KPMG

Taiwan Banking Report 2026



Foreword

In 2026, KPMG Taiwan publishes its Taiwan Banking Industry Report for the eighth consecutive year. Drawing on the client-service experience of professionals across the firm and their observations of domestic and international market trends, the report presents a carefully selected set of influential and significant topics from 2025 to 2026 as its principal themes. We hope that the report will continue to offer business leaders a multifaceted understanding of developments in Taiwan's banking industry.

In recent years, following the disruptions caused by the pandemic and geopolitical turbulence, the global economy has gradually moved toward a moderate recovery, while the financial system has continued to play an important role in allocating resources and diversifying risk amid a rapidly changing environment. Since 2025, the global economy has maintained a steady pace of development. Although the United States' reciprocal tariff policy initially prompted a reconfiguration of global supply chains and heightened trade uncertainty, market confidence has gradually stabilized as countries pursued active negotiations and tariffs were progressively adjusted. Together with effectively contained inflationary pressures and the relatively accommodative monetary policies adopted by major central banks, these developments have enabled the global economy to sustain moderate growth. The United States and China, the world's two largest economies, have continued to demonstrate strong resilience despite trade frictions and pressures arising from structural transformation, thereby serving as important anchors of global economic stability.

As a highly export-dependent economy, Taiwan is inevitably affected by volatility arising from global events. Nevertheless, Taiwan delivered an impressive economic performance in 2025, driven primarily by a surge in export demand generated by the rapid development of emerging technologies such as artificial intelligence (AI). In particular, strong support from the high-performance computing and semiconductor-related industries significantly strengthened export momentum, lifting the full-year economic growth rate to its highest level in nearly 15 years. Although pronounced financial market volatility posed challenges to financial institutions' investment operations, sound overall fundamentals continued to provide solid support for the financial system.

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Among Taiwan's three major financial sectors, the banking industry delivered particularly strong results, sustaining growth in total assets, revenue, and profitability while demonstrating a high degree of operational resilience amid a volatile environment. Even as investment income declined because of market fluctuations, banks maintained their overall operating performance through stable interest income and continued growth in fee income. Pre-tax earnings posted double-digit growth for several consecutive years, demonstrating the banking industry's stable earnings capacity and sound risk management mechanisms amid a relatively stable interest rate environment and robust corporate financing demand.

At the same time, the policy environment has provided important impetus for the banking industry's development. In recent years, the government has actively advanced the Asian Asset Management Center Initiative, continued to ease relevant regulations, and expanded the scope of high-asset customer business, thereby giving banks greater room to develop their wealth management operations.

From a business development perspective, Taiwan's banking industry has continued not only to strengthen its lending and deposit businesses, but also to achieve significant results in credit cards, wealth management, and digital finance. Credit card transaction value reached another record high, indicating continued growth in domestic consumption and the increasing prevalence of cashless payments. Assets under management in high-asset customer business surpassed NT$2 trillion, reflecting customers' growing demand for professional asset allocation and wealth succession planning. The development of digital accounts and internet-only banks signals a deepening digital transformation in financial services. These changes have not only driven growth in banks' fee income, but also enhanced overall service efficiency and customer retention.

Meanwhile, the rapid development of financial technology has brought both opportunities and challenges for the banking industry's transformation. Following the passage of the Virtual Asset Service Act on its third reading, the regulatory framework for digital assets is becoming progressively more robust. From integrating blockchain technology into supply chain finance and promoting financial inclusion

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through robo-advisory services, to enabling passwordless authentication through Financial FIDO and applying artificial intelligence to fraud prevention and risk management, banks are actively adopting emerging technologies to enhance their competitiveness. These technologies not only improve operational efficiency, but also further reshape the financial services ecosystem and reinforce banks' central role in facilitating the flow of funds and managing risk.

At the same time, sustainable development and the transition to net-zero emissions have become a global consensus, with the banking industry playing a pivotal role in advancing green finance. Through green lending, sustainable financial products, and innovative mechanisms that link consumer payments with carbon-reduction activities, banks are gradually guiding corporate and retail customers toward a low-carbon economy. In doing so, they seek to strike a balance between economic growth and environmental protection.

Looking ahead to 2026, although the global economy continues to face challenges arising from tariffs, geopolitical conflicts, and market uncertainty, overall fundamentals are expected to remain sound and support steady growth. Taiwan's economic momentum should remain well supported by continued expansion in the AI industry and a concurrent strengthening of domestic and external demand. Meanwhile, with the benefit of multiple positive factors—including sustained net interest margins, growing demand for wealth management, and policy support—the banking industry is highly likely to maintain steady operational growth. The following sections examine the selected topics in greater detail. Should you have any questions or comments regarding any chapter, please feel free to contact us.



Jeff Chen
Chairman
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Taiwan's Banking Industry Overview: Operational Resilience Supports Continued Profit Growth, with Further Expansion Expected in 2026



Sean Chen
Head of Financial Services
Head of Asian Asset Management Innovation Services

At the beginning of 2025, the global economy and investment markets continued the steady performance seen in 2024. However, the implementation of the United States' reciprocal tariff policy increased supply chain risks and significantly impacted market sentiment, leading to a temporary deterioration in expectations for the economic outlook. As trade negotiations progressed, tariff rates were gradually reduced, substantially easing uncertainty and restoring confidence. This helped stabilize international investment markets. Furthermore, with inflation effectively under control, the U.S. Federal Reserve implemented a series of interest rate cuts, supporting the economy in maintaining a moderate growth trajectory.

China, which was not facing significant inflationary pressure, demonstrated strong resilience in mitigating the adverse effects of trade conflicts on its economic fundamentals through the government's continued efforts to expand domestic demand, alongside proactive fiscal measures and accommodative monetary policies. Both the United States and China maintained steady economic growth, which helped support stable global economic expansion throughout 2025.

The United States' reciprocal tariff policy created significant trade uncertainty for major trading nations around the world, and Taiwan, whose economy is heavily dependent on exports, was not immune to its impact. As a result, the government initially adopted a relatively cautious outlook toward the domestic economy. However, as tariff negotiations progressed, the uncertainty surrounding the economy and financial markets gradually diminished. At the same time, the rapid adoption of emerging technologies such as artificial intelligence (AI) generated strong demand, driving robust export growth and helping Taiwan deliver an impressive economic performance in 2025.

Although economic fundamentals remained solid, the year was characterized by considerable volatility, with financial markets experiencing significant fluctuations that placed pressure on the operations of financial institutions. Nevertheless, the banking industry

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demonstrated strong operational resilience, achieving double-digit profit growth for the full year. According to statistics from the Financial Supervisory Commission (FSC), the combined pre-tax earnings of Taiwan's banking, insurance, and securities industries reached NT$988 billion in 2025, representing a 6.7% decline compared with 2024. Among the three sectors, the banking industry once again accounted for more than half of total earnings and delivered the strongest performance.

Looking ahead to 2026, the government expects the economy to maintain solid growth momentum. At the same time, the central bank is unlikely to have significant room for further interest rate cuts. In addition, the active promotion of financial initiatives such as the Asian Asset Management Center (AAMC) policy is expected to support the development of banks' wealth management businesses. Consequently, the likelihood of Taiwan's domestic banking sector maintaining its growth trajectory in 2026 remains high.

Resilient U.S. and Chinese Economies Help Sustain Global Growth Amid Tariff Policy Disruptions

In April 2025, U.S. President Donald Trump declared a national emergency and invoked the International Emergency Economic Powers Act (IEEPA) to introduce a reciprocal tariff policy. Under this policy, the United States imposed a baseline tariff on imports from all countries and additional reciprocal tariffs on dozens of trading partners. The initiative aimed to promote fair trade competition and encourage the reshoring of manufacturing activities to the United States in order to support domestic economic growth.

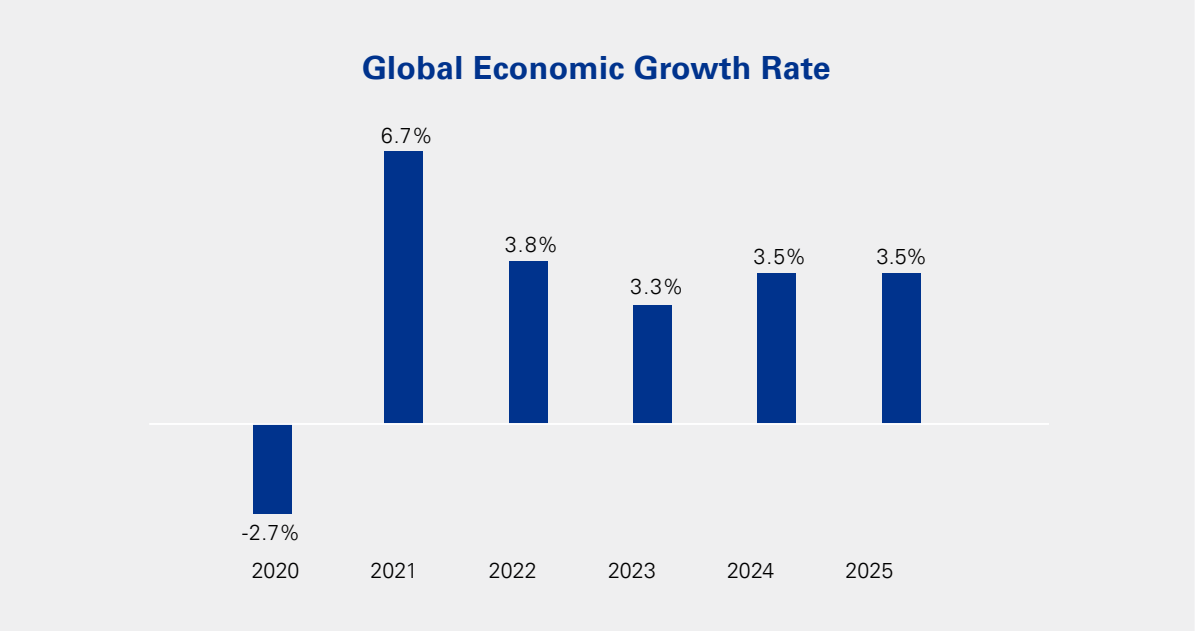
However, the reciprocal tariff policy intensified trade tensions and heightened supply-chain risks, temporarily undermining market confidence in the economic outlook and weighing on financial market performance. As trade negotiations between the U.S. government and its trading partners progressed, tariff rates gradually became more clearly defined, reducing uncertainty and helping restore confidence. Consequently, investment markets gradually stabilized. At the same time, inflation in the United States remained under control. Amid concerns over a weakening labor market, the Federal Reserve resumed its monetary easing cycle in September 2025 and implemented a series of consecutive interest rate cuts, helping the U.S. economy maintain a moderate annual growth rate of approximately 2% for the year.

Under the U.S. tariff escalation policy, trade tensions between China and the United States intensified once again. At the same time, competition between the two countries in the high-tech sector continued to deepen, creating headwinds for China's economic development. Nevertheless, the Chinese government remained committed to expanding domestic demand through proactive fiscal measures, complemented by a moderately accommodative monetary policy.

Supported by these policy initiatives, together with the positive progress of U.S.-China trade

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negotiations, China's economy gradually regained stability and ultimately achieved its target growth rate of around 5%. Despite ongoing tariff disputes and trade frictions, the world's two largest economies—the United States and China—maintained steady economic growth and demonstrated considerable resilience. Their solid performance helped support global economic growth of 3.5% in 2025, marking the fifth consecutive year in which global growth exceeded 3%.



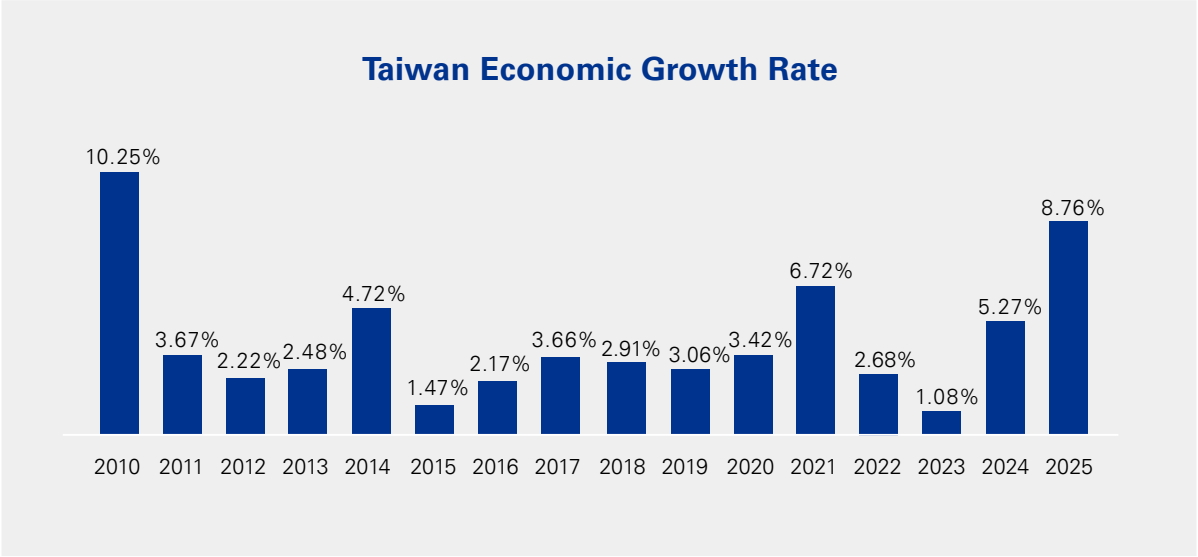
Source: IMF, as of July 2026

Surging Demand for Emerging Technologies Drives Export Growth and Delivers Taiwan's Strongest Economic Expansion in Nearly 15 Years

The recovery in exports helped Taiwan achieve its strongest economic growth in three years in 2024, while a further surge in exports in 2025 drove economic growth to its highest level in the past 15 years. Taiwan's exports rebounded from an annual decline of 9.8% in 2023 to a growth rate of 9.9% in 2024, supporting economic growth of 5.27% for the year, the strongest performance in three years. In 2025, the accelerated adoption of emerging technologies such as AI led to a sharp increase in demand for computing power and a surge in demand for AI infrastructure deployment. As a result, Taiwan's exports expanded by an impressive 34.9% compared with the previous year, driving economic growth to above 8.5% and marking the strongest economic performance in the past 15 years.



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Source: Directorate-General of Budget, Accounting and Statistics (DGBAS), as of May 2026

Domestic Banks Maintain Solid Operating Momentum, with Revenue, Profits, and Assets Continuing to Grow

With inflation remaining well under control, the U.S. Federal Reserve resumed its rate-cutting cycle in the second half of 2025 and implemented three consecutive rate cuts in response to concerns about a weakening labor market. In Taiwan, the annual inflation rate fell below 1.5% by the end of the year, indicating stable price conditions. At the same time, economic growth followed an upward trajectory, accelerating after a relatively subdued start to the year, while the unemployment rate declined to a 25-year low of 3.35%, reflecting the strength of the underlying economic fundamentals. Unlike the United States, Taiwan's economic environment did not warrant interest rate cuts. Consequently, after implementing a precautionary rate hike in the first quarter of 2024, the Central Bank of the Republic of China (Taiwan) maintained its policy interest rates unchanged through the end of 2025. This helped domestic banks maintain a relatively stable interest spread between deposits and loans. Furthermore, continued investment in the technology sector supported strong corporate funding demand, which remained favorable for the lending business of domestic banks.

The government has continued to relax regulations governing banks' wealth management business while introducing related supervisory measures. In addition to expanding the Wealth Management 2.0 initiative, it has actively promoted the AAMC policy, encouraging the flow of capital into the wealth management market. This has boosted sales of financial products such as mutual funds, insurance products, and bonds. Furthermore, strong travel and consumer spending activity has contributed to higher credit card fee income, thereby supporting the growth of banks' overall fee-based income. However, the U.S. government's

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announcement of a reciprocal tariff policy heightened global trade tensions and supply chain risks, leading to greater uncertainty in the international environment and temporarily weighing on investment markets. Although subsequent trade negotiations helped ease these uncertainties and supported a recovery in global financial markets, heightened market volatility increased the difficulty of investment operations. As a result, domestic banks experienced a notable decline in income from financial assets and liabilities measured at fair value through profit or loss (hereinafter referred to as investment income).

The steady growth in interest income and fee income not only offset the decline in investment income but also supported continued growth in the overall revenue of domestic banks in 2025. At the same time, effective control over the growth of expenses and losses enabled banks to maintain double-digit growth in pre-tax earnings. Overall business performance and profitability remained strong. Supported by the continued expansion of assets and shareholders' equity, domestic banks' return on assets (ROA) and return on equity (ROE) rose further to 0.78% and 10.83%, respectively, compared with 0.76% and 10.55% in 2024. Both ratios reached their highest levels since 2015.

