

Taiwan's Fintech Regulation

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Fintech industries such as electronic payments, P2P lending, big data analysis, and virtual digital assets are emerging sectors that many countries are actively developing. However, Taiwan's fintech ranking globally is not ideal—its highest ranking was 35th, but recently it has dropped to 66th, indicating that its international competitiveness in fintech development still needs significant improvement. According to the author's years of experience interacting with fintech startups, one major pain point for Taiwan's fintech sector is the issue of financing. Additionally, fostering an innovative ecosystem or clustering is also crucial, and both factors are closely tied to the regulatory challenges faced by Taiwan's fintech industry.

This article analyzes the current status, issues, and future of fintech regulation in Taiwan. In terms of fintech regulatory models, Taiwan's small economic scale means that innovations by fintech companies cannot be widely replicated, so unlike some countries where fintech companies are left to develop freely, Taiwan would be more suited to a "government should actively intervene" model. However, to date, Taiwan's fintech companies have not been formally regulated, despite having lobbied for this for years. There is a shared expectation that when issues arise, the regulatory authorities will act as a support system, providing guidance and assistance.

In fact, regulating fintech is quite challenging as it not only involves the traditionally high-intensity regulation of the financial sector but also requires complex inter-departmental regulatory coordination. Furthermore, fintech is difficult to define, and Taiwan's Financial Supervisory Commission (FSC) currently does not explicitly include fintech companies under its regulatory scope. In the past, the FSC's strategy for fintech development focused on promoting cooperation between traditional financial institutions and fintech companies. However, due to recent domestic and international incidents such as fraud in cryptocurrency exchanges, money laundering, and scams through real estate lending platforms like im.B, which resulted in losses of over a billion dollars and harmed social financial stability, the FSC was assigned by the Executive Yuan in March 2023 as the supervisory authority for virtual asset platforms with financial investment or payment characteristics. Apart from the regulatory issue, in terms of supporting Taiwan's fintech development policies, the key question now is

whether the FSC can shift its previous focus, which primarily supported financial institutions developing fintech, to a more balanced policy that also promotes the development of the fintech industry and strengthens support for fintech companies' financing needs.

Additionally, Taiwan released the "Financial Technology Development and Innovative Experimentation Act" in late January 2018, which was the world's first financial regulatory sandbox special law aimed at promoting fintech development. However, since its implementation, only nine cases have been approved and successfully passed the sandbox test, indicating limited effectiveness. Although relevant authorities have commissioned research on this, particularly regarding amendments to the sandbox framework, no research results have been published or subsequent actions announced to date.

In addition to addressing the regulatory inclusion and improving the sandbox framework, this article concludes with two concrete suggestions for promoting fintech development: collaboration between the Ministry of Digital Development and the FSC in cross-departmental sandbox regulation, and utilizing fintech to address government issues in terms of processes and methods. These measures aim to increase the opportunities for Taiwan's fintech sector to grow and thrive.

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