

Content

Title :	Regulations Governing Investment of Investment-linked Insurance <b>Ch</b>
Date :	2016.12.12
Legislative :	Amended on 12 December 2016 per Order Ref. Jin-Kuan-Bao-Shou 10502547891 of the Financial Supervisory Commission.
Content :	<p><b>Article 10</b> Except the discretionary investment services provided by the insurer as agreed by the insurance applicant in the insurance contract, the linked investment objects provided in the investment-linked insurance contract and utilization of the assets in the separate account are limited to the following:</p> <ol style="list-style-type: none"><li>1. Bank deposits.</li><li>2. Beneficiary certificates of securities investment trust funds.</li><li>3. Offshore funds.</li><li>4. Beneficiary securities of mutual trust funds.</li><li>5. Real estate investment trust beneficiary securities or real estate asset trust beneficiary securities issued in accordance with Real Estate Securitization Act.</li><li>6. Beneficiary securities or asset-backed securities issued in accordance with Financial Asset Securitization Act.</li><li>7. Bonds and treasury bills issued by central banks of various countries.</li><li>8. Financial bonds.</li><li>9. Secured corporate bonds issued by public companies, the ones issued by the companies having credit ratings above a certain level, or the ones trading on foreign stock exchange markets or OTC markets.</li><li>10. Structured products.</li><li>11. Mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae.</li><li>12. Other investment objects as approved by competent authorities.</li></ol> <p>For the aforesaid assets in the separate account, the total of the proprietary position and other investments of the insurer shall not exceed the limits specified in Articles 146 to 146-2, 146-4, 146-5 and 146-7 of the Act.</p> <p>When the insurer entrusts an enterprise approved by the competent authorities to engage in or concurrently engage in discretionary investment service to utilize and manage assets in a separate account in accordance with subparagraph 2, paragraph 1 of Article 5, the linked investment objects provided in the investment-linked insurance contract and the utilization of assets in the separate account may include, in addition to the objects listed under paragraph 1 hereof, currency related derivatives transactions for the purpose of currency hedging in connection with the assets in the separate account, provided such transactions comply with the range, conditions and relevant provisions set out by the competent authorities.</p> <p><b>Article 10-1</b> When the insurer entrusts an enterprise approved by the competent authorities to engage in or concurrently engage in discretionary investment service to utilize and manage the assets in the separate account in accordance with subparagraph 2, paragraph 1 of Article 5, the insurer shall comply with the following provisions:</p> <ol style="list-style-type: none"><li>1. The insurer shall establish the procedures for handling entrusted discretionary investment service providers and have the procedures approved by its board of directors. The handling procedures shall include at least operating procedures, internal control system, internal audit system, accounting system, risk management measures, selection and management measures for discretionary investment service providers, and mechanism for</li></ol>

handling losses arising from the failure of the discretionary investment service provider to perform in accordance with the entrustment agreement.

2. The insurer shall make sure prior to the entrustment that the entrusted enterprise already has procedures for handling its discretionary investment services in place and such procedures have been approved by the board of directors of the entrusted enterprise. The handling procedures shall include at least trading principles and directions, operating procedures, internal control systems, internal audit system, risk management measures and counterparty risk management system. The entrusted enterprise shall also include the following into its annual audit plan and produce an audit report thereon:

- (1) Auditing compliance with regulations and entrustment agreement;
- (2) Including internal control and articulation functions in the audit of internal control measures;
- (3) Assessing the independence and implementation of risk management operation; and
- (4) Auditing the reliability of the sources of transaction documents.

When the insurer entrusts an enterprise approved by the competent authorities to engage in or concurrently engage in discretionary investment service to utilize and manage the assets in the separate account in accordance with subparagraph 2, paragraph 1 of Article 5, the provisions of Paragraph 4, Article 28 of the Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises do not apply.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System