

Content

Title :	Regulations Governing Permission for Establishment of Branch Units and Subsidiaries in Hong Kong and Macau by Taiwan-area Insurance Institutions <b>Ch</b>
Date :	2015.10.07
Legislative :	Amendment to Regulations Governing Permission for Establishment of Branch Units and Subsidiaries in Hong Kong and Macau by Taiwan-area Insurance Institutions, promulgated per Financial Supervisory Commission Order No. Jin-Guan-Bao-Zong-Zi-10400947961 dated October 7, 2015.
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Article 32 of the Act Governing Relations with Hong Kong and Macau ("the Act").</p> <p>Article 2</p> <p>The term "Competent Authority" as used in these Regulations means the Financial Supervisory Commission.</p> <p>The term "insurance institution" as used in these Regulations means insurance enterprises, insurance agent companies, insurance broker companies and insurance surveyor companies.</p> <p>The term "branch unit" as used in these Regulations includes representative offices and branch offices; the term "subsidiary" as used in these Regulations means an entity having any of the situations below:</p> <ol style="list-style-type: none"><li>1. A company in which a Taiwan-area insurance institution directly or indirectly holds 50 percent or more of its total outstanding voting shares or total capital stock; or</li><li>2. A company in which a Taiwan-area insurance institution directly or indirectly controls its personnel, financial or business operations.</li></ol> <p>Article 3</p> <p>A Taiwan-area insurance enterprise that meets the following requirements may apply to the Competent Authority for approval to establish a branch office or subsidiary in Hong Kong or Macau:</p> <ol style="list-style-type: none"><li>1. The enterprise has shown operational performance and secure financial capacity for the past three years;</li><li>2. The enterprise' s ratio of equity capital to risk-weighted assets in the most recent period is 250% or higher and the ratio of equity capital to risk-weighted assets after deducting the amount of the investment applied for is 200% or higher;</li><li>3. The enterprise has not been subject to any sanction imposed by the Competent Authority in the three years prior to application, or has been subject to sanction but specific remedial actions have been taken therefor and accepted by the Competent Authority;</li><li>4. The enterprise is free of the record of deficiency in the implementation of risk management in the past year prior to application or there has been the record of deficiency but specific remedial actions have been taken therefor and accepted by the Competent Authority;</li><li>5. The enterprise has sound internal control systems in place; and</li></ol>

6. There are no other facts indicating that the business applied for is likely to adversely affect the sound business operations of the enterprise. A Taiwan-area insurance agent company, insurance broker company or insurance surveyor company that applies for approval to establish a branch office or subsidiary in Hong Kong or Macau, or a Taiwan-area insurance institution that applies for approval to establish a representative office in Hong Kong or Macau shall meet the requirements set forth in Subparagraphs 1 and 3 of the preceding paragraph.

#### Article 4

When a Taiwan-area insurance institution establishes a branch office or subsidiary in Hong Kong or Macau, the cumulative allocated working capital and total amount of investment therefor combined with the total amount of investment under Article 30 of the Act shall not exceed 40 percent of its owner's equity.

#### Article 5

A Taiwan-area insurance institution intending to establish a representative office in Hong Kong or Macau shall apply to the Competent Authority for approval by submitting the following documents:

1. An application form;
2. Minutes from meeting of the board of directors (or a consent letter signed by all directors in the absence of a board of directors);
3. Financial statements for the most recent three years audited and certified by a certified public accountant;
4. Name of proposed representative; and
5. Other information or documents as required by the Competent Authority.

The proposed representative for the representative office to be established by an insurance institution under the preceding paragraph should have good moral character and professional leadership ability, and is free of the situations set forth in Paragraph 1, Article 3 of the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises.

A Taiwan-area insurance institution intending to establish a branch office or subsidiary in Hong Kong or Macau shall apply to the Competent Authority for approval by submitting the following documents:

1. An application form;
2. Minutes from meeting of the board of directors (or a consent letter signed by all directors in the absence of a board of directors);
3. Financial statements for the most recent three years audited and certified by a certified public accountant;
4. A feasibility study;
5. A business plan, specifying the scope of business, business principles and policies, future development plans, financial projections for the coming five years, internal organization and division of labor, relationship with the parent company or head office, and plans for personnel allocation, recruitment and training.
6. Operational risk assessment, benefit analysis and concrete risk control/management plan;
7. Possible capital input or capital contribution in the future and stage analysis;
8. Internal control and audit systems, management and performance review rules;

9. Documents evidencing the qualifications of proposed responsible person; and
  10. Other information or documents as required by the Competent Authority.
- The proposed responsible person for the branch office or subsidiary to be established by an insurance institution under the preceding paragraph shall meet the qualification requirements set forth in the Regulations Governing Required Qualifications for Responsible Persons of Insurance Enterprises in case the insurance institution is an insurance enterprise, or the qualification requirements set forth in the Regulations Governing Insurance Agents, Regulations Governing Insurance Brokers, or Regulations Governing Insurance Surveyors in case the insurance institution is an insurance agency company, insurance broker company or insurance surveyor company.

#### Article 6

Where facts indicate after an application by a Taiwan-area insurance institution to establish a branch unit or subsidiary in Hong Kong or Macau has been approved by the Competent Authority that the business applied for is likely to hinder sound business operations, or that the business is not in compliance with the requirements of insurance supervision, the Competent Authority, if deemed necessary, may revoke the approval.