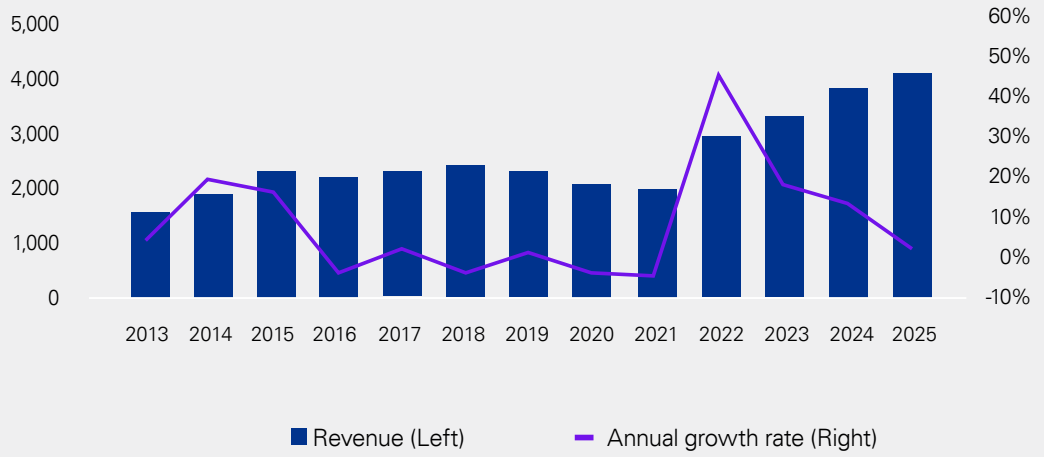
Revenue Continues to Grow for the Fourth Consecutive Year

Driven by strong export growth, Taiwan delivered an outstanding economic performance in 2025. As the impact of reciprocal tariffs gradually faded, the overall business environment remained favorable for the banking sector, enabling domestic banks to extend their revenue growth trend for a fourth consecutive year. According to statistics released by the FSC, the total operating revenue of domestic banks increased by 4.5% year-over-year to nearly NT$4 trillion in 2025, reaching its highest level since at least 2013. Although revenue continued to grow, the pace of growth was slower than the double-digit increases recorded during the previous three years.

Among the industry segments, revenue generated by banking subsidiaries of financial holding companies increased by 6.8% year-over-year to NT$3.12 trillion, with their share of total industry revenue rising from 76.4% to 78.1%. In contrast, revenue generated by non-financial holding company-affiliated banks declined by 3.1% to NT$874.5 billion, while their share of total revenue fell from 23.6% to 21.9%. These figures indicate that banking subsidiaries of financial holding companies remained the primary driver of revenue growth for domestic banks in 2025. From a business-unit perspective, domestic branches and China branches both recorded year-over-year revenue growth of 6.6%, making them the best-performing operating units. Revenue from overseas branches also increased by 6.5%, demonstrating similarly strong performance. Both domestic and overseas branches achieved positive revenue growth for the fourth consecutive year. In contrast, revenue generated by Offshore Banking Units (OBUs) declined by 16% compared with the previous year, marking the first annual contraction in the past four years.

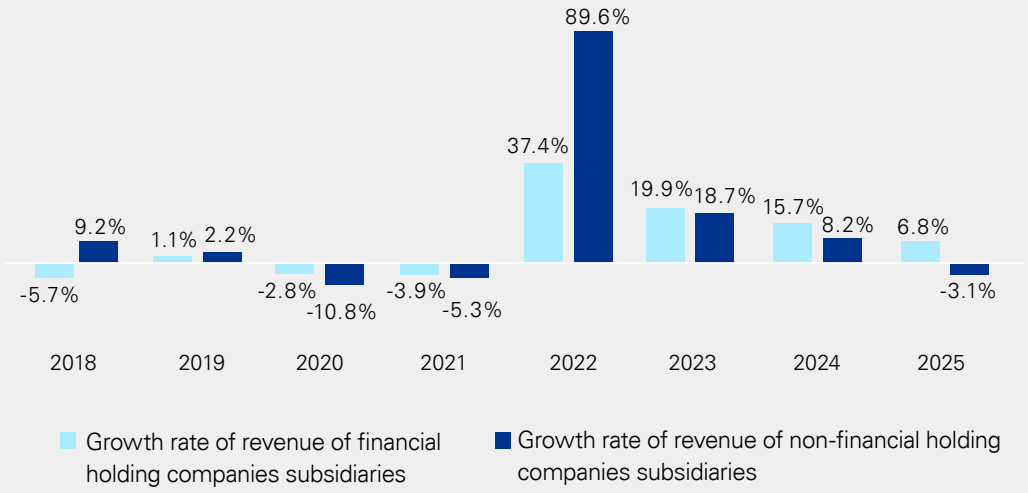
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Operating Revenue and Growth Rate of Domestic Banks (Unit: NTD in billions)



Source: FSC, as of December 2025

Operating Revenue Growth of Banks Affiliated and Not Affiliated with Financial Holding Companies



Source: FSC, as of December 2025

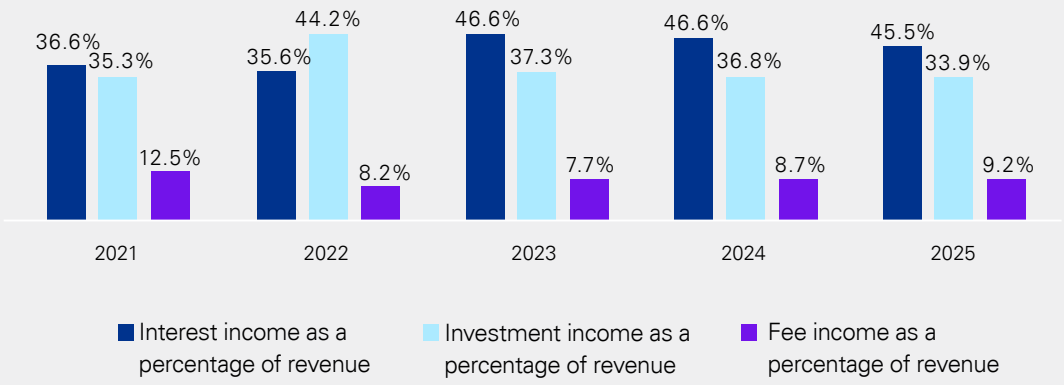
Interest, investment, and fee income are the three main components of domestic banks' operating revenue. Interest income continued to account for the largest share, while fee income posted double-digit growth for the third consecutive year; both supported further revenue expansion. Investment income, the second-largest component, declined amid increased market volatility and more challenging investment conditions, ending 3 years of consecutive growth.

According to statistics from the FSC, interest income of domestic banks increased by 2.1%

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year-over-year to NT$1.82 trillion in 2025. However, its share of total operating revenue declined slightly from 46.6% to 45.5%. Fee income rose by 11.3% year-over-year to NT$369.9 billion, marking the third consecutive year of double-digit growth. It was also the first time since 2014 that fee income had recorded annual growth of more than 10% for three consecutive years. As a result, its share of total revenue increased from 8.7% to 9.2%, rising for the second straight year. Meanwhile, investment income declined by 3.6% year-over-year to NT$1.36 trillion. Its share of total operating revenue fell from 36.8% to 33.9%, marking the third consecutive year of decline.

Interest, Investment, and Fee Income as a Share of Total Operating Revenue of Domestic Banks



Source: FSC, as of December 2025

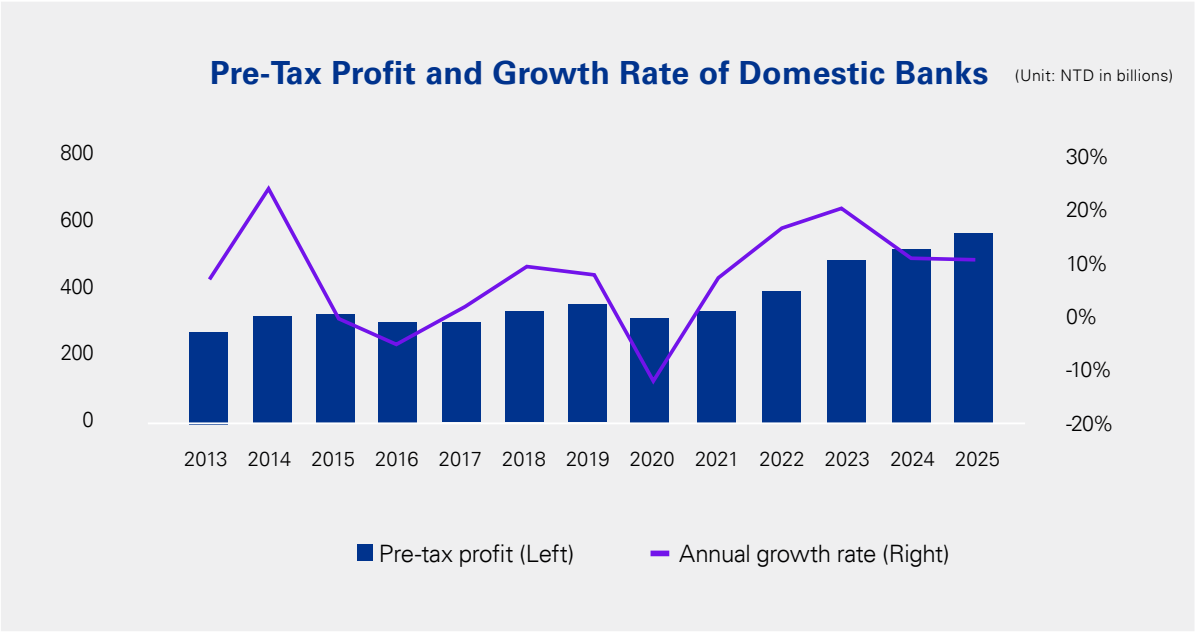
Pre-Tax Profit Achieves Double-Digit Growth for the Fourth Consecutive Year

Although the combined profitability of Taiwan's banking, insurance, and securities sectors declined and remained below NT$1 trillion, domestic banks continued their growth trajectory and contributed more than half of the three sectors' aggregate pre-tax earnings. According to FSC statistics, domestic banks' pre-tax profit increased by 10.7% year on year to NT$583.6 billion in 2025. This marked a fifth consecutive year of growth and a fourth consecutive year of double-digit expansion.

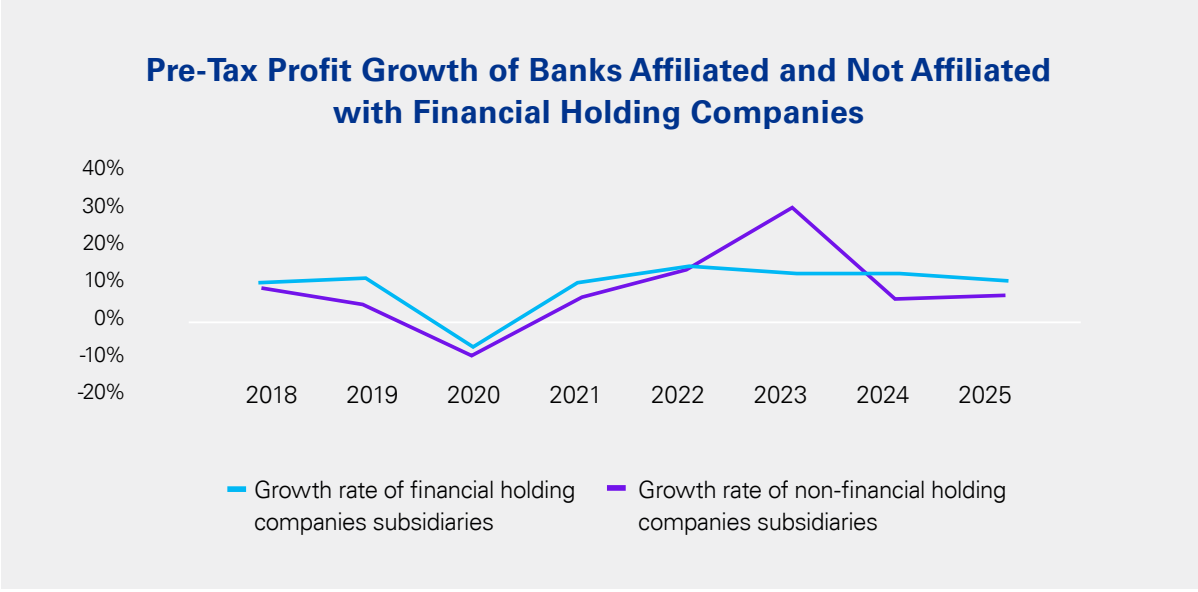
Bank subsidiaries of financial holding companies recorded a 12.6% year-on-year increase in pre-tax profit, compared with 14.7% in the previous year. This represented a fifth consecutive year of profit growth and a fourth consecutive year of double-digit expansion. Their share of total pre-tax profit edged up from 73.0% to 74.3%. Meanwhile, banks not affiliated with financial holding companies reported 5.4% growth in pre-tax profit, improving from 4.1% in 2024 and

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extending their growth streak to a fifth year. Their share of total pre-tax profit nevertheless declined slightly from 27.0% to 25.7%.



Source: FSC, as of December 2025



Source: FSC, as of December 2025

Although the overall revenue of domestic banks recorded only single-digit growth in 2025, pre-tax earnings continued to achieve double-digit growth, suggesting that effective management of expenses and losses played a significant role in supporting profitability. According to statistics from the FSC, total expenses and losses increased by 3.5% year-over-year to NT$3.42 trillion in 2025, a growth rate significantly lower than the 13.8% increase recorded in the previous year. Examining the three major sources of net income — net interest income,

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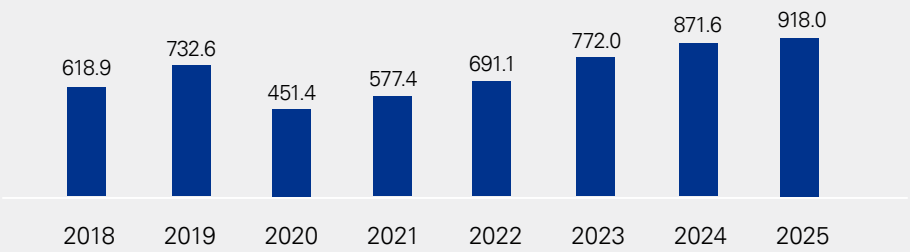
net investment income, and net fee income — both net interest income and net fee income grew by more than 10%, while net investment income experienced a substantial decline.

Among these income categories, interest expenses decreased by 3.8% year-over-year, a marked improvement compared with the 19% increase recorded in 2024. As a result, net interest income rose by 13.2% from the previous year, and its share of the three major sources of net income increased from 48.8% to 56.5%. Meanwhile, fee expenses increased by 8.7%, lower than the 9.8% growth recorded in 2024. Supported by double-digit growth in fee income, net fee income increased by 11.9% year-over-year, marking the third consecutive year of growth exceeding 10%. Consequently, its share of the three major sources of net income rose from 21.4% to 24.4%. In contrast, investment losses increased by 8.9% year-over-year, significantly higher than the 1.9% increase recorded in the previous year. Coupled with the decline in investment income, this resulted in a 37.3% decrease in net investment income, while its share of the three major sources of net income fell sharply from 29.8% to 19.1%.

In addition, the benefits of domestic banks' overseas operations have become increasingly evident in recent years, with profits growing steadily and making a meaningful contribution to the overall performance of Taiwan's banking sector. According to statistics from the FSC, profits generated by overseas branches and subsidiaries of domestic banks amounted to NT$61.89 billion in 2018. During the pandemic, these profits temporarily declined to NT$45.14 billion in 2020. As economic and business activities gradually returned to normal, overseas operations regained momentum, with profits reaching a record high of NT$91.8 billion in 2025. Among these overseas earnings, the Asian region contributed NT$73.04 billion, accounting for 79.6% of total overseas profits. Meanwhile, the government's strategically important New Southbound Policy countries generated NT$25.67 billion in profits, representing 28.0% of total overseas earnings.

Pre-Tax Profit of Overseas Branches and Subsidiaries of Domestic Banks

(Unit: NTD in 100 millions)



Source: FSC, as of December 2025

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Loans and Deposits Continue to Grow Steadily, While Credit Card Spending Reaches a New Record High

After the impact of the U.S. reciprocal tariff policy introduced in April gradually subsided, demand for emerging technologies such as AI supported a renewed expansion in exports, with growth exceeding 30%. This helped drive Taiwan's economy to achieve its strongest growth rate in nearly 15 years in 2025, reflecting solid economic fundamentals. The favorable economic environment has helped sustain corporate funding demand, supporting the continued growth of domestic banks' lending businesses. Against the backdrop of strong fundamentals and vibrant business activity, liquidity in the market has remained ample, supporting the steady growth of deposits at domestic financial institutions. In addition, while domestic private consumption continued to grow moderately, overseas spending increased significantly, driving credit card spending to another record high. As a result, related fee income has maintained its growth momentum.

