

IFIAR 2022 Member Profile – FSC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: Chinese Taipei
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Financial Supervisory Commission (FSC) 金融監督管理委員會
	2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <u>Postal Address:</u> <ul style="list-style-type: none"> • FSC: 18F., No.7, Sec. 2, Xianmin Blvd., Banqiao District, New Taipei City 22041, Taiwan • Securities and Futures Bureau (SFB): 85, Sec.1, Xin-Sheng S.Rd., Da-An District, Taipei, Taiwan <u>Telephone number:</u> <ul style="list-style-type: none"> • FSC: + 886 2 89680800 • SFB: + 886 2 87735100 <u>Website:</u> <ul style="list-style-type: none"> • FSC: www.fsc.gov.tw • SFB: www.sfb.gov.tw
	2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: According to Article 3 of the CPA Act, the FSC is the statutory audit regulator with mandates to establish a professional audit oversight system and to safeguard audit quality, which ensures the public interest is well protected. The FSC is empowered to inspect, investigate and impose sanction against CPAs for violation of CPA act or audit standards.
	2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, please describe these changes with an appropriate level of detail:																	
3. Governing Body Composition and members	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The FSC has one chairman, two vice chairpersons, and four commissioners who concurrently serve as minister as shown in the following table. None of them is practitioner before joining the FSC.</p> <table border="1" data-bbox="544 887 1433 1462"> <tr> <td style="width: 20%;">Chairperson</td> <td style="width: 30%;">Tien-Mu Huang</td> <td style="width: 50%;">Former Director General, Securities and Futures Bureau, FSC</td> </tr> <tr> <td rowspan="2">Vice-Chairperson</td> <td>Tsuey-Ling Hsiao</td> <td>Former Director General, Department of Banking, Central Bank of the Republic of China (Taiwan)</td> </tr> <tr> <td>Jean Chiu</td> <td>Former Director General, Banking Bureau, FSC</td> </tr> <tr> <td rowspan="4">Commissioner</td> <td>Jain-Rong Su</td> <td>Minister, Ministry of Finance</td> </tr> <tr> <td>Mei-Hua Wang</td> <td>Minister, Ministry of Economic Affairs</td> </tr> <tr> <td>Ching-Shiang Tsai</td> <td>Minister, Minister of Justice</td> </tr> <tr> <td>Ming-Hsin Kung</td> <td>Minister, National Development Council</td> </tr> </table> <p>The FSC is a government agency established under the Executive Yuan as a competent authority responsible for financial supervisory policies and businesses. The FSC carries out its duties independently in accordance with the law.</p> <p>The chair of the FSC is a minister appointed by the President on the recommendation of the Premier. The FSC has two vice chairpersons, both appointed by the President on the recommendation of the premier, and six to 12 commissioners. The Minister of Finance, the Minister of Economic and Energy Affairs, and the Minister of Justice shall serve as ex officio commissioners, as shall FSC commissioners who had been appointed before the amendment to “Organic Act Governing the Establishment of the</p>	Chairperson	Tien-Mu Huang	Former Director General, Securities and Futures Bureau, FSC	Vice-Chairperson	Tsuey-Ling Hsiao	Former Director General, Department of Banking, Central Bank of the Republic of China (Taiwan)	Jean Chiu	Former Director General, Banking Bureau, FSC	Commissioner	Jain-Rong Su	Minister, Ministry of Finance	Mei-Hua Wang	Minister, Ministry of Economic Affairs	Ching-Shiang Tsai	Minister, Minister of Justice	Ming-Hsin Kung	Minister, National Development Council
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² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>Financial Supervisory Commission” enters into force (until the terms of their original appointments expire after the amendment to this Act enters into force). The other commissioners shall be appointed (or retained) by the Premier from among the heads of related government agencies as well as persons with academic expertise or work experience in a relevant field, to serve in a concurrent capacity. The term of commissioners serving as the representative of a government agency shall begin and end when his or her position at that agency begins and ends.</p>
	<p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The FSC commissioners are nominated based on professionalism and independence to avoid conflicts of interest pursuant to Article 9 of the “Organic Act Establishing the Financial Supervisory Commission” (the FSC Organic Act).</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p>Not applicable</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <ol style="list-style-type: none"> 1. According to the Civil Servant Act, current FSC commissioners or employees are prohibited from serving as an audit practitioner or employee of audit firms. 2. A former civil servant is subject to a two year cooling-off period to further serve as an audit practitioner pursuant to Article 45 of the CPA Act, which ensures the FSC commissioners and employees are free from the undue influence from CPA profession.