#### Article 7

A Taiwan-area insurance institution intending to establish a branch unit or subsidiary in Hong Kong or Macau shall submit an establishment application to the competent authority for insurance in Hong Kong or Macau within six months after the Competent Authority grants approval.

Where an institution fails to submit an application to the competent authority for insurance in Hong Kong or Macau within the time period specified in the preceding paragraph, or where the competent authority for insurance in Hong Kong or Macau does not grant approval within six months after the application is submitted, the Competent Authority may revoke its approval, provided that where there is a legitimate reason the institution may, prior to the end of the period set forth in the preceding paragraph, apply to the Competent Authority for an extension.

#### Article 8

A Taiwan-area insurance institution that has received approval from the competent authority for insurance in Hong Kong or Macau to establish a branch unit or subsidiary shall submit documents relating to the matters listed below to the Competent Authority for recordation before the branch unit or subsidiary commences business:

1. The letter of approval from the competent authority for insurance in Hong Kong or Macau; if a business license has already been issued, a photocopy of the license shall also be submitted.
2. A list of the lines of business for which the competent authority for insurance in Hong Kong or Macau has granted approval for the institution to operate.
3. The planned date for commencement of business and the full address of business place.
4. Name of the representative or responsible person, contact information, and documentary proof of his or her educational qualifications and employment history.

#### Article 9

A Taiwan-area insurance institution that has been approved by the Competent Authority to establish a branch office or subsidiary in Hong Kong or Macau shall submit additional relevant documents to the Competent Authority for approval if it has any of the following situations prior to the establishment of such branch office or subsidiary:

1. The proposed location or the type of the branch office or subsidiary is changed.
2. The proposed responsible person is changed.
3. The investment percentage or amount is increased or decreased.

#### Article 10

A Taiwan-area insurance institution shall apply to the Competent Authority for approval before increasing or decreasing the working capital or the capital of its branch office or subsidiary in Hong Kong or Macau.

A Taiwan-area insurance institution shall submit relevant documents to the Competent Authority for approval before it transfers its shareholding in its subsidiary in Hong Kong or Macau to others.

When its subsidiary or branch office in Hong Kong or Macau has any of the following situations, a Taiwan-area insurance institution shall submit the following documents to the Competent Authority for approval:

1. Changing the responsible person.
2. Merging, transferring, or assuming all or an essential part of assets or business of another financial institution.
3. Issuing equity-based securities.
4. Dissolution or suspension of business.
5. Changing the name of branch or subsidiary.

When a Taiwan-area insurance institution replaces the representative of its representative office in Hong Kong or Macau, it shall submit relevant documents to the Competent Authority for approval, including a document evidencing that the new representative meets the qualification requirements set forth in Paragraph 2, Article 5 herein.

#### Article 11

A Taiwan-area insurance institution shall promptly inform the Competent Authority by submitting a report on the particulars of the event and relevant information if its branch office or subsidiary and/or the branch office of the subsidiary in Hong Kong or Macau have any of the situations below:

1. Change of business items or major management policy.
2. Change of capital that results in change to the original ownership interest of the Taiwan-area insurance institution [in the branch office or subsidiary].
3. Making major investments.
4. Change of business address.
5. Undergoing reorganization, liquidation or bankruptcy proceedings.
6. Having business practices adopted in accordance with the local regulations and business customs but non-complying with the insurance regulations in Taiwan Area.
7. Major loss has occurred or is foreseeable.
8. Having committed a material violation or business license being revoked or annulled by the insurance authority in Hong Kong or Macau.

9. Having a material contingent or fraud incident.
10. Having made a report to the local insurance authority according to the financial regulations in Hong Kong or Macau.
11. Other material events.

The provisions of Subparagraphs 4, 8 ~ 11 of the preceding paragraph shall apply mutatis mutandis to the representative offices of Taiwan-area insurance institutions in Hong Kong or Macau. With respect to any of the situations specified in subparagraphs 1 to 6 of the preceding paragraph, a Taiwan-area insurance institution shall report to the Competent Authority in advance..

#### Article 12

A Taiwan-area insurance institution that has established a branch office or subsidiary in Hong Kong or Macau shall, within four months from the date of annual settlement of accounts, submit the following information pertaining to said branch office or subsidiary to the Competent Authority for recordation:

1. Basic information of the branch office, subsidiary and/or the branch offices of the subsidiary and information on its operating status;
2. Business audit reports, CPA-audited financial reports, and examination reports of the insurance authority in Hong Kong or Macau;
3. A consolidated financial report that includes other offshore branch units prepared according to law; and
4. Other information or documents as required by the Competent Authority.

#### Article 13

A Taiwan-area insurance enterprise that establishes a subsidiary or branch office in Hong Kong or Macau, shall, in disclosing its overseas investment and various financial and business information, abide by the Regulations Governing Preparation of Financial Reports by Insurance Enterprises, and in addition, if the aforementioned insurance enterprise is a public company, it shall also abide by the disclosure requirements set forth in the Securities and Exchange Act.

#### Article 14

A Taiwan-area insurance institution that intends to merge or acquire an insurance institution in Hong Kong or Macau shall abide by the provisions in these Regulations.

#### Article 15

When a subsidiary of a Taiwan-area insurance institution makes equity investment in a subsidiary or establishes a branch office in Hong Kong or Macau, the insurance enterprise shall submit the documents set forth in Subparagraph 5, Paragraph 3, Article 5 herein to the Competent Authority for recordation.

#### Article 16

These Regulations shall be implemented on the date of promulgation.