Lending Maintains Steady Growth Momentum, with SME Lending Again Surpassing the Annual Target

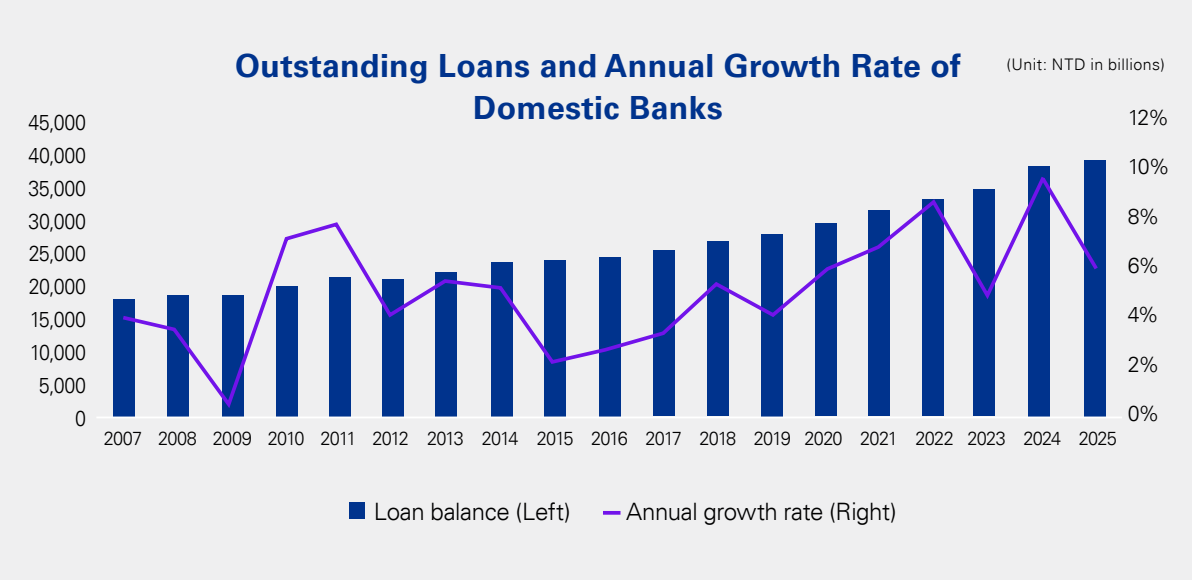
Although lending growth moderated, the long-term expansion trend continued, and SME lending again surpassed the annual target. According to FSC statistics, outstanding loans at domestic banks increased by 6.2% year on year to NT$44.8205 trillion at the end of 2025. Although the growth rate was lower than the 9.7% recorded in 2024, lending remained on an uninterrupted annual growth trajectory extending back to at least 2007.

Among domestic banks, banking subsidiaries of financial holding companies reported a 7.8% year-on-year increase in outstanding loans, compared with 10.5% in the previous year, maintaining a growth trend that has continued since at least 2007. Their share of total domestic bank lending increased from 71.1% to 72.1%, marking the second consecutive year of gains. In contrast, lending growth at banks not affiliated with financial holding companies slowed from 7.8% to 2.2% year-

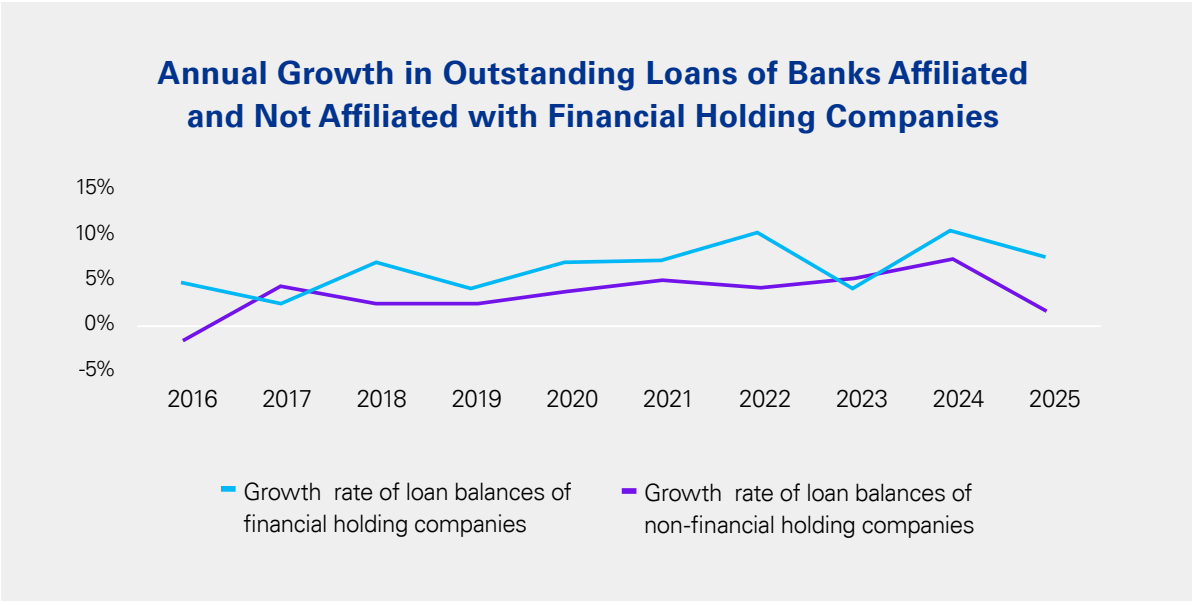


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on-year. Nevertheless, these banks continued the positive growth trend seen since 2017, although their share of total lending declined from 28.9% to 27.9%, representing a second consecutive year of contraction.



Source: FSC, as of December 2025



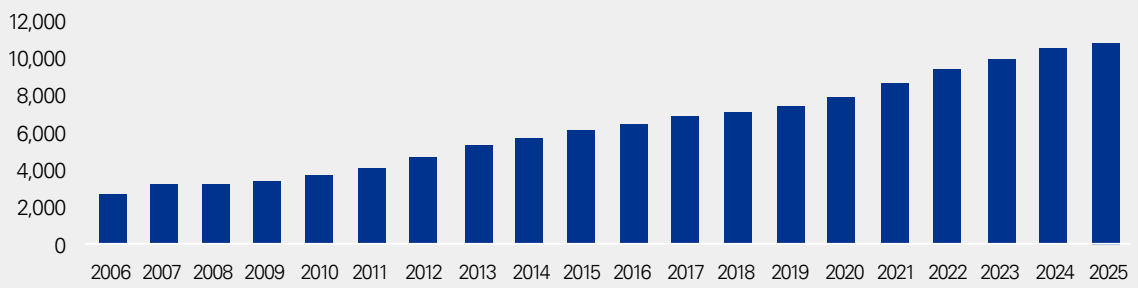
Source: FSC, as of December 2025

Outstanding corporate loans extended by domestic banks increased by 4.8% year-on-year to NT$16.4 trillion in 2025. Although the growth rate was lower than the 6.6% recorded in 2024, the upward trend in corporate lending has been maintained since 2000. Among corporate loans, lending to private enterprises accounted for 94.8% of total corporate lending, up from 94.3% a year earlier, marking the third consecutive year of increase. Outstanding loans to private enterprises rose by 5.4% year-on-year to NT$15.55 trillion, continuing the growth trend that has persisted since 2000.

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Within lending to private enterprises, SME loans accounted for 70.0% of the total outstanding balance. SME lending increased by 5.3% year on year to NT$10.89 trillion, an increase of NT$550.4 billion from the previous year. This exceeded the FSC's annual target of NT$460.0 billion and marked the 16th consecutive year in which the target was achieved. Meanwhile, outstanding consumer loans at domestic banks grew by 4.6% year on year to NT$13.35 trillion, extending the uninterrupted growth trend since 2012. Housing mortgage loans accounted for 86.2% of the total and rose by 4.4% year on year to NT$11.5 trillion. The growth rate was lower than the 10.4% recorded in 2024, primarily reflecting the Central Bank's seventh round of selective credit controls aimed at cooling the housing market.

Outstanding SME Loans of Domestic Banks (Unit: NTD in billions)



Source: FSC, as of December 2025

In October 2024, the FSC launched the Green and Transition Finance Action Plan, setting a target of expanding green investment and financing to NT$6 trillion by 2030. More than 1 year after its introduction, domestic banks have continued to promote green financing and channel financial resources toward low-carbon industrial transformation. Related lending activity has consequently maintained steady growth.

According to statistics compiled by the Joint Credit Information Center (JCIC), the number of green lending cases extended by domestic banks increased by 56.2% year-on-year to 234,314 cases in 2025, while the outstanding balance of green loans grew by 19.5% to NT$2.06 trillion. Both indicators have recorded double-digit growth for three consecutive years. In addition, the number of sustainability-linked financing cases rose by 46.3% year-on-year to 22,324 cases, while the outstanding balance increased by 27.3% to NT$1.9 trillion. The growth rate of outstanding balances has remained above 20% for three consecutive years. Meanwhile, social responsibility financing projects totaled 3,693,430 cases, with an outstanding financing balance of approximately NT$1.27 trillion.

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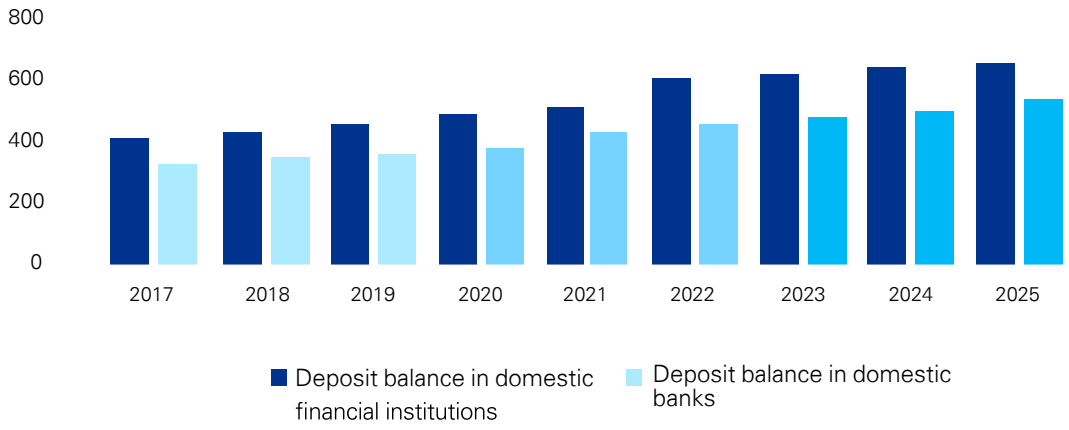
Bank Deposit Growth Moderates, While Their Share of Total Financial Institution Deposits Continues to Rise

According to data from the FSC, total deposits held by domestic financial institutions increased by 5.3% year-on-year to NT$65.14 trillion in 2025. The growth rate was slightly lower than the 5.5% recorded in the previous year and marked the fifth consecutive year of decelerating growth. Among domestic financial institutions, domestic banks accounted for 82.2% of total deposits, with their share rising for the third consecutive year. Outstanding deposits at domestic banks increased by 5.6% year-on-year to NT$53.53 trillion, although the growth rate moderated compared with the previous year.

By deposit type, demand deposits and demand savings deposits, which accounted for 38.8% of total deposits, increased by 5.0% year-on-year to NT$25.26 trillion. However, the growth rate has declined for four consecutive years. Time deposits and time savings deposits accounted for 32.7% of total deposits and rose by 8.8% year-on-year to NT$21.29 trillion, marking the first time in the past three years that growth has fallen below 10%. Meanwhile, foreign currency deposits, which represented 13.9% of total deposits, increased by only 0.1% year-on-year to NT$9.06 trillion, with growth remaining below 1% for a second consecutive year. During the first half of 2025, the New Taiwan dollar appreciated by more than 9% against the U.S. dollar, causing foreign currency deposits to decline to NT$8.24 trillion by the end of June, representing an 8.9% decrease from year-end 2024. In the second half of the year, however, the New Taiwan dollar depreciated by nearly 5%, helping foreign currency deposits rebound by more than 9%.

Outstanding Deposits at Domestic Financial Institutions and Domestic Banks

(Unit: NTD in 100 billions)



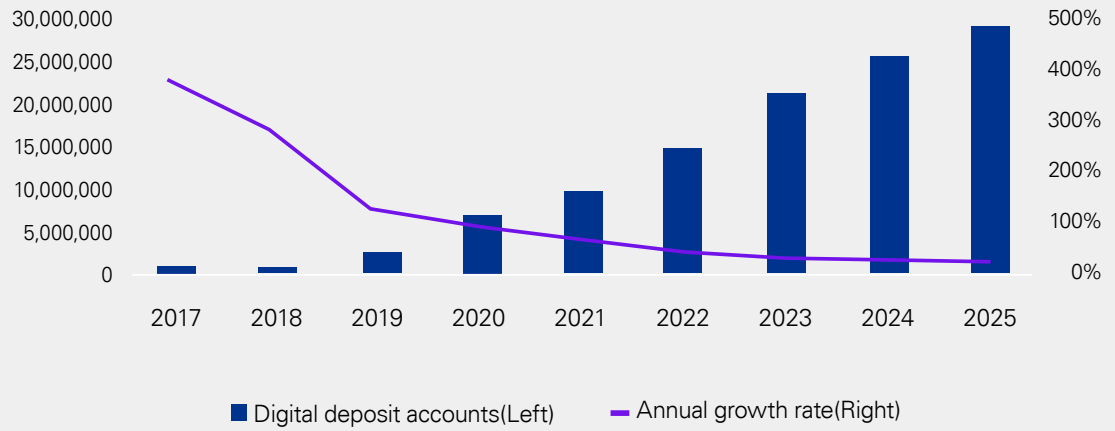
Source: FSC, as of December 2025

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Anti-fraud compliance remains a key supervisory priority for digital deposit accounts. As banks tightened account-opening reviews, account growth slowed further. FSC data show that 33 traditional banks and 3 internet-only banks offered digital deposit accounts in 2025, unchanged from the previous year. The total number of accounts rose by 15.2%, from 24,463,458 to 28,192,285, but the growth rate was the lowest since 2017, indicating a clear loss of momentum.

Among these institutions, the 33 traditional banks reported a 14.9% increase in digital deposit accounts, reaching 25,023,825 accounts, while the 3 internet-only banks recorded 18.0% growth, bringing their total to 3,168,460 accounts. Growth at traditional banks slowed noticeably, while internet-only banks recorded a modest acceleration. Compared with Taiwan's adult population, the number of digital deposit accounts indicates that account penetration is already high. Together with stricter anti-fraud requirements and more prudent account-opening reviews, growth in new accounts may moderate further. Banks are therefore likely to shift their strategic focus from customer acquisition toward engagement, cross-selling, and value creation within their existing digital customer base.

Digital Deposit Accounts and Growth Rate of Domestic Banks



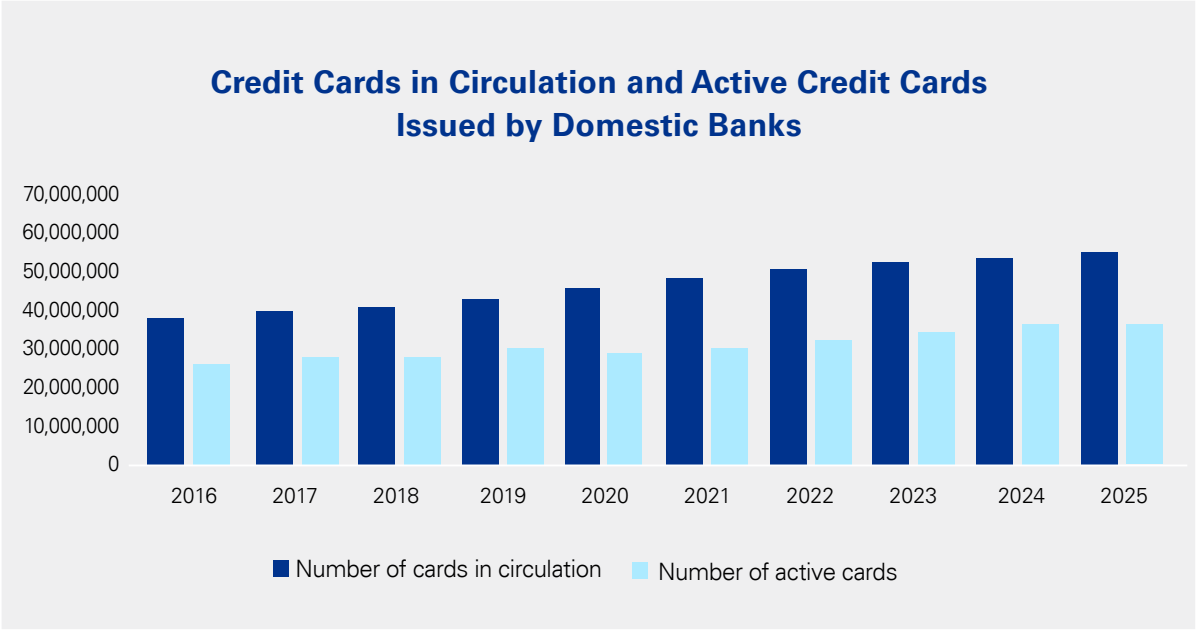
Source: FSC, as of December 2025

Credit Card Spending Reaches Another Record High, with Fee Income Rising for a Fourth Consecutive Year

In 2025, major domestic credit card issuers adopted operating strategies focused on strengthening their ecosystem offerings and adjusting cardholder benefits programs. These initiatives helped revive growth in both the number of cards in circulation and active cards. According to statistics from the FSC, the number of credit cards in circulation issued by domestic banks increased by 3.1% year-on-year to 59.68 million cards in 2025, exceeding the 0.8% growth rate recorded in 2024. Domestic

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banks accounted for 98.7% of all credit cards in circulation in Taiwan. Meanwhile, the number of active credit cards rose by 3.8% year-on-year to 40.23 million cards, representing 99.2% of all active credit cards in the domestic market.



