

requiring fund operators to explain how its risk-return ratings are calculated, why each fund has received its particular risk-return rating, and any restrictions that may result from the rating; (C) revealing exchange rate risk in the risk disclosures signed by the investors; and (D) strengthening fund investment suitability assessments for customers.

- (2) To ensure more complete disclosures of ESG funds' investment policies, the FSC announced related rules. The key points included: (A) stipulating the details⁵⁵ to be published in issuance prospectuses or investor information summaries, and requiring that the aforementioned information shall be disclosed on a regular basis; (B) for the approved ESG-themed funds, the content disclosed in the investor information summary shall be rectified and submitted to the FSC for approval within six months; (C) an offshore fund, which is not compliant with the above rules, is not allowed to be claimed as a sustainability- or ESG-themed fund in marketing communications.

4.2 Effectiveness of Taiwan's measures to address the COVID-19 pandemic

In response to the impact of the COVID-19 pandemic on the domestic economy and society, the Legislative Yuan successively raised the ceiling on the special budget under the *Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens* to a total of NT\$840 billion,⁵⁶ and extended the applicable period⁵⁷ depending on the extent of the pandemic's impact. Those measures were aimed at boosting consumption and improving domestic demand, reducing the impact of the pandemic on the public and businesses, and maintaining the momentum of domestic economic growth.

As of the end of April 2022, NT\$712.1 billion had been executed under the special budget, accounting for about 85% of the total special budget of NT\$840 billion. The remaining budget will be used based on the pandemic developments in the future. In addition, as of April 27, 2022, domestic banks had accepted a total of 607,429 applications for relief loans, with the amount totaling NT\$5.22 trillion, either under various government (including the Bank) programs or banks' self-run relief lending initiatives. Among these measures, the Special Accommodation Facility launched by the Bank to support financially distressed SMEs had

⁵⁵ The disclosures included ESG investment objectives and measurement standards, investment strategies and methods, allocations of investment ratios, performance indicators, exclusion criteria, risk warnings, and participation in due diligence and governance.

⁵⁶ In February 2020, the Executive Yuan promulgated the *Special Act for Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens*, initially set at NT\$60 billion, followed by an additional budget of NT\$150 billion in April, NT\$210 billion in July and NT\$260 billion in October. This special budget was again expanded by NT\$160 billion in June 2021 with the amount totaling NT\$840 billion.

⁵⁷ In May 2021, the Legislative Yuan agreed to extend the special COVID-19 relief act and its associated budget to June 30, 2022. Amid a continued and severe outbreak of infections, the Executive Yuan presented to the Legislative Yuan in April 2022 the extension of the special COVID-19 relief act and its associated budget to June 30, 2023.

approved 306,888 applications with the amount totaling NT\$503.5 billion as of April 29, 2022 (Table 4.3), representing an effective effort to help vulnerable SMEs access the needed working capital to weather the pandemic.

Table 4.3 The effectiveness of the Bank's Special Accommodation Facility (as of April 29, 2022)

		Program A	Program B	Program C	Total
Applications	No. of cases	76,053	59,823	176,811	312,687
	Amount (NT\$bn)	151.8	272.9	90.6	515.3
Cases approved	No. of cases	74,796	59,187	172,905	306,888
	Amount (NT\$bn)	148.1	267.7	87.8	503.5

Notes: 1. Program A aims at assisting SMEs to obtain financing up to NT\$4 million per borrower. The program is offered at an interest rate of up to 1% per annum with 90% of credit guaranteed by Taiwan SMEG. This scheme is available from April 1, 2020 to December 31, 2021.

2. Program B aims at assisting SMEs to obtain financing up to NT\$16 million per borrower. The program is offered at an interest rate of up to 1.5% per annum with collateral required by banks (or 80% of credit guaranteed by Taiwan SMEG). This program is available from April 1, 2020 to December 31, 2021.

3. Program C aims at assisting small-scale business entities to obtain financing up to NT\$1 million per borrower. The program is offered at an interest rate of up to 1% per annum with 100% of credit guaranteed by Taiwan SMEG. This program is available from April 20, 2020 to December 31, 2021.

Source: CBC

Thanks to the effectiveness of those economic relief measures, Taiwan sustained economic growth at 6.57% in 2021, reaching an 11-year high and faring much better than major economies in Europe, North America, and Asia. The unemployment rate gradually declined from a peak of 4.8% in June 2021 to 3.64% at the end of the year, and the number of employees who agreed to negotiated reductions of working hours with their employers also decreased significantly from a peak of 58,731 at the end of August 2021 to 12,198 in April 2022. Meanwhile, benefiting from increasing demand for electronics as well as for traditional products underpinned by a sustainable economic recovery worldwide, the profitability of TWSE-listed and OTC-listed companies in 2021 reached the highest level in nearly a decade, driving the domestic stock market to record highs.

Moreover, despite the lingering challenge of the pandemic, Taiwan's financial institutions continued to make profits in 2021. Among them, life insurance companies and bills finance companies kept making record-high profits. Meanwhile, the average NPL ratio of domestic financial institutions remained at a low level, reflecting satisfactory credit quality, and their capital levels continued to be adequate and well above the statutory minimum. All of the aforementioned performance shows that financial institutions still operated soundly in spite of

a negative shock from the epidemic.

4.3 The Bank will continue to adopt measures to promote financial stability when necessary

Despite the fact that the pandemic continued to develop, though its impact on global economic activity began to gradually fade, Taiwan's financial markets and financial infrastructure functioned well and developed steadily in 2021. Profitability of financial institutions also remained satisfactory with sound asset quality and adequate capital levels. Overall, Taiwan's financial system remained stable. The Bank continued to adopt appropriate monetary, credit and foreign exchange policies in response to changes in the global and domestic economic and financial conditions to promote financial stability. Meanwhile, the FSC revamped financial regulations and enhanced financial supervisory measures to facilitate sound operations of financial institutions and maintain financial stability.

Entering the year 2022, global economic recovery continued. However, the resurgence of the Omicron variant, persistent supply chain bottlenecks and the recent Russian invasion of Ukraine which propelled major economies to impose economic and financial sanctions on Russia have constrained raw commodity supplies, resulting in price hikes and adding to global inflationary pressures. Moreover, with the United States and other major countries gradually withdrawing from their accommodative monetary policies, global economic growth is expected to be more moderate. Looking ahead, geopolitical tensions, soaring international raw material prices and recurring pandemic outbreaks caused by new coronavirus variants could lead elevated global inflation to become entrenched. Moreover, the accelerated pace of monetary tightening in major economies could increase volatility in financial markets and create more downside risks to the global economy.

Considering that the international economic outlook is still surrounded by many uncertainties, the Bank will continue to pay close attention to the impacts of relevant subsequent developments on domestic economic and financial conditions so as to take appropriate response measures in a timely manner to promote financial stability.