	<p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The FSC funds its operation through government budget and levies from supervised financial institutions such as banks, securities related firms, and insurance companies, etc. No funding is raised from the CPA profession.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The FSC funds its operation through government budget and levies from supervised financial institutions such as banks, securities related firms, and insurance companies, etc. No funding is raised from the CPA profession.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.). • If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight: <p>The Accounting and Auditing Supervision Division of the Securities and Futures Bureau (SFB) of the FSC is authorized by article 19 of CPA act to inspect audit firms and to assess their compliance with related laws and standards. This division is equipped with more than 30 experienced staff. Most of them possess CPA license, accounting degree or several years of experience in audit firms.</p>

	<p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The SFB inspects audit firms providing audit opinions for more than 100 public companies at least once triennially, inspects these providing audit opinions for more than 10 but less than 100 public companies at least once every six years and inspects other audit firms on a discretionary basis.</p>
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <ol style="list-style-type: none"> 1. As of the end of December 2021, the total number of registered audit firms was 2,170. Among them, 60 firms that audit public companies were subject to inspection. 2. There are 2,494 public companies in Taiwan up to December 2021 (included 959 companies listed in the Taiwan Stock Exchange (TWSE), 788 companies listed in the Taipei Stock Exchange (TPEX) and 747 unlisted public companies). <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>The big 4 firms (Deloitte, KPMG, PwC, and EY) have a market share of more than 90% of PIEs market in Taiwan.</p>
<p>7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight</p>	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures. <p>A joint or incorporated CPA firm shall file for registration with the FSC if it would like to provide the service of auditing and attesting of financial</p>

reports for public companies. The applicant shall submit application documents of its policies governing the implementation of internal control to ensure that firm's audit quality is properly managed and in compliance with the SAS No.46. Any further alteration in registration information shall be notified to the FSC within 10 days since the alteration occurs.

The FSC makes public a list of approved audit firms to provide audit services for public companies on its website. The list covers information such as the name, address and telephone number of audit firm.

Link:

<https://www.sfb.gov.tw/ch/home.jsp?id=938&parentpath=0%2C8%2C935>

7.3 If the Member has the responsibility for Audit and/or Ethics Standard Setting, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?

Directly Through Oversight

- If directly, please describe the responsibility with an appropriate level of detail.
- If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

The Accounting Research and Development Foundation (ARDF) is an independent accounting and auditing standards setting body in Taiwan. Auditors are required to comply with “the Taiwan’s Statements of Auditing Standards” (SAS) issued by the Auditing Standards Committee of ARDF. The majority of current auditing standards from SASs No. 1 to 74 were adapted from ISAs.

7.4 If the Member has the responsibility for Permanent Education of Auditors, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?

Directly Through Oversight

- If directly, please describe the responsibility with an appropriate level of detail.
- If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.

According to CPA Act, the FSC is the competent authority for permanent education of auditors. To fulfil this mandate, the FSC authorizes the

	<p>National Federation of Certified Public Accountants Association of the R.O.C. (NFCPAA) to promote professional education. Pursuant to Article 60 of the CPA Act, the NFCPAA shall establish a professional education committee to oversee matters related to planning, implementation, and supervision.</p> <p>Where a CPA does not meet the minimum requirements of CPA professional education training hours, the NFCPAA shall report to the FSC. If the make-up hours are not completed within the notice period, the FSC will suspend his/her practice.</p> <hr/> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action. • If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p>The CPA enforcement/disciplinary proceedings (DP) is enacted in the chapter 6 of our CPA act. According to the CPA act, CPA would be subject to DP if he or she meets the cause of DP listed in the article 61 of CPA act. The FSC will bring the case to the CPA Discipline Committee. The DP is conducted by CPA Discipline Committee, consisting of Representatives of CPA associations, scholars and relevant administrated agencies such as FSC with equal proportions. The sanctions and related petition and rehearing procedures are also enacted in CPA. After a disciplinary action against a CPA becomes final, the CPA Discipline Committee or the CPA Disciplinary Rehearing Committee may publicly announce the results of its resolution and publish its resolution in a government gazette.</p> <p>Useful link: Certified Public Accountant Act - Article Content - Laws & Regulations Database of The Republic of China (Taiwan) (moj.gov.tw)</p> <hr/> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
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<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>In addition to audit oversight, the FSC has responsibility for supervision of financial reporting or securities regulation, including:</p> <ol style="list-style-type: none"> 1. Supervision of financial reports, financial forecasts, internal controls, and other financial information issued by publicly-held companies. 2. Review of the interpretations connected with the generally accepted financial accounting and audit standards. 3. Proposal of the enactment, amendments, repeal, and interpretations of the Securities and Exchange Act, Futures Trading Act and related bylaws. 4. Proposal, planning, supervision and auditing of the administration managerial systems of Securities and futures enterprises, such as business management, internal controls, internal audits, and operation overall risk management.
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>The FSC released “The AQI Disclosure Framework and Template” to enhance audit quality and transparency in August, 2021.</p> <p>The FSC released “Principles for Preparation of Transparency Reports by Audit Firms” in December, 2021.</p>