Source: FSC, as of December 2025

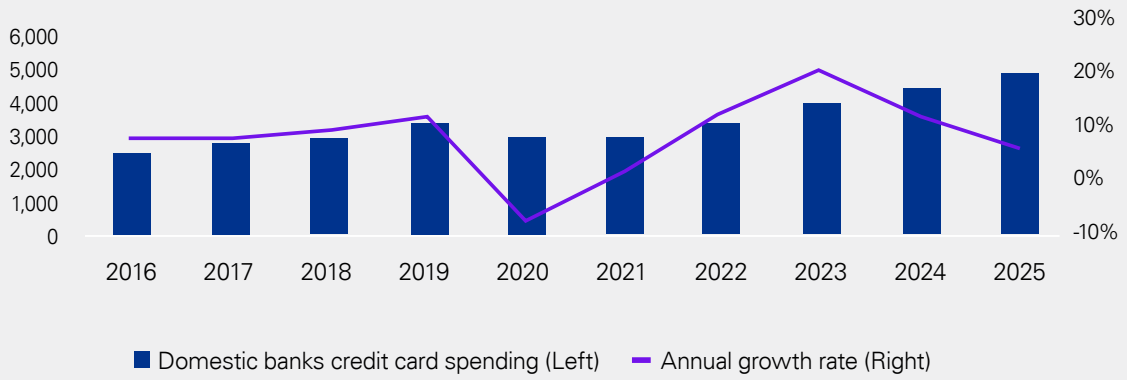
Although Taiwan's private domestic consumption grew by only 1.07% in 2025, overseas spending increased by 6.2%, while credit cards accounted for 57% of all non-cash payments. These factors helped drive credit card spending to another record high. According to statistics from the FSC, total credit card spending in Taiwan increased by 6.4% year-on-year to a record NT$4.99 trillion in 2025. Of this amount, domestic banks accounted for 98.3%, with credit card spending rising 6.5% year-on-year to a record NT$4.9 trillion, marking the fifth consecutive year of growth. Meanwhile, average spending per active credit card increased from NT$118,699 to NT$121,796, representing 2.6% year-on-year growth. Although the increase was lower than the 8.2% growth recorded in 2024, it marked the fifth consecutive year of growth in spending per active card.



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Credit Card Spending and Annual Growth Rate of Domestic Banks

(Unit: NTD in billions)



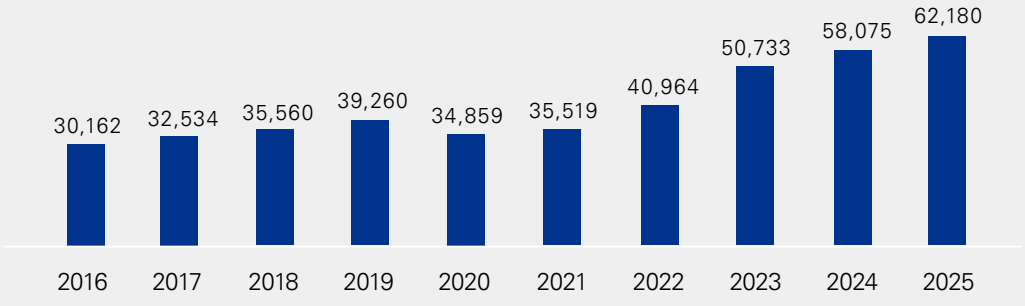
Source: FSC, as of December 2025

The three principal sources of credit card revenue are merchant discount fee income, revolving credit interest income, and cash advance fee income. In 2025, total revenue generated from these three sources by domestic banks increased by 6.8% year-on-year to NT$79.672 billion, marking the fourth consecutive year of growth. Meanwhile, the average revenue generated per active credit card rose from NT$1,925 to NT$1,980, a modest 2.9% increase from the previous year, extending the upward trend seen over the past four years.

Among the three revenue categories, merchant discount fee income increased by 7.1% year-on-year to NT$62.18 billion, recording positive growth for the fifth consecutive year and accounting for 78% of total credit card revenue. Revolving credit interest income rose by 6.1% year-on-year to NT$16.747 billion, marking its third consecutive year of growth

Merchant Discount Fee Income of Domestic Banks

(Unit: NTD in millions)



Source: FSC, as of December 2025

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and representing 21% of total revenue. In contrast, cash advance fee income declined by 4.6% year-on-year to NT$745 million, compared with 3.6% growth in the previous year, and accounted for only 0.9% of total credit card revenue.

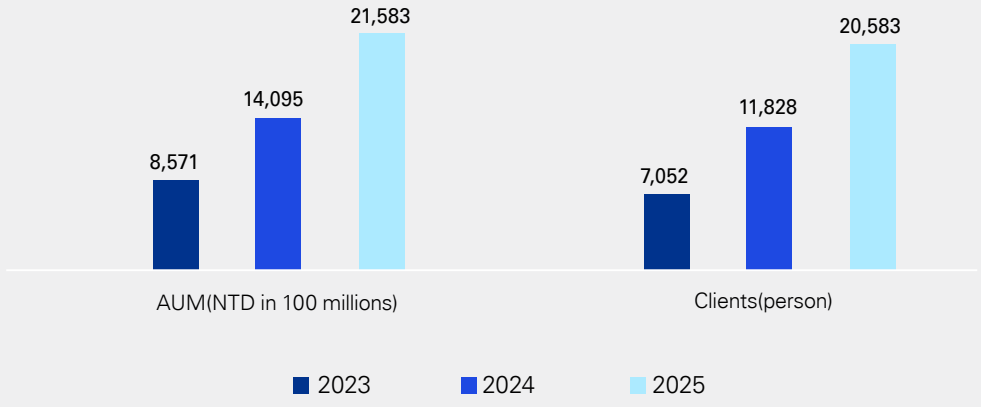
High-Net-Worth Wealth Management Assets Surpass NT$2 Trillion; Overall Retail Wealth Management Assets Likely Above NT$10 Trillion

The FSC relaxed the eligibility requirements for banks applying to conduct high-net-worth (HNW) wealth management business at the end of 2024, with the aim of encouraging more banks to gradually participate in this market and further expand the wealth management industry. By the end of 2025, the number of banks approved to offer HNW wealth management services had increased to 21.

The growing number of participating banks has increased demand for specialized talent and strengthened product development capabilities, in turn supporting business expansion. According to FSC statistics, the number of HNW clients served by banks rose by 74.0% year on year to 20,583 at the end of 2025, while assets under management (AUM) increased by 53.1% to NT$2.1583 trillion, surpassing NT$2 trillion for the first time. By June 2026, the number of HNW clients and AUM had increased further to 26,866 and NT$2.8063 trillion, respectively.

With the ongoing promotion of the AAMC initiative, the functions of designated wealth management zones are expected to expand further, deepening service capabilities and strengthening international connectivity. These developments should support continued growth in banks' HNW wealth management businesses and create additional opportunities for expansion.

HNW Wealth Management Clients and AUM of Domestic Banks



Source: Commercial Times, as of January 2026

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In addition to HNW services, conventional wealth management remains a core business for domestic banks. Offerings typically include mutual funds, exchange-traded funds (ETFs), structured products, equities, bonds, and insurance. Insurance products generally fall outside trust structures, while most other investments are offered through trusts that facilitate subscriptions, redemptions, and portfolio allocation.

Under Taiwan's Trust Enterprise Act, banks may conduct trust business with regulatory approval. According to the Trust Association of the Republic of China, 55 financial institutions are authorized to provide trust services: 35 traditional banks, 2 internet-only banks, 7 Taiwan branches of foreign banks, 10 securities firms, and 1 credit cooperative. Trust volumes attributable to banks therefore provide a useful proxy for the scale and composition of conventional wealth management in Taiwan's banking sector.

According to the Trust Association, domestic banks' trust business totaled NT$9.83 trillion at the end of the fourth quarter of 2025. This included money trusts, trusts of monetary claims and related security interests, securities trusts, movable and real property trusts, and property trusts for senior citizens and persons with disabilities. The total increased by 7% year on year, marking a sixth consecutive year of growth. Insurance also remains a key wealth management product. In Taiwan's predominantly life insurance market, new business premiums generated through bank channels reached NT$405.3 billion in 2025, the highest level in 4 years and more than 30% above the previous year.

Taken together, these figures indicate that conventional wealth management assets in Taiwan's banking sector exceed NT$10 trillion. Strong performance in both HNW and conventional wealth management has made the business a major source of fee income for state-owned banks. Hua Nan Bank, for example, has sustained a high fee-income base, strong growth, and high target attainment over the past 3 to 4 years, and is targeting further double-digit growth in 2026. Mega Bank likewise expects double-digit growth in net fee income in 2026, driven by insurance and bond-related fees, with wealth management contributing a larger share.

Virtual Asset Market Gains Strategic Importance, Creating New Opportunities for Banks

The virtual asset market has expanded rapidly in recent years, evolving from a largely speculative segment into an asset class with growing potential for financial innovation. As blockchain technology matures and regulatory frameworks become clearer, financial institutions are reassessing the associated opportunities and risks. Amid broader digital transformation and deeper fintech adoption, virtual assets represent both a new investment category and a potential shift in financial service delivery, drawing increasing attention to their long-term market prospects.

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As the government brings virtual asset service providers (VASPs) under regulation and advances thematic pilot programs, domestic banks are positioning themselves in this emerging market. Their participation should support market development while opening new sources of financial sector growth. In line with international trends, the FSC has strengthened VASP oversight in stages since 2021 by applying anti-money laundering requirements, supporting the formation of an industry association, replacing the declaration regime with registration, publishing a draft Virtual Asset Service Act, and advancing dedicated legislation.

In late 2024, the FSC launched a thematic pilot program for virtual asset custody to encourage financial institutions to develop secure and reliable services. Applications opened in early 2025, and five banks have since been approved. In May 2026, the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEx) jointly issued the Guidelines for Internal Control Systems for Holding Cryptocurrencies. The guidelines require listed companies using third-party custodians or trading platforms to select providers that hold the required approvals, registrations, or licenses. This creates business opportunities for banks and VASPs, particularly banks already approved to pilot custody services.

The Virtual Asset Service Act passed its third legislative reading on June 30, 2026, and was promulgated on July 22, 2026, marking a new phase in Taiwan's virtual asset regulatory framework. The Act replaces the anti-money laundering registration regime for VASPs with an authorization and licensing system. It also allows financial institutions to conduct virtual asset business with regulatory approval. The Executive Yuan will determine the effective date.

The new regime subjects the virtual asset industry to more comprehensive and stringent supervision, strengthening market integrity and investor protection. VASPs must obtain authorization for each service offered and meet prescribed capital, internal control, and risk management requirements before commencing operations.

VASPs registered for anti-money laundering purposes before the Act takes effect, and financial institutions already providing relevant services under FSC requirements, must apply for authorization within 12 months of the effective date and obtain the required authorization and license within 21 months. If necessary, the deadline may be extended once by up to 3 months. This transition period is intended to support an orderly shift to the new regime.

To safeguard market integrity, the Act prohibits misconduct such as fraud and price manipulation. Violations are punishable by imprisonment of 3 to 10 years and fines of NT$10 million to NT$200 million, increasing the cost of non-compliance and strengthening protection for market participants.

Stablecoins issued in Taiwan require the Central Bank's consent and FSC authorization. Issuers

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must maintain full reserve backing, place reserve assets in trust, and conduct regular audits and disclosures to protect holders and support market confidence.

VASPs must also join an industry association and comply with applicable industry standards and self-regulatory rules. The Act permits banks and other traditional financial institutions to conduct virtual asset-related business, subject to legal and risk management requirements. Their established expertise in operations, compliance, and risk control should help foster a more mature, transparent, and resilient market while strengthening Taiwan's competitiveness in digital finance.

For domestic banks, entering the virtual asset market could diversify fee income and attract younger customers. Banks that develop relevant services may strengthen brand competitiveness and market visibility as digital-native clients increasingly adopt cryptocurrencies and blockchain applications. By leveraging their capabilities in risk management, compliance, and asset security, banks can also serve as trusted intermediaries, addressing investor concerns and supporting orderly market development.

Banks nevertheless face challenges in virtual asset activities, including anti-money laundering compliance, cybersecurity, and price volatility. Robust regulation and internal controls are therefore essential. As virtual assets move toward the mainstream, domestic banks are likely to play a larger role. Institutions that build capabilities early and leverage their existing strengths will be better positioned to support market development and capture new sources of growth and value.

Internet-Only Banks Continue to Deliver Double-Digit Revenue Growth, with One Bank Achieving Monthly Profitability

By 2025, each of Taiwan's 3 internet-only banks had completed at least 3 full years of operations. Revenue continued to grow steadily, but all 3 remained loss-making. LINE Bank and Rakuten International Commercial Bank, however, substantially narrowed their losses. Despite continued regulatory liberalization, internet-only banks still offer a narrower range of services than traditional banks. Accordingly, while customer acquisition continues to improve, achieving full-year break-even may take additional time.

All 3 internet-only banks remained unprofitable in 2025. LINE Bank recorded the strongest improvement, reducing its pre-tax loss by 54.4% year on year to NT$509 million; its loss has declined by more than 20% annually for 3 consecutive years. Rakuten International Commercial Bank's pre-tax loss fell by 16.8% to NT$601 million, reversing the 9.9% increase recorded in 2024. By contrast, Next Bank's pre-tax loss rose by 13.7% to NT$1.062 billion, ending 2 consecutive years of improvement.

On a monthly basis, however, one internet-only bank has already achieved profitability, suggesting that the sector's first full-year

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profit may be within reach. According to FSC statistics, no internet-only bank recorded a monthly profit between the launch of Taiwan's first internet-only bank in December 2020 and November 2025. In December 2025, LINE Bank became the first to do so, reporting pre-tax profit of more than NT$10 million.

Supported by regulatory liberalization and continued investment in customer acquisition and business development, LINE Bank reached this milestone after more than 4 years of operations. FSC data show that it remained profitable in each month from January to March 2026, generating more than NT$50 million in pre-tax profit for the first quarter. This performance improves the prospect of achieving full-year profitability.

Banking Industry Outlook: Growth Expected to Continue Amid a Positive and Stable Economic Environment in 2026

After heightened market volatility in 2025 and the impact of the Middle East conflict in 2026, the global outlook combines moderate growth with elevated uncertainty. In its July 2026 World Economic Outlook Update, the International Monetary Fund projected global growth of 3.0% in 2026 and 3.4% in 2027, below the 3.5% average recorded in 2024–2025. AI-related technology investment should support economies linked to the global technology cycle, while renewed conflict in the Middle East, energy prices, trade fragmentation, and financial market repricing remain key risks to growth and inflation.

Demand for AI and high-performance computing should continue to support Taiwan's technology exports and investment. Actual growth, however, may be affected by base effects, market demand, trade policy, and geopolitical risks. The 2026 outlook should therefore be based on the latest official forecast from the Directorate-General of Budget, Accounting and Statistics (DGBAS) and monitored for subsequent revisions.

The Taiwan Institute of Economic Research's 2026 Business Outlook Survey indicates broad optimism among banks. Of the respondents, 95% expect wealth management volumes to increase, 85% anticipate growth in domestic branch business, 80% expect lending to expand, and 66% are positive about overseas operations. The government's Asian Asset Management Center initiative and continued regulatory liberalization should benefit clients ranging from HNW individuals to retail investors and further expand wealth management activity.

Despite persistent market uncertainty, the global and Taiwan economies are expected to remain on a steady growth path in 2026. Continued demand for emerging technologies, particularly AI, should support Taiwan's exports and corporate funding needs. This, in turn, is expected to create opportunities in corporate lending, trade finance, foreign exchange, and related services, supporting domestic and overseas banking operations. Taiwan's banking industry is therefore expected to sustain growth in 2026.

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Technology Validation and Business Pilots Pave the Way for Banks to Support Digital Asset Development



Wayne Lai
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In the 1980s, American cryptographer David Chaum introduced the concept of electronic cash and is widely regarded as a pioneer whose work laid important foundations for modern cryptocurrencies. Following the 2008 global financial crisis, the pseudonymous Satoshi Nakamoto published the Bitcoin white paper and subsequently launched the Bitcoin network, giving rise to the first decentralized cryptocurrency and marking a significant milestone in the digitalization of assets.

