money laundering.
- (4) The FSC will improve the benefits of compliance by continuing to enhance public-private cooperation mechanisms and information

sharing, and by promoting AML/CFT auxiliary mechanisms, including mechanisms to help financial services firms implement customer due diligence.

2. Continue strengthening risk-based supervision

- (1) Optimize risk assessments: Making reference to national risk assessments, the FSC will flesh out its sectoral risk assessments and institutional risk assessments.
- (2) Risk-based supervisory approach: The FSC will identify and understand institutional risks, and adopt a risk-based approach to on-site and off-site supervision.
- (3) Increase the professional capacity of supervisory personnel in order to implement RBA supervision.

3. Implementing outreach measures to promote risk understanding within the industry and among the general public

- (1) Guidance and feedback: The FSC issues supplementary explanatory notes on the nature of AML/CFT-related statutory obligations, and oversees financial industry trade associations in their work to issue related guidelines to help financial services firms comply with AML/CFT regulations. Examples include: guidelines on the prevention of tax-related money laundering and trade finance-related money laundering; securities firm best-practice principles for ML/TF risk assessment reports; and a model AML/CFT checklist and assessment form for insurance brokers and agents. The FSC also uses multiple channels—including on-site examination wrap-up meetings, panel discussions, and the special AML/CFT section of the FSC website—to help financial services firm understand AML/CFT matters and their related obligations.

- (2) Developing red flags and typologies: The FSC works with law enforcement authorities and the financial intelligence unit (FIU) to assist with their work when it involves high-risk lines of business, and to collaborate with them in developing red flags. The FSC will also continue strengthening communications with financial services firms to ensure that they understand the latest information regarding AML/CFT and non-proliferation matters.
- (3) Financial compliance forums: Financial industry peers meet regularly to discuss AML/CFT operations, filing of suspicious transaction reports, and questions about application of the law. Interaction and mutual learning among peers improves compliance capacity in the financial industry.
- (4) The FSC conducts interviews with financial institutions to shape a culture of AML/CFT compliance, and to urge financial institutions to properly implement the various aspects of AML/CFT work, including risk assessments, customer due diligence, and the filing of cash transaction reports and suspicious transaction reports.
- (5) Continuation of AML/CFT outreach measures to improve public understanding of and support for AML/CFT work.

4. Monitoring new and emerging risks in response to evolving threats

- (1) FinTech brings convenience and opportunities, and expands the possibilities of financial services, but new technologies and opportunities can also generate ML/TF risks. In the face of FinTech's opportunities and challenges as well as issues concerning digital IDs and digital currencies, the FSC pays close attention to the latest developments and international regulations, and responds in a timely manner to mitigate risks.
- (2) The FSC requires financial institutions to conduct reasonable risk

assessments and take needed risk mitigation measures. However, the FSC also urges financial institutions to avoid excessive de-risking, since this could restrict financial inclusion.

5. Strengthening domestic and cross-border supervisory coordination and cooperation

- (1) Inter-ministerial and public-private cooperation: The FSC has set up liaison mechanisms or supervisory platform mechanisms in collaboration with the Ministry of Justice (including the Investigation Bureau's Anti-Money Laundering Division), the Central Bank, the Ministry of Economic Affairs, and the Ministry of Finance in order to coordinate their AML/CFT work. In addition, the FSC also works together with the private sector, including financial industry trade associations and self-regulatory organizations to promote policies.
- (2) The FSC engages in exchange and cooperation with international supervisory bodies by, for example, participating in international bodies and conferences, signing MOUs, and attending meetings of supervisory colleges and periodic update meetings. The FSC also uses its offices in London and New York to collect information on international AML/CFT regulations and regulatory practices in order to keep in line with international policies.
- (3) The FSC works to strengthen cooperation and information between home- and host-country financial supervisory authorities in order to promote consolidated supervision.