Building on Bitcoin's underlying technology and decentralized architecture, the emergence of smart contracts demonstrated the potential for broader digital asset transactions. These developments have accelerated the tokenization of real-world assets (RWAs), with stablecoins referencing financial assets such as the U.S. dollar or gold becoming a prominent use case.

As cryptocurrencies and other virtual assets have developed, digital asset trading has become an increasingly significant global trend. Given the pseudonymous nature of certain cryptocurrencies and the rapid expansion of virtual asset transactions, their misuse for illicit purposes has also increased. In response, the Financial Action Task Force (FATF) issued its Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers in 2019, calling on jurisdictions to license or register virtual asset service providers (VASPs) and subject them to anti-money laundering and counter-terrorist financing (AML/CFT) supervision. In line with these international standards, Taiwan brought VASPs within its AML/CFT framework and has progressively strengthened regulatory oversight.

In May 2025, the U.S. Congress considered the Guiding and Establishing National Innovation for U.S. Stablecoins Act, commonly known as the GENIUS Act. Following passage by Congress, the Act was signed into law on July 18, 2025, establishing the first comprehensive U.S. federal regulatory framework specifically for payment stablecoins. The legislation strengthened

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regulatory certainty and heightened market expectations regarding the role of stablecoins and the broader development of digital assets.

Compared with developments in major international markets, Taiwan has adopted a relatively measured approach to digital assets. Alongside continued enhancement of the VASP regulatory framework, the government has promoted technology validation initiatives and virtual asset custody pilot programs. These measures position banks and other financial institutions to support the prudent and sustainable development of Taiwan's digital asset ecosystem.

Taiwan Progressively Strengthens VASP Regulation through a Phased Supervisory Approach

In March 2023, the Executive Yuan designated the Financial Supervisory Commission (FSC) as the competent authority for virtual asset platforms with financial investment or payment characteristics, formally bringing VASPs within the government's regulatory remit. Drawing on international regulatory developments, the FSC has since adopted a phased approach to strengthening VASP requirements and supervisory oversight.

In response to the money laundering risks associated with virtual assets, the FSC issued the Regulations Governing Anti-Money Laundering and Countering the Financing of Terrorism for Enterprises Handling Virtual Currency Platforms or Transactions in June 2021, marking the first phase of VASP regulation in Taiwan. The regulations implemented relevant FATF standards and Taiwan's Money Laundering Control Act by bringing VASPs within the AML/CFT framework for the first time. In principle, VASPs became subject to AML/CFT obligations broadly aligned with those applicable to traditional financial institutions and were required to submit declarations of compliance to the FSC.

The second phase focused on facilitating the establishment of an industry association and overseeing the development of self-regulatory rules and internal control templates. In September 2023, the FSC issued the Guiding Principles for the Management of Virtual Asset Platforms and Trading Businesses (VASPs), setting out principles for virtual asset issuance, token listing and delisting reviews, segregation and custody of assets, information security, and internal control and audit mechanisms.

Following issuance of the Guiding Principles, the Taiwan Virtual Asset Service Provider Association was formally established in August 2024 to promote industry self-regulation. In accordance with the FSC's guidance, the association subsequently adopted six sets of self-regulatory rules covering token listing and delisting reviews, customer protection, AML/CFT, anti-fraud and industry-wide cooperation mechanisms, information security management, and segregation and custody of assets.

The third phase followed the July 2024 amendment to the Money Laundering Control

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Act, which replaced the previous declaration-based regime with an AML registration regime for VASPs. Under the revised framework, a VASP must complete registration with the FSC before providing virtual asset services. Operating without the required registration constitutes an offence and may result in criminal liability.

Drawing on regulatory frameworks in the European Union, the United Kingdom, Japan, South Korea and Hong Kong, as well as recommendations issued by the International Organization of Securities Commissions (IOSCO), the FSC published the draft Virtual Asset Service Act in March 2025 after consultation with industry representatives, academics and other stakeholders. The Executive Yuan approved the draft in April 2026 and submitted it to the Legislative Yuan, which passed the Act on third reading on June 30, 2026. Promulgated on July 22, 2026, the Act introduces a licensing regime and broadens regulation from AML/CFT compliance to prudential operations, market conduct and customer protection. Its effective date and detailed requirements will be prescribed through subsequent regulations.

Banks Can Serve as Key Enablers of Digital Asset Development through Technology Validation and Business Pilots

The introduction of Bitcoin not only stimulated global cryptocurrency trading but also established blockchain as an important enabling technology for financial innovation. Ethereum subsequently combined blockchain with programmable smart contracts, helping make it feasible to represent and transact real-world assets in tokenized form.

As financial technology has advanced, RWA tokenization has gained traction among major global financial institutions. Société Générale issued a tokenized covered bond on the Ethereum blockchain in 2019 and a tokenized green bond in 2023. JPMorgan Chase launched its proprietary blockchain platform, Onyx, in 2020 and rebranded it as Kinexys in 2024. The platform supports blockchain-based payment and settlement messaging and the management of tokenized assets, illustrating the growing integration of distributed ledger technology into traditional financial services.

To assess the preparations required for RWA tokenization, the FSC established an RWA Tokenization Task Force in 2024 together with banks, securities firms, securities investment trust enterprises, financial holding companies, the Taiwan Depository & Clearing Corporation (TDCC), the Taiwan Stock Exchange (TWSE), and the Central Bank of the Republic of China (Taiwan).

In addition to tokenization structures, the task force examines custody, trading and supporting market infrastructure. Its objective is to facilitate proof-of-concept (PoC) projects, business pilot applications and financial innovation experiments by participating institutions. The task force has initiated PoC testing for domestic and offshore bonds

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and funds and may subsequently assess the feasibility of a single RWA tokenization trading platform for Taiwan, thereby supporting practical on-chain applications and regulatory alignment.

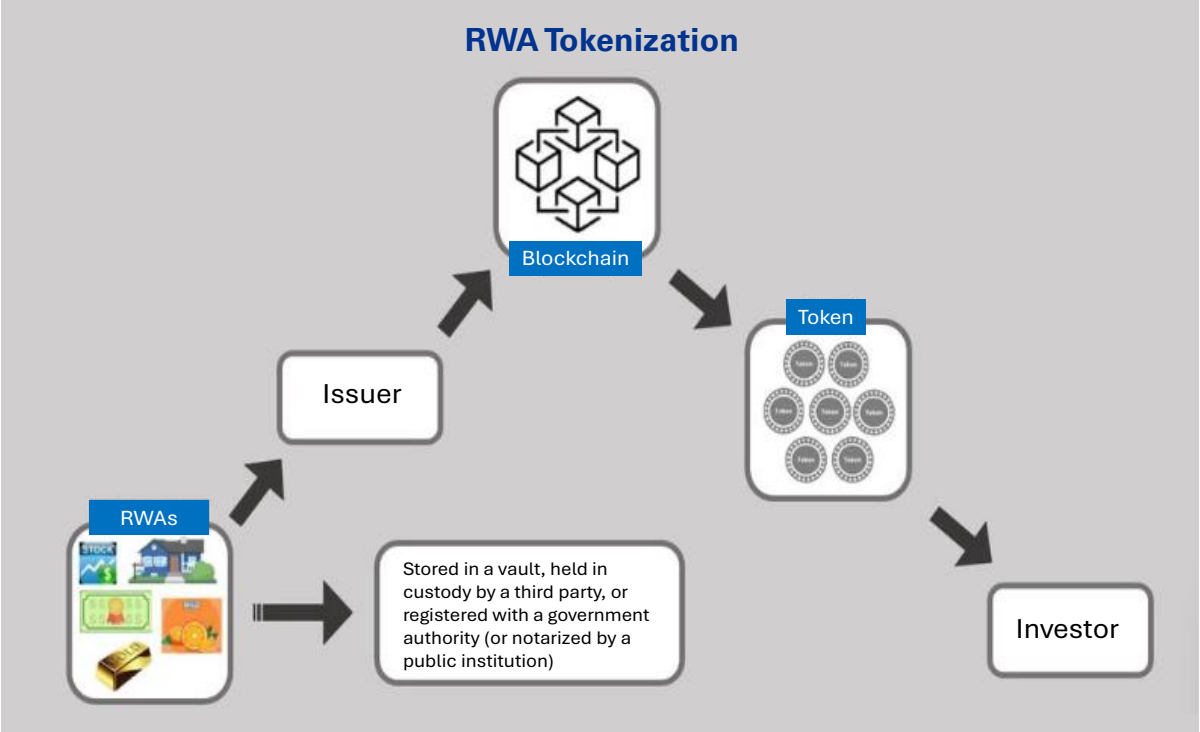
Businesses operating in FinTechSpace may also propose joint autonomous verification projects. Bank of Taiwan, Taiwan's largest wholesale gold bank, initiated a collaborative project with eight other state-owned and private banks to examine the underlying technology for tokenized gold. The project is intended to enable faster redemption of gold holdings through digital certificates, improve interbank settlement efficiency and support additional use cases. The joint RWA proof of concept was completed by the end of 2025, and Bank of Taiwan plans to apply for a subsequent business pilot.

In addition to promoting RWA tokenization, the FSC launched a thematic business pilot for virtual asset custody services in November 2024. The initiative responded to the establishment of the VASP industry association, anticipated demand for custody services and international trends in the provision of such services by financial institutions. It is intended to support the development of secure and reliable custody capabilities while promoting responsible financial innovation.

Following the opening of applications in January 2025, CTBC Bank, KGI Bank, Union Bank of Taiwan, Cathay United Bank and Taishin Bank obtained regulatory approval to participate in the pilot. In September 2025, Union Bank of Taiwan partnered with the MaiCoin Group to launch Taiwan's first bank-operated virtual asset custody pilot service. The FSC subsequently asked the Bankers Association of the Republic of China to develop practical guidelines for virtual asset custody services. Expected in the fourth quarter of 2026, the guidelines are intended to provide operating principles and a key risk management reference for banks conducting virtual asset custody as an ancillary business.



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Source: Central Bank of the Republic of China (Taiwan), November 2024

Passage of the Virtual Asset Service Act Brings Taiwan's Digital Asset Development into Focus

In March 2025, the FSC published the draft Virtual Asset Service Act in response to the rapid development of virtual assets and the associated risks. The legislation is intended to promote the sound operation and development of virtual asset businesses, strengthen market oversight, protect the rights and interests of virtual asset users, and foster financial technology innovation. The Legislative Yuan passed the Act on third reading on June 30, 2026, and it was promulgated on July 22, 2026. The Act formally codifies a licensing and supervisory framework for VASPs; however, its effective date will be determined separately, and the FSC is continuing to formulate the required implementing regulations.

The Act defines "virtual assets" and "virtual asset service providers" and specifies the categories of regulated virtual asset services. Any entity providing such services in Taiwan—including exchange, trading platform, transfer, custody, issuance or sale, and lending services—must obtain the relevant approval and license from the competent authority before commencing operations. Financial institutions may also conduct approved virtual asset activities on an ancillary basis, subject to applicable qualification and business-scope requirements.

To promote the prudent operation of VASPs, the Act establishes requirements relating to minimum capital or operating funds, internal control and audit systems, and information security management. It also strengthens customer protection by requiring VASPs to segregate customers' fiat currency and virtual

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assets from their own assets and to hold such assets separately. Customer agreements must clearly disclose the scope of services, associated risks, fees and other material terms.

Under the Act, licensed VASPs must join the relevant industry association before commencing business. The legislation prohibits fraudulent, deceptive and manipulative conduct that may undermine market fairness or orderly trading and grants the competent authority inspection, supervisory and enforcement powers. Violations may result in administrative sanctions, while serious misconduct may give rise to criminal liability.

The Virtual Asset Service Act also establishes a dedicated framework for stablecoin issuance and management. It defines a stablecoin as a virtual asset whose value is linked to one or more fiat currencies for the purpose of maintaining value stability. A stablecoin issuer operating in Taiwan must obtain the consent of the Central Bank of the Republic of China (Taiwan), as well as approval and a license from the FSC, and must comply with requirements relating to full reserve backing, trust arrangements, periodic review and disclosure.

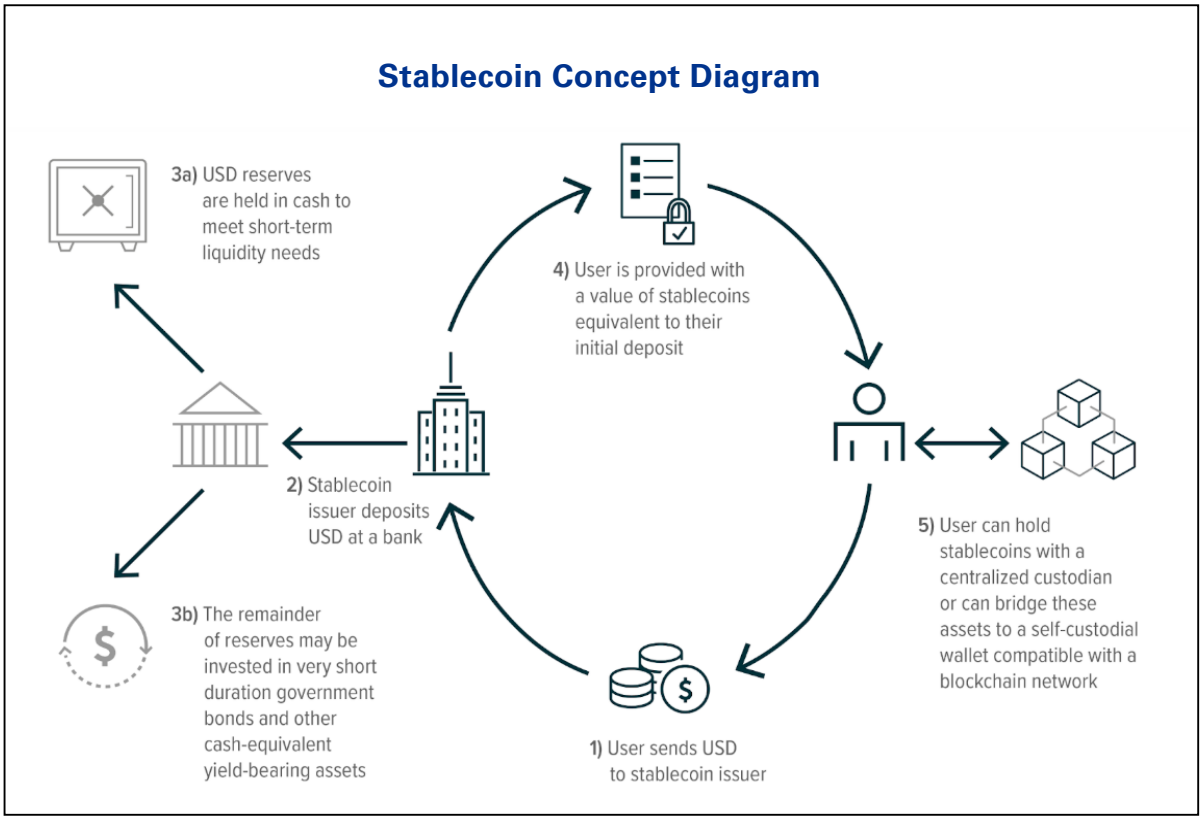
Stablecoins have become an increasingly important focus of regulation across major jurisdictions. Before the United States enacted the GENIUS Act in July 2025, the European Union, Japan and Hong Kong had already established or advanced dedicated regulatory frameworks, while the United Kingdom was developing its own regime. Singapore finalized its regulatory framework for single-currency stablecoins in 2023, with implementation proceeding through subsequent legislative and supervisory measures.

The enactment of the GENIUS Act provided greater legal and regulatory certainty for the U.S. payment stablecoin market. The Act addresses issuer eligibility, permitted reserves, redemption, disclosure and consumer protection requirements. At a strategic level, it may also reinforce the role of the U.S. dollar in the digital economy, with potentially significant implications for global financial markets and innovation.

Stablecoins may improve the speed and availability of cross-border transactions, reduce certain transaction costs and enhance transparency. For Taiwan's export-oriented economy, appropriately regulated stablecoin applications could support international trade and payment efficiency while strengthening competitiveness in the digital economy.

Nevertheless, Taiwan's digital asset market remains at a relatively early stage, and regulatory, supervisory and practical implementation experience continues to develop. Achieving an appropriate balance between robust risk management and sufficient flexibility for responsible innovation will therefore be critical. Continued coordination between public authorities and market participants will be necessary if Taiwan is to capture opportunities while managing the associated financial, operational, conduct and financial crime risks.

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Source: Growin Blog, September 2025

Accounting, Internal Control and Cybersecurity Standards Strengthen the Institutional Foundation for Digital Asset Holdings and Custody

In parallel with regulatory and pilot initiatives, supporting standards for capital market participants and custody providers have also been introduced. On May 29, 2026, the TWSE and Taipei Exchange (TPEx), together with the Accounting Research and Development Foundation (ARDF), released guidance on the accounting treatment of stablecoin transactions and internal control systems for holding cryptocurrencies. The guidance establishes accounting and control expectations for listed and OTC companies and indicates that, where digital assets are entrusted to a third-party custodian, the company should obtain a SOC 1 Type 2 or ISAE 3402 Type 2 report and assess the implementation of complementary user entity controls.

For custody providers, the Securities and Futures Bureau of the FSC issued an interpretive order (Ref. No. 1140385640) on December 30, 2025, effective January 1, 2026. The order prescribes minimum cold-wallet and maximum hot-wallet allocation ratios and requires core systems supporting custody, risk management and accounting to comply with ISO 27001, ISO 27701 or SOC 2 Type 2 standards. Additional standards apply where core systems use outsourced cloud services.

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For banks, these requirements reflect two distinct assurance needs. As custody service providers, banks must demonstrate that their core systems satisfy applicable information security and operational control standards, including SOC 2 Type 2 or relevant ISO standards. When serving listed or OTC corporate clients, banks may also need to provide SOC 1 Type 2 assurance to support those clients' internal controls over financial reporting. Together, these standards provide a more auditable and verifiable foundation for digital asset holdings and custody and support deeper, appropriately controlled participation by banks.

According to the Cathay Financial Holdings Digital Asset Trend Insights report, global digital asset market capitalization exceeded USD 4 trillion in 2025. The survey also found that more than half of financial planning and wealth management professionals had observed increased client interest in digital assets. Respondents identified clear and implementable regulation, secure and trustworthy trading platforms, and compliant products offered by financial institutions as key enablers of Taiwan's digital asset market.

Taken together, the government's phased strengthening of the VASP framework, RWA tokenization proof-of-concept projects and virtual asset custody pilots have created a pathway for banks and other financial institutions to participate in the market under controlled conditions. The potential development of a single RWA tokenization trading platform further indicates a policy direction that seeks to combine innovation with strengthened oversight. The effectiveness of this approach will depend on the timely completion of implementing regulations, robust risk controls and coordination across the financial sector.

Following passage and promulgation of the Virtual Asset Service Act, Taiwan's regulatory framework is expected to become more comprehensive as the effective date and implementing regulations are finalized. In a clearer regulatory environment, banks may expand beyond partnerships with VASPs to develop compliant products and services that address evolving customer needs. They may also pursue cross-sector collaboration with insurers, securities firms and securities investment trust enterprises to build a broader digital asset ecosystem. The market's longer-term potential remains significant, but progress will depend on prudent governance, effective customer protection and disciplined management of financial, operational, cybersecurity and financial crime risks.

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Key Cybersecurity Priorities and Governance Strategies for the Evolving Virtual Asset Market



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Introduction

The virtual asset market has expanded rapidly, evolving from an early focus on cryptocurrency trading into a broad range of applications, including decentralized finance (DeFi), non-fungible tokens (NFTs), Web3 applications, and real-world asset (RWA) tokenization. These developments have created an emerging digital financial ecosystem. As the market grows and institutional participation increases, virtual assets are no longer merely experimental investment instruments used by a limited group of technology enthusiasts; rather, they are increasingly recognized as an important area of global financial innovation.

However, the virtual asset market is highly dependent on information technology and network infrastructure, and its underlying value proposition is founded on digital trust. A cybersecurity incident may result in substantial financial losses, undermine market confidence, and adversely affect the broader development of the industry. Cybersecurity is therefore an essential foundation for the sustainable growth of the virtual asset sector and a key area of focus for regulators and market participants alike.

Virtual Asset Market Development Trends

Institutionalization and Financialization

As major financial institutions and asset management firms increase their participation in the virtual asset market, the industry is becoming increasingly institutionalized. The launch of virtual asset exchange-traded funds (ETFs) and the inclusion of digital assets in asset allocation strategies have contributed to the growing acceptance of virtual assets in mainstream financial markets.

Although this development has enhanced market liquidity and maturity, it has also increased the systemic importance of virtual asset infrastructure. A cyberattack on an exchange, custodian, or blockchain service

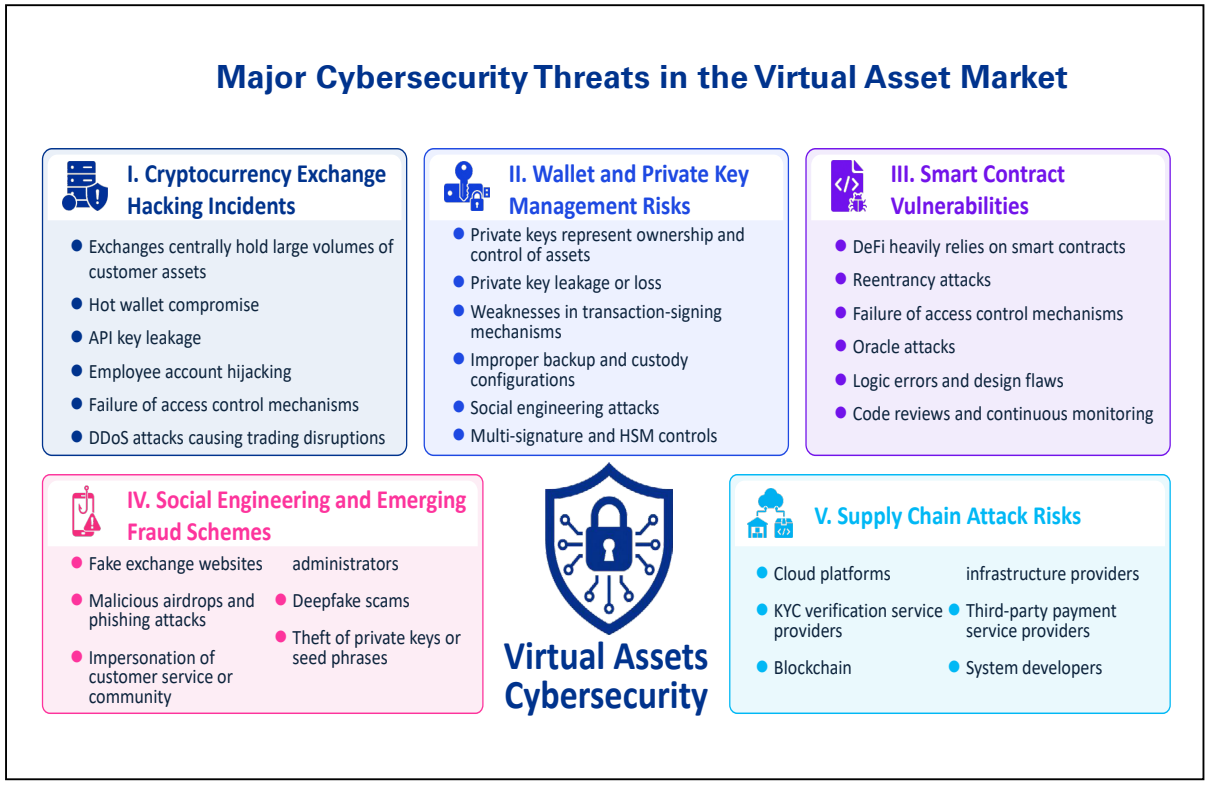
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provider could have implications beyond the affected entity and potentially disrupt the broader financial market.

Rapid Growth of the Web3 and DeFi Ecosystem

Web3 is characterized by decentralized network architectures that use smart contracts to facilitate value exchange and governance. Within this ecosystem, decentralized finance (DeFi) offers services such as lending, trading, liquidity mining, and asset management, enabling financial transactions without reliance on traditional financial intermediaries.

However, while decentralized architectures may reduce single points of failure, they also introduce new cybersecurity risks, including smart contract vulnerabilities, cross-chain bridge attacks, and malicious manipulation of governance mechanisms.



Source: Compiled by KPMG

1.Exchange Hacking Incidents

Because virtual asset exchanges hold substantial amounts of customer assets, they remain prime targets for cyberattacks.

Common attack vectors include:

- Compromise of hot wallets
- Leakage of API keys
- Unauthorized use of employee accounts
- Bypassing identity verification and authentication mechanisms
- Distributed Denial-of-Service (DDoS) attacks disrupting trading services

Given the irreversible nature of blockchain transactions, stolen assets are often difficult,

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if not impossible, to recover. Accordingly, an exchange's cybersecurity capabilities are directly relevant to investor protection and market stability.

2.Wallet and Private Key Management Risks

Within a blockchain environment, control of a private key generally determines control of the associated digital assets. If a private key is lost or compromised, the assets may become permanently inaccessible or irrecoverable.

Common risks include:

- Exposure of seed phrases (mnemonic phrases)
- Malware stealing private keys
- Improper cloud backup configurations
- Social engineering attacks

Accordingly, segregation of hot and cold wallets, multi-signature controls, and hardware security modules (HSMs) are key safeguards for the custody and management of virtual assets.

3.Smart Contract Vulnerabilities

DeFi platforms rely heavily on smart contracts to execute transaction logic. Once deployed on a blockchain, however, smart contracts are generally difficult to modify, making any underlying vulnerabilities particularly consequential.

Common vulnerabilities include:

- Reentrancy attacks
- Failure of access control mechanisms
- Price oracle manipulation
- Logic errors and coding flaws

In recent years, a number of major DeFi security incidents have resulted from flaws in smart contract design, causing losses ranging from tens of millions to hundreds of millions of U.S. dollars.

4.Social Engineering and Emerging Fraud Schemes

Compared with attacks that exploit technical vulnerabilities, social engineering schemes may be easier to execute successfully.

Common forms of fraud include:

- Fake cryptocurrency exchange websites
- Fraudulent airdrop campaigns
- Fake investment groups and communities
- AI-powered deepfake scams
- Impersonation of customer service representatives to deceive users into transferring funds

The growing accessibility of generative AI has enabled threat actors to produce highly convincing phishing content at significantly lower cost, making fraudulent communications increasingly difficult to distinguish from legitimate ones.

5.Supply Chain Attack Risks

Virtual asset service providers (VASPs) typically rely on a range of third-party systems and service providers to support their operations, including:

- Cloud service platforms
- Know Your Customer (KYC) verification services
- Blockchain node service providers
- Third-party payment systems

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- Software and system development vendors

A cyber incident affecting any such service provider may lead to service disruption, customer data breaches, or other operational impacts, creating cascading risk across the virtual asset ecosystem.

Development of Taiwan's Legal and Regulatory Framework for Virtual Asset Services

Incorporation of Virtual Assets into the Regulatory Framework

Taiwan has been progressively developing a regulatory framework for virtual assets by bringing virtual asset service providers (VASPs) within the scope of regulatory oversight to address the risks arising from the market's rapid development.

Compared with traditional financial services, virtual asset transactions are characterized by their cross-border reach, varying degrees of pseudonymity, and continuous operation. These features may increase their exposure to misuse for money laundering, terrorist financing, and cyber-enabled crime. Regulators have therefore continued to strengthen applicable requirements and to treat cybersecurity governance as a key component of supervisory oversight.

Anti-Money Laundering (AML) and Travel Rule Requirements

To align with the standards of the Financial Action Task Force (FATF), VASPs are expected to establish:

- Customer Identification and Verification (KYC)
- Customer Risk Assessment Mechanisms
- Suspicious Transaction Monitoring Mechanisms
- Transaction Record Retention Systems

In addition, the Travel Rule requires specified originator and beneficiary information to accompany qualifying virtual asset transfers, thereby enhancing transaction transparency and traceability.

These measures depend on secure and reliable information systems. Unauthorized alteration, compromise, or disclosure of relevant data could directly affect regulatory compliance and financial integrity.

Trends in Virtual Asset Legislation

As international regulatory standards continue to mature, Taiwan's Virtual Asset Service Act passed its third reading in the Legislative Yuan on June 30, 2026. The Act establishes seven categories of regulated virtual asset services: virtual asset exchange services, virtual asset trading platform services, virtual asset transfer services, virtual asset custody services, virtual asset offering services, virtual asset lending services, and other designated services. Based on the Act and the anticipated subordinate regulations, the following areas warrant particular attention:

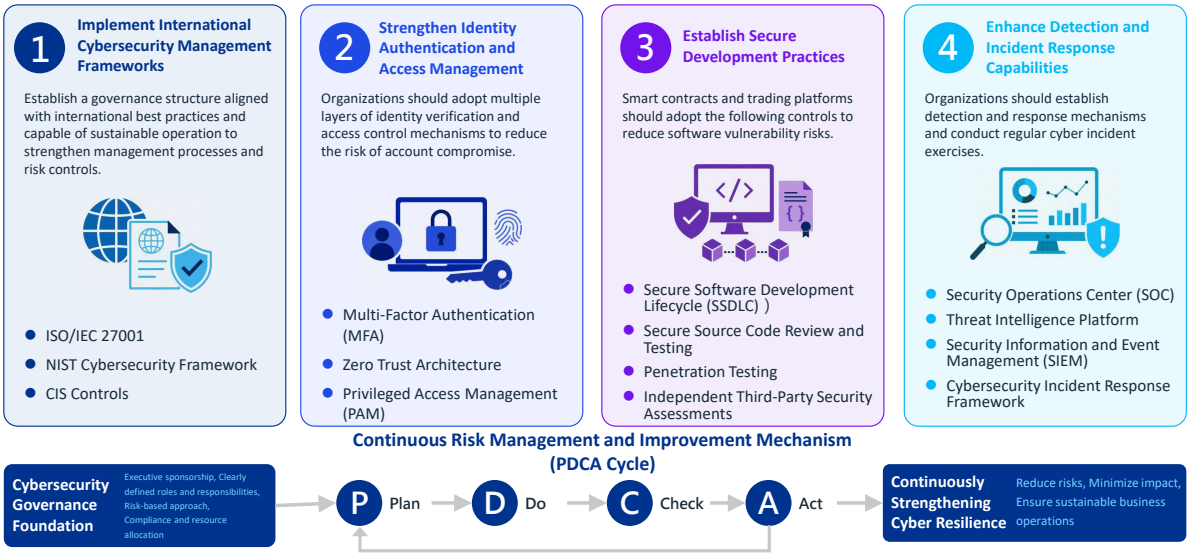
- Customer Asset Custody Requirements
- Stablecoin Regulation

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- Market Conduct Management
- Operational Resilience Requirements
- Information Sharing and Cybersecurity Incident Reporting Mechanisms
- Capital Adequacy and Risk Management Requirements for Service Providers

The regulatory framework for VASPs is expected to evolve toward a supervisory model comparable to that applied to traditional financial institutions. Cybersecurity capability will therefore need to be addressed not only as a technical requirement, but also as an integral component of corporate governance.

Cybersecurity Governance Strategies for VASPs



Source: Compiled by KPMG

Implementation of International Cybersecurity Management Standards

Organizations should consider establishing an information security management system (ISMS) with reference to the following international standards and leading practices, supported by ongoing risk management and continuous improvement processes:

- ISO/IEC 27001
- The NIST Cybersecurity Framework (CSF) 2.0
- CIS Critical Security Controls (CIS Controls)

Strengthening Identity Authentication and Access Management

To strengthen identity and access management, organizations should consider the following measures to reduce the risk of account compromise and misuse:

- Multi-Factor Authentication (MFA)
- Zero Trust Architecture
- Privileged Access Management (PAM)

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Establishing a Secure Development Framework

Smart contracts and trading platforms should incorporate the following controls to reduce the risk of software vulnerabilities:

- Secure Software Development Life Cycle (SSDLC)
- Source Code Security Testing
- Penetration Testing
- Independent Third-Party Security Audits

Enhancing Detection and Response Capabilities

VASPs should establish the following detection and response capabilities and conduct regular cybersecurity incident response exercises:

- Security Operations Center (SOC)
- Threat Intelligence Analysis Platform
- Cybersecurity Incident Handling and Response
- Blockchain Transaction Monitoring and Tracking Mechanisms

Conclusion

The rapid growth of the virtual asset market has created new opportunities for financial innovation while also broadening the cybersecurity risk landscape. Exchange compromises, smart contract vulnerabilities, supply chain attacks, and emerging AI-enabled fraud schemes illustrate the sector's increasing exposure to cybercrime.

At the same time, Taiwan is continuing to develop a comprehensive regulatory framework for virtual assets. In addition to meeting anti-money laundering and other regulatory compliance obligations, VASPs will need to establish robust cybersecurity governance frameworks to support market stability and protect investor interests.

Ultimately, the foundation of the virtual asset market is not technology alone, but digital trust. Market participants that can effectively balance innovation, regulatory compliance, and cybersecurity will be better positioned to support the sector's sustainable development.



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AAMC Policy Implementation Accelerates Financial Services Integration and Creates New Opportunities for Asset Management



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The Financial Supervisory Commission (FSC) has introduced five key initiatives to develop Taiwan into an Asian Asset Management Center (AAMC), supported by a six-year roadmap comprising three two-year phases. The roadmap seeks to deliver "visible progress in two years, meaningful change in four years, and tangible results in six years." Kaohsiung has also been designated as the pilot zone for asset management services.

From a policy-development perspective, 2024 represented the initial phase of policy formulation and institutional design, with emphasis placed on defining the strategic direction, assessing Taiwan's international competitive position, and establishing a roadmap for regulatory liberalization. In 2025, the government progressively implemented regulatory amendments and pilot initiatives, including broader access for banks to conduct high-net-worth wealth management business, the establishment of the Kaohsiung Asset Management Zone, portfolio-backed financing, and financing secured by high-value insurance policies. As these measures became operational, the initiative entered a stage in which its effects became increasingly evident.

By 2026, as more financial institutions established operations in the zone, cross-border and integrated service mechanisms had gradually taken shape. Several pilot measures were also expanded nationwide. The AAMC initiative therefore progressed toward a more institutionalized operating framework, marking a new phase characterized by implementation at scale and the development of commercially sustainable business models.

The evolution of the AAMC initiative indicates that financial policy implementation has shifted progressively from strategic direction-setting and resource allocation toward institution-building and market-based operations. Accordingly, the success of the initiative will depend not only on the extent of regulatory liberalization but also on whether financial

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institutions can develop competitive service models and generate sustainable commercial momentum under the new regulatory and institutional framework.

The development of a successful asset management center is unlikely to depend on policy incentives alone. The sustained movement of domestic and international capital, the formation of professional service clusters, and the development of a comprehensive industry value chain will also be critical to the sector's long-term growth and competitiveness.

Through the government's proactive relaxation of regulations and introduction of pilot measures, domestic financial institutions—including banks, securities firms, and insurance companies—have gradually gained access to new opportunities in wealth management and related asset management businesses. As the high-net-worth client segment expands and its needs become more sophisticated, demand for cross-border asset allocation, family governance, and integrated financial services is increasing, encouraging financial institutions to strengthen their capabilities in these areas.

However, this emerging growth area for domestic asset management services represents more than simple market expansion; it entails a fundamental reshaping of service models and competitive dynamics. To capture the opportunities created by these policy initiatives, financial institutions will need to strengthen both cross-sector integration and international service capabilities.

As the initiative to develop an AAMC with distinctive Taiwanese characteristics continues to advance, the government is expected to pursue further regulatory and business liberalization. In June 2026, the FSC announced a one-year extension of the pilot measures in the Kaohsiung Asset Management Zone. Family office advisory services and certain life insurance products exempt from the minimum ratio requirement for death benefits relative to policy reserves will also be expanded nationwide. In addition, the FSC plans to introduce further pilot measures in the zone, including broader cross-border financial services, relaxation of the 99-investor limit applicable to certain privately offered funds, and premium-prepayment insurance products.

The AAMC initiative is gradually evolving from a policy-led framework toward a more market-oriented development model. As the supporting regulatory and institutional arrangements are implemented, they are expected to accelerate financial-services transformation and foster industry clustering. In turn, these developments may support structural growth in asset management, strengthen the competitiveness of Taiwan's financial services industry, and contribute positively to broader economic development.

Policy Initiatives Position Asset Management to Evolve from a Domestic Market into a Regional Hub

Taiwan's asset management market has historically faced development constraints.

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Wealth management services provided by domestic banks and other financial institutions have primarily served local clients, with offerings centered on relatively conservative investment products and insurance solutions delivered through branch-based relationship managers. This market structure has had limited appeal to high-net-worth clients seeking more sophisticated and integrated services.

Recognizing Taiwan's abundant domestic capital and sizable high-net-worth population, the government has sought to attract affluent clients and foreign capital to undertake wealth management activities in Taiwan. In 2020, the FSC launched the New Wealth Management Initiative, relaxing investment restrictions for high-net-worth clients with total assets exceeding NT$100 million and broadening access to financial products and services. The initiative was intended to expand the domestic wealth management market, cultivate professional talent, and strengthen the product-development capabilities of financial institutions.

Under the initiative, the FSC introduced 8 liberalization measures governing financial products and services that banks may provide to high-net-worth clients. These measures include permitting foreign-currency financial bonds linked to derivatives or issued as structured products, allowing offshore structured products, and enabling banks to provide new financial products, advisory services, and consulting solutions tailored to clients' specific needs.

The rollout of wealth management services for high-net-worth clients produced measurable results. According to FSC statistics, as of the end of August 2024, 12 domestic banks were conducting high-net-worth wealth management business, serving more than 10,000 clients with AUM of NT$1.2 trillion.

Building on this progress, the government assessed that Taiwan has the necessary foundations to develop an AAMC with distinctive Taiwanese characteristics, including globally competitive industries, substantial private wealth, and strong investment momentum. In September 2024, the FSC therefore introduced a framework guided by 2 principles—retaining domestic wealth while attracting external capital, and investing in Taiwan to support industrial development—supported by 5 major initiatives and 16 strategic measures.

The core objective of the AAMC initiative is to leverage Taiwan's competitive advantages and implement the designated strategies to expand both the supply of and demand for asset management services from the domestic to the regional level. By creating a hub for cross-border capital, financial products, and professional talent, the initiative seeks to enhance the capacity and sophistication of financial services and generate broader economic benefits.

Between the announcement of the AAMC initiative in 2024 and April 2026, 52 regulatory requirements and administrative directives were relaxed, while AUM increased by

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NT$10.62 trillion. This exceeded the two-year target of NT$4 trillion in additional AUM and brought the initiative close to its objective of relaxing 54 regulatory measures, indicating meaningful progress in both market expansion and regulatory liberalization.

To broaden participation in high-net-worth wealth management and expand banks' asset management businesses, the Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers were amended in March 2025, materially easing the requirements for banks to conduct such business. As of June 2026, 21 banks were offering high-net-worth wealth management services to a cumulative total of 26,800 clients, with AUM exceeding NT$2.8 trillion.

Following Kaohsiung's designation as an asset management pilot zone and its official launch in July 2025, 38 business activities were liberalized for trial operation. As of the end of June 2026, 58 financial institutions, including 21 banks, had been approved to participate. Initial results across the 4 major service categories included wealth management investment balances of NT$5 billion; outstanding credit and financing balances of NT$71.9 billion; family office services for 189 clients with entrusted assets of NT$91.5 billion; and 2 overseas branch accounts opened under cross-border financial services. These results indicate initial progress, while the scale and sustainability of the pilot measures will require continued assessment.

Liberalization of Financial Products and Services Reshapes Asset Management Delivery

Within the Kaohsiung Asset Management Zone, the FSC has relaxed requirements to allow banks to pilot high-net-worth wealth management, international financial, and cross-border financial services. Particular emphasis has been placed on enhancing the functions of Offshore Banking Units (OBUs). Permitted products and services include Lombard lending, domestic and offshore private funds, and offshore funds with alternative-investment characteristics that are not classified as securities.

Lombard lending generally refers to financing secured by a portfolio of highly liquid financial assets. Together with other pilot measures—such as insurance premium financing and higher loan-to-value ratios for lending secured by beneficial interests in self-benefit designated money trusts—these arrangements may provide high-net-worth clients with additional liquidity and greater flexibility in portfolio management. However, the associated credit, market, and liquidity risks require appropriate controls.

The combination of more flexible credit facilities, the ability to use insurance solutions as part of financing arrangements, and a broader range of financial instruments may increase investment activity and improve the efficiency of capital deployment. Collectively, these measures could support the expansion of banks' asset management businesses,

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subject to prudent risk management and suitability controls.

In addition to credit liberalization and new financial products, a key component of the AAMC initiative is to permit banks to pilot family office-related services. These services include family office advisory, investment and financing solutions, inheritance and estate-planning advice, trust services, insurance services, and wealth management advisory covering tax, legal, and risk-management matters.

With continued policy support, high-net-worth individuals and family offices are expected to become increasingly important client segments within the wealth management market. Their needs extend beyond investment management to family governance, trusts, tax planning, succession planning, and philanthropic arrangements. Wealth management functions will therefore need to develop integrated family office capabilities, drawing on legal, tax, investment advisory, insurance, and philanthropic expertise to deliver practical, properly governed, and auditable solutions.

Accordingly, financial institutions should establish dedicated multi-asset research teams to strengthen product development and advisory capabilities. These capabilities should be supported by strategy back-testing and scenario analysis so that recommendations can be validated, periodically updated, and implemented at scale.

In summary, as business activities and financial products become more broadly available, wealth management is shifting from a product-sales model toward integrated, advisory-led service delivery. This change reflects a structural transformation in how financial institutions serve high-net-worth clients and compete in the wealth and asset management market.

Policy Measures Accelerate Financial Services Integration and Create New Asset Management Opportunities

The AAMC initiative seeks to develop an asset management ecosystem with distinctive Taiwanese characteristics through regulatory liberalization, industry integration, and closer alignment with international practices. The Kaohsiung Asset Management Zone was established to encourage the clustering of financial institutions, pilot innovative business activities, and develop a financial-services ecosystem with one-stop capabilities. As these measures are implemented, Taiwan's asset management sector is undergoing a structural transformation in service delivery.

Historically, asset and wealth management businesses were largely product-centered, with emphasis placed on sales volumes and short-term performance. This model is increasingly insufficient to address the complex and diverse needs of high-net-worth clients. According to the Taiwan High-Net-Worth Client Wealth Management and Succession Survey Report jointly published by E.SUN Bank

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and KPMG, these clients increasingly require integrated platforms combining investment management, tax planning, legal advisory, and governance solutions to strengthen asset resilience and support intergenerational wealth transfer. This trend underscores the limitations of a purely product-led model.

Driven by policy initiatives and intensifying competition, financial institutions are reshaping their service models around client needs. They are moving beyond product distribution toward one-stop, integrated platforms that provide tailored solutions, while also strengthening cross-sector collaboration and cross-border service capabilities.

The most significant aspect of the policy-led shift toward integrated financial services is the redesign of the service model. As high-net-worth clients place greater emphasis on portfolio efficiency, risk management, and wealth succession, financial institutions must move from product promotion toward needs-based advisory. This requires integrating investment, insurance, tax, and legal resources into coherent, one-stop solutions.

Cross-sector integration has become a critical capability. By combining banking, securities, investment trust, and insurance resources, financial institutions can establish a single point of contact that improves service efficiency and the overall client experience. High-net-worth clients also increasingly expect tailored advice from dedicated teams and coordinated access to accountants, lawyers, and other specialists. The shift from product-based competition toward integrated service competition therefore requires institutions to differentiate themselves through comprehensive solutions.

Implementing a one-stop service model requires financial institutions to redesign the client journey. Clients increasingly expect to complete asset allocation, investment management, and succession planning through a single point of contact, thereby reducing the inconvenience and inefficiencies associated with engaging multiple institutions. Financial institutions must therefore integrate internal processes and information systems and leverage digital tools to improve operating efficiency and the client experience.

Furthermore, the survey jointly conducted by E.SUN Bank and KPMG found that more than 70% of Taiwanese high-net-worth clients allocate assets offshore, indicating that cross-border asset allocation has become a common practice among this client segment. To capture these opportunities effectively, financial institutions will need comprehensive cross-border capabilities covering investment, liquidity management, and tax planning, subject to applicable regulatory and compliance requirements.

At the same time, demand for family office services and wealth governance solutions is driving further development of the service model. Family offices are evolving beyond conventional wealth management functions toward integrated platforms for family governance, succession planning, and asset structuring. Financial institutions will therefore

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need to provide more sophisticated and coordinated advisory services that address wealth management needs across generations and jurisdictions.

The transformation of financial service models extends beyond front-end business operations; strengthening internal governance and control mechanisms is equally important. As cross-border transactions and financial activities become more complex, Know Your Customer (KYC) and Anti-Money Laundering (AML) controls remain core components of financial institutions' risk management frameworks. These controls support customer identification and verification, ongoing monitoring, and the prevention and detection of money laundering and other financial crimes.

As regulatory expectations become more stringent, financial institutions must commit substantial resources to compliance and risk management to mitigate enforcement, financial, and reputational risks. Greater use of leverage by high-net-worth clients and increased cross-market asset allocation also warrant enhanced monitoring of credit, market, concentration, liquidity, and suitability risks.

Conclusion

The AAMC initiative represents a significant structural transformation of Taiwan's financial services industry. Through regulatory liberalization, the introduction of new financial products and services, and the establishment of the Kaohsiung Asset Management Zone, the initiative seeks to attract domestic and international capital and professional talent. It also aims to strengthen the platform available in Taiwan for wealth planning and succession arrangements for high-net-worth individuals and families. In this environment, banks and other financial institutions are expected to evolve from product distributors into strategic partners capable of addressing broader client needs, thereby enhancing the breadth, depth, and integration of financial services.

As the initiative is implemented, financial institutions are reshaping their service models and competitive strategies. The industry is moving from product-based competition toward integrated service delivery, from a predominantly domestic focus toward cross-border capabilities, and from standalone institutional models toward ecosystem-based collaboration. This policy-driven integration is expected to support the upgrading of service models and create new opportunities in higher-value-added and cross-border asset management services.

Implementation of the initiative may support growth in financial institutions' AUM and related business volumes. It is also expected to reshape service models, industry ecosystems, and talent requirements within Taiwan's financial sector, thereby strengthening international competitiveness and contributing to broader economic development.

Looking ahead, the government is expected to continue refining and expanding the pilot measures in the Kaohsiung Asset Management Zone in response to market needs. Proposed

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enhancements include extending banks' cross-border financial services to cover offshore assets held by domestic high-net-worth clients and streamlining account-opening procedures across Offshore Banking Units (OBUs), Offshore Securities Units (OSUs), and Offshore Insurance Units (OIUs), collectively referred to as the "3O" framework.

Additional proposed measures include permitting banks, in their capacity as trustees, to accept mandates from high-net-worth clients to invest in offshore virtual asset exchange-traded funds (ETFs). The existing 99-investor cap may also be removed for certain offshore funds not registered for public offering in Taiwan and for introductions to private equity fund investments. For insurance services, insurers may be permitted to establish dedicated premium-prepayment accounts, while eligible offshore clients outside Mainland China may be allowed to purchase products offered by Offshore Insurance Units (OIUs) through remote application and underwriting procedures. These measures will require appropriate investor-protection, suitability, custody, operational-risk, and AML controls.

In addition, the FSC is considering draft legislation concerning the development of financial markets and asset management. As the official English title has not yet been confirmed, this report refers to it descriptively as the proposed Financial Market and Asset Management Development Act. The proposal is expected to cover 5 principal areas:

1. Reviewing the existing sector-based separation among banking, insurance, and securities businesses and considering an asset management licensing framework suited to Taiwan's market;
2. Strengthening Taiwan's competitiveness in attracting and retaining international financial professionals;
3. Evaluating policy and tax incentives to support market development;
4. Considering dedicated zones featuring controlled regulatory and operational arrangements, potentially including an "onshore offshore" model or other special-zone structures; and
5. Promoting the broader development and internationalization of Taiwan's financial markets.

If enacted, the proposed legislation could allow qualified institutions across the banking, insurance, and securities sectors to conduct a broader range of asset management activities under an asset management licensing framework. The extent of any liberalization would depend on the final legislative text, implementing regulations, and supervisory conditions. Greater policy clarity could strengthen investor confidence and support efforts to attract foreign capital and international talent, helping Taiwan progress from a predominantly domestic wealth management market toward a more internationally competitive asset management hub.

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FinTech-Driven Transformation and Developments in Supply Chain Finance



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Global digital transformation has accelerated the integration of emerging technologies into financial institutions' products, services, and operating models. Supply chain finance (SCF), which addresses financing needs across interconnected commercial relationships, has consequently become a key area in which banks apply financial technology (FinTech) to reduce operational friction and improve service efficiency.

In recent years, FinTech has become a principal catalyst for transformation across the financial services sector. As a critical mechanism linking cash flows among upstream and downstream participants, SCF has historically been constrained by information asymmetry, complex risk management requirements, and inefficient working capital deployment. The adoption of emerging technologies is progressively reshaping the SCF operating model, enhancing banks' financing capabilities while enabling enterprises to build more competitive and resilient supply chain ecosystems.

Definitions of Supply Chains and Supply Chain Finance

The term "supply chain" has been in use for several decades and is commonly associated with the evolution of the "value chain" framework introduced by American strategy scholar Michael Porter in the 1980s. The framework disaggregates a firm's operations into strategically relevant activities, comprising primary activities—such as inbound logistics, operations, outbound logistics, marketing and sales, and service—and support activities, including procurement, technology development, and firm infrastructure.

By the mid-1990s, the concept had evolved into a more explicit definition of the supply chain as a physical network through which products and services are delivered to a defined customer market. In contemporary usage, the concept extends beyond the movement of goods to encompass the coordination of stakeholders throughout the value-creation process. The Council of Supply Chain Management Professionals (CSCMP)

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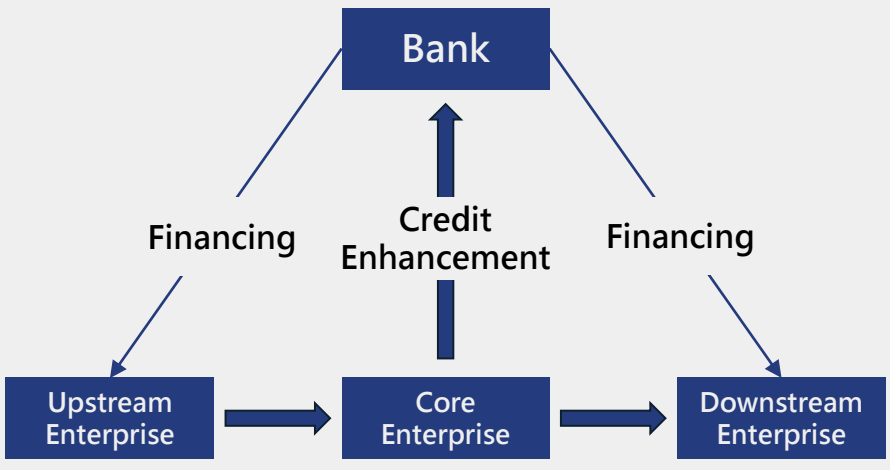
broadly describes the supply chain as the network involved in sourcing raw materials and delivering finished products to end customers, with suppliers, service providers, and customers serving as key participants in the process.

From the procurement of raw materials through the delivery of finished goods, the movement of funds is a critical component of the supply chain and includes financing obtained from financial institutions. Corporate lending is a core banking activity. Under traditional credit models, banks generally assess and approve financing on an individual-borrower basis. Large corporations that act as anchor buyers or core enterprises within an industry supply chain are therefore typically better positioned to obtain bank financing, supported by stronger credit profiles, more extensive operating histories, and greater scale.

Supply chains comprise not only large core enterprises but also small and medium-sized suppliers. Relative to large corporations, small and medium-sized enterprises (SMEs) may have weaker financial profiles, fewer available sources of collateral, and more limited access to conventional bank financing. In response, banks have progressively developed broader financing solutions for SMEs embedded in commercial supply chains, giving rise to SCF as a model that integrates financing with supply chain information and transaction flows.

Under this model, banks evaluate credit risk in the context of the broader supply chain rather than solely at the level of an individual borrower. By using the credit standing and transaction data of a core enterprise to support financing for upstream and downstream counterparties, banks can expand access to working capital, improve liquidity across the supply chain, and reinforce commercial relationships. SCF can therefore align the interests of banks, enterprises, and other supply chain participants within a mutually reinforcing ecosystem.

Traditional Supply Chain Finance Model



Source: Research Institute of Industry Internet, March 2022

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Supply Chain Finance Challenges and Emerging-Technology Solutions

SCF is structured around commercial relationships within a supply chain. Enterprises seeking financing typically submit transaction and credit information for validation by a core enterprise, after which a partner bank may provide financing based on the verified commercial relationship and the relevant credit assessment. Traditional SCF nevertheless presents several material challenges. McKinsey has noted that, although SCF can address a portion of corporate funding needs, fragmented delivery models, credit constraints, and geopolitical uncertainty may introduce operational and financial risks.

Academic research has identified several structural limitations in traditional SCF. First, the extension of credit support is often limited: smaller suppliers may be unable to benefit from the credit strength of the core enterprise, restricting their access to funding and potentially increasing financing costs. Second, limited transparency can impede due diligence, as financial institutions may not have timely access to complete information regarding an enterprise's financial condition or the authenticity of underlying transactions.

Third, information asymmetry among participants can increase costs and reduce processing efficiency. When disputes arise, SCF platforms may lack sufficient data to establish accountability, while source data may be difficult to obtain or validate.

Fourth, centralized architectures may create concentration and cybersecurity risks. Because many platforms rely on centralized data repositories, they may present a larger single point of failure and may discourage core enterprises from sharing commercially sensitive information.

The expanding adoption of FinTech has created opportunities to address longstanding limitations in traditional SCF. Blockchain—characterized by distributed recordkeeping, data integrity, transparency, and traceability—has emerged as one potential enabling technology. More broadly, FinTech can expand the breadth and timeliness of available data and may reduce operating costs when appropriately implemented. Blockchain is a form of distributed ledger technology (DLT) in which records are maintained across a network, validated in accordance with the network's governance and consensus arrangements, and linked chronologically.

In SCF, blockchain can support a shared distributed ledger spanning upstream suppliers, downstream counterparties, and core enterprises. Rather than placing the authoritative record under the exclusive control of a single core enterprise, appropriately permissioned participants can access synchronized transaction records. Subject to sound access controls, governance, and privacy safeguards, this structure can facilitate data sharing while reducing reconciliation requirements and certain data-integrity concerns.

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A permissioned blockchain can provide authorized participants with timely access to newly recorded or updated transaction data, while commercially sensitive information remains subject to encryption and access controls. This can support the establishment and verification of transaction history and credit evidence. Because records are replicated across participating nodes and changes are accepted only in accordance with agreed validation rules, unauthorized alterations are more readily detected and rejected. These characteristics may reduce data-manipulation and operational risks, although effective governance, cybersecurity controls, data-quality assurance, and legal enforceability remain essential.

Overview of Supply Chain Finance Platforms in Taiwan

SCF has been established for many years, particularly as a source of working capital. Historically, financial institutions relied on proprietary systems and processes, making it difficult to execute transactions through a common platform. Limited technology adoption also constrained end-to-end digitalization. The advancement of FinTech, including blockchain and the Internet of Things (IoT), now allows broader data sets to be integrated through digital platforms, potentially improving the efficiency of credit assessment and lending while strengthening risk controls.

The foundations of modern financial technology date back to the late nineteenth century, when innovations such as the telegraph and transatlantic cable enabled faster transmission of financial information and payments. Following the 2008 global financial crisis, the emergence of Bitcoin accelerated interest in blockchain technology, which was subsequently explored for SCF platforms. In 2016, IBM introduced blockchain-based solutions aimed at reducing transaction disputes and working capital constraints in supply chains. The relevant implementation reportedly shortened a transaction cycle from 44 days to 10 days and was subsequently deployed with major enterprises in India.

In 1999, Taiwan's Ministry of Economic Affairs (MOEA) formulated and implemented the Information Industry E-Transformation Program, commonly referred to as the AB Program. This initiative was subsequently extended through the C Program for the electronic integration of the information technology and semiconductor industries. The C Program sought to identify core enterprises and digitally connect upstream and downstream suppliers, thereby reducing financing uncertainty. It represented an early domestic initiative supporting the digitalization and integration of supply chain finance.

The program nevertheless faced material technological and operational constraints and did not fully achieve its intended outcomes. Over the past decade, advances in blockchain and other emerging technologies have renewed the prospects for SCF digitalization. Taiwanese banks and enterprises have since collaborated on the development and implementation of FinTech-enabled SCF

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platforms, moving a number of use cases from concept to commercial application.

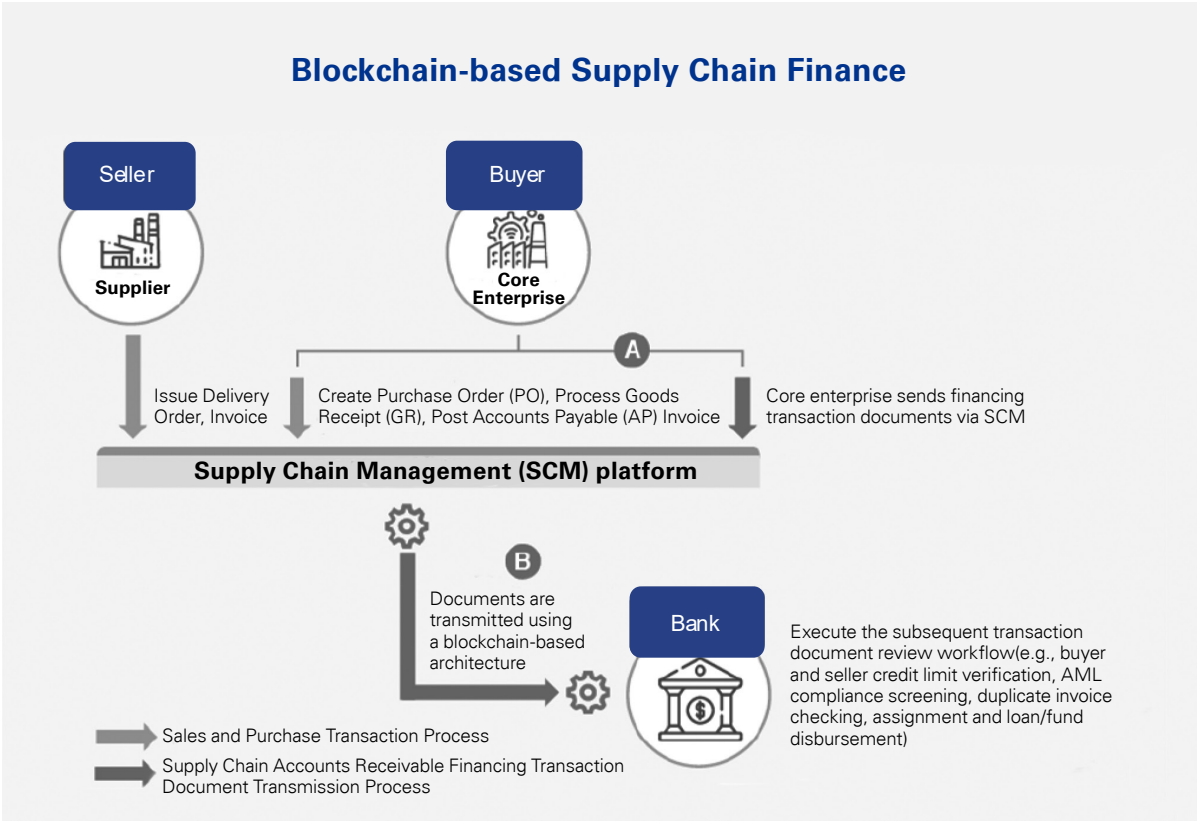
In 2020, DBS Bank (Taiwan) partnered with Formosa Technologies Corporation, a member of the Formosa Plastics Group, to launch a blockchain-enabled supply chain financing platform. Under the arrangement, participating enterprises provide supply chain data to the bank, enabling it to review suppliers' underlying transaction activity and conduct credit assessments more efficiently. The approach is intended to mitigate financing risk, support suppliers' working capital needs, and strengthen supply chain stability. According to the reported project results, the bank's review process was shortened from 5–7 days to 1–2 days, while disbursement time was reduced from 1–2 days to as early as the same day.

In 2020, Cathay United Bank initiated the Global Trade Blockchain platform, which was approved by Taiwan's Financial Supervisory Commission (FSC) for a pilot program in 2021. The consortium comprised 8 domestic banks and several major corporations, including Evergreen Marine Corporation and Yang Ming Marine Transport Corporation. By using blockchain technology, the platform supports the secure transmission and verification of data among participating banks. It enables banks to verify corporate trade information more efficiently, facilitates corporate financing, and helps identify duplicate financing across banks, thereby strengthening credit risk management and the integrity of trade finance processes.

Following approximately 18 months of system design, development, and implementation, the Yuen Foong Yu Blockchain Supply Chain Finance Platform was launched in March 2022. In addition to suppliers and business partners associated with Yuen Foong Yu, participating financial institutions included CTBC Bank, Taishin International Bank, and Mega International Commercial Bank. The platform uses blockchain technology to integrate logistics, cash, commercial, and information flows. This integration can improve operational efficiency and data security, reduce the risk of reliance on falsified information, and accelerate the availability of funds to suppliers, thereby improving working capital efficiency across the supply chain.



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Source: CTBC Bank

Technological Advancements Continue to Drive the Evolution of Supply Chain Finance Services

Approximately a decade ago, the World Economic Forum (WEF) observed that the core functions of traditional financial services—including deposit-taking, lending, payments, and funds transfers—would remain fundamentally unchanged, while technological progress would reshape how those services are designed and delivered. SCF illustrates this evolution: the application of FinTech can improve transparency, processing efficiency, and access to working capital. Continued advances in cloud computing, artificial intelligence (AI), and related technologies are expected to support further innovation, subject to appropriate governance, risk management, and regulatory compliance.

In addition to collaborating with enterprises on blockchain-enabled SCF platforms, CTBC Bank introduced a host-to-host banking solution for SCF in 2023. The solution provides an interface for integration with corporate enterprise resource planning (ERP) systems, enabling transaction data to be transmitted directly to the bank. By replacing paper-based payment instructions and supporting documentation with digital workflows, the solution can shorten payment cycles and accelerate payments to suppliers.

Implementing a host-to-host banking solution, however, generally requires an enterprise to configure or customize its internal ERP

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environment and integrate it with the bank's application programming interfaces (APIs). Depending on system complexity and internal resources, implementation may require several months of development and testing, creating a material burden for corporate information technology teams.

To address this implementation challenge, CTBC Bank collaborated with SAP and IBM Taiwan to enhance the service through cloud technology. In April 2025, the parties launched a cloud-based SCF solution referred to as the "Early Payment Program." The solution is intended to enable enterprises using designated cloud-based ERP systems to adopt the service more rapidly and with lower integration complexity. The initiative supports more efficient liquidity management across the supply chain and extends the bank's role into a business-to-business (B2B) software-as-a-service (SaaS)-enabled ecosystem.

AI has become an increasingly important component of FinTech development, and its integration with SCF may further enhance service delivery. Research indicates that AI applications in SCF can support faster processing, lower operating costs, improved risk identification, and more responsive client service.

AI can assist banks in conducting credit assessments and reviewing financing applications more efficiently by analyzing larger and more varied data sets. It can also enhance transaction monitoring and fraud detection across supply chain activities, thereby supporting the mitigation of transaction and operational risks. Such applications should remain subject to model governance, data-quality controls, explainability requirements, and human oversight.

Research respondents have also reported that AI can support cash flow forecasting and help assess the probability of payment delays in supply chain transactions. These capabilities can enable both buyers and suppliers to identify potential liquidity pressures earlier and strengthen cash flow risk management.

Stablecoins Could Reshape Cross-Border Payments in Supply Chain Finance

On July 18, 2025, U.S. President Donald Trump signed the Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act) into law. The legislation established the first federal regulatory framework in the United States specifically for payment stablecoins. The development significantly increased global market and policy attention on stablecoins—digital assets designed to maintain a relatively stable value, typically by reference to a fiat currency or other reserve assets.

Research by J.P. Morgan indicates that stablecoins may serve as an important bridge between the traditional fiat monetary system and the digital asset ecosystem. They are currently used primarily as a cash-like instrument or settlement asset in on-chain transactions. Cross-border payments and remittances represent a significant potential

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use case.

Traditional cross-border trade payments can be complex and time-consuming, often involving wire transfers, letters of credit, correspondent banks, and multiple processing stages. Stablecoins may enable continuous, near-real-time cross-border settlement and lower certain transaction costs, while providing an auditable on-chain transaction record. However, practical adoption remains subject to regulatory requirements, reserve and redemption arrangements, foreign exchange considerations, financial crime controls, cybersecurity, and the interoperability of payment infrastructure.

According to a survey released by the Taiwan External Trade Development Council (TAITRA) in October 2025, with a survey date of September 10, 2025, 5.2% of Taiwanese enterprises were already using stablecoins and a further 4.2% planned to adopt them. The combined figure of 9.4% suggests that stablecoins had begun to move beyond experimentation into an early stage of use for trade settlement. The survey also indicated a higher rate of adoption among overseas Taiwanese enterprises. These findings point to growing corporate interest, although widespread adoption will depend on regulatory clarity, control frameworks, infrastructure readiness, and counterparty acceptance.

Looking ahead, Taiwan's Virtual Asset Service Act was passed by the Legislative Yuan on June 30, 2026, and promulgated on July 22, 2026. Its provisions have not yet fully entered into force, and the effective date will be separately determined by the Executive Yuan. The Act establishes a statutory framework for virtual asset service providers and introduces requirements governing the issuance and management of stablecoins in Taiwan. As implementing regulations and the supervisory framework are developed, greater legal and regulatory clarity could support further exploration of stablecoin-based payment applications within Taiwan's SCF ecosystem. The pace and scale of adoption will nevertheless depend on regulatory approvals, prudential and financial-crime controls, operational resilience, and market acceptance.

Conclusion

Against a backdrop of geopolitical fragmentation and shifts in the global economy, supply chains have faced heightened disruption and uncertainty. Improving the efficiency and resilience of SCF through technology has therefore become a strategic priority for financial institutions and corporates. Traditional SCF models may be constrained by fragmented cash flows, lengthy financing processes, limited data visibility, and high cross-border payment costs. FinTech can help address these issues, and several blockchain-enabled SCF solutions have progressed from pilot stage to commercial deployment through collaboration between enterprises and financial institutions.

Continued advances in cloud computing, AI, and related technologies are expected to support the further modernization of SCF.

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Because many supply chains extend across jurisdictions, cross-border payments and foreign exchange management remain central considerations. The enactment of the U.S. GENIUS Act in 2025 has increased interest in regulated payment stablecoins. Integrating stablecoins with SCF could improve the speed and availability of cross-border settlement and financing disbursement and may reduce certain transaction costs. Nevertheless, the extent of any transformation will depend on effective regulation, reserve and redemption safeguards, anti-money laundering controls, cybersecurity, interoperability, legal enforceability, and broad commercial adoption.



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