

Content

Title :	Regulations Governing Foreign Investments by Insurance Companies Ch
Date :	2017.06.14
Legislative :	Amended on 14 June 2017 per Order No. Jin-Guan-Bao-Cai-Zi- 10602502521 of the Financial Supervisory Commission
Content :	<p>Article 5 An insurer' s funds may be allocated as investment to the following types of foreign securities:</p> <ol style="list-style-type: none">1. Government bonds or treasury bills issued by a foreign central government;2. Bonds issued or guaranteed by a foreign local government;3. Financial bonds, negotiable certificates of deposit, medium-term floating rate notes issued or guaranteed by a foreign bank;4. Foreign currency denominated negotiable certificates of deposit issued by a branch (including offshore banking units) of a foreign bank in Taiwan or a branch of a Mainland China bank in Taiwan;5. Foreign currency denominated financial bonds or negotiable certificates of deposit issued by a domestic bank;6. Foreign currency denominated corporate bonds issued by a domestic enterprise;7. Foreign currency denominated commercial papers;8. Listed or over-the-counter certificates of foreign stocks or bonds;9. Securities representing interests in offshore funds;10. Securitized asset-backed products;11. Bonds issued by foreign government related issuers;12. Bonds issued by international organizations;13. Foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds ; and14. Other securities approved by the competent authority. <p>Article 6 An insurer' s investment in bonds issued or guaranteed by a foreign local government mentioned in Subparagraph 2 of the preceding article shall be subject to the following conditions and limits:</p> <ol style="list-style-type: none">1. The bond shall have an issue rating equivalent to A- or above from a foreign credit rating agency, and the country the local government belongs to shall have a sovereign rating equivalent to AA- or above from a foreign credit rating agency and shall be an OECD country.2. The total amount of investment in bonds issued or guaranteed by a single local government shall not exceed 5% of the insurer' s approved foreign investment limit. <p>An insurer' s investment in financial bonds, negotiable certificates of deposit or medium-term floating rate notes issued or guaranteed by a foreign bank shall be subject to the following conditions and limits:</p> <ol style="list-style-type: none">1. Investment conditions:<ol style="list-style-type: none">(1) The bond issuer or guarantor shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency, unless the provisions of Items (2) to (4) hereof are met.(2) An insurer that meets the following conditions may invest in bonds issued or guaranteed by a bank having a credit rating equivalent to BBB- or BB+ from a foreign credit rating agency:<ol style="list-style-type: none">A. The insurer was not subject to any major disciplinary action for violation of the Act in relation to foreign investment in the most recent year, or remedial actions for the violation, if any, have been taken and affirmed by the competent authority;B. The insurer has set up a risk management committee under its board of directors and set up a risk management department with a chief risk officer appointed to assume de facto responsibility for the overall risk management

of the company;

C. The board of directors sets risk exposure limits annually and such limits are regularly controlled by the risk management committee or risk management department; and

D. The insurer's risk-based capital ratio for the most recent period reaches 250% or above, or the insurer has a credit rating equivalent to AA or above from a local or foreign credit rating agency in the most recent year.

(3) An insurer whose risk-based capital ratio for the most recent period reaches 200% or above and meeting the conditions set out in Sub-items A and B of Item (2) hereof may invest in bonds issued or guaranteed by a bank having a credit rating equivalent to BBB from a foreign credit rating agency.

(4) Where an insurer invests in subordinated bonds, the credit rating of such bonds' issuer or guarantor set out in the preceding three items shall be replaced by the issue rating on such bonds from a foreign credit rating agency.

2. Investment limits:

(1) The total amount of investment in subordinated bonds having an issue rating equivalent to BB+ from a foreign credit rating agency shall not exceed 2% of the insurer's approved foreign investment limit.

(2) The total amount of investment in subordinated bonds having an issue rating equivalent to BBB to BB+ from a foreign credit rating agency shall not exceed 6% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher. However if the total amount of foreign securities mentioned in the preceding article that are put under custody in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities or under the custody of domestic financial institutions and branches of foreign financial institutions in Taiwan having a credit rating equivalent to A- or above from a local or foreign credit rating agency in the most recent year reaches a certain percentage of the total amount of investment in foreign securities mentioned in the preceding article, the insurer may observe the following provisions:

A. If the percentage of foreign securities under custody is 30% or higher, the total amount of investment shall not exceed 7% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.

B. If the percentage of foreign securities under custody is 50% or higher, the total amount of investment shall not exceed 7.5% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.

(3) The total amount of investment in bonds and negotiable certificates of deposit issued or guaranteed by a single bank in combination with the total amount of investment in the stocks mentioned in Paragraph 1 of Article 7 herein issued by the same bank shall not exceed 5% of the insurer's funds and 10% of the owners' equity of the issuing bank.

(4) The total amount of investment in subordinated bonds having an issue rating equivalent to BBB, BBB- or BB+ from a foreign credit rating agency and issued or guaranteed by a single bank shall not exceed 10% of the insurer's owners' equity.

An insurer's total amount of investment in foreign currency denominated negotiable certificates of deposit issued by a branch of a foreign bank in Taiwan (including offshore banking unit) or a branch of a Mainland China bank in Taiwan mentioned in Subparagraph 4 of the preceding article and in foreign currency denominated negotiable certificates of deposit issued by a domestic bank mentioned in Subparagraph 5 of the preceding article shall be subject to the limits specified in Paragraph 2 of Article 4 herein.

An insurer's investment in foreign currency denominated financial bonds issued by a domestic bank mentioned in Subparagraph 5 of the preceding article and in foreign currency denominated corporate bonds issued by a domestic enterprise mentioned in Subparagraph 6 of the preceding article shall be subject to the following conditions and limits:

1. Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act shall apply mutatis mutandis to the investment conditions.

2. The investment amount shall be subject to the limits set out in

Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act.

An insurer's investment in foreign currency denominated commercial papers mentioned in Subparagraph 7 of the preceding article shall be subject to the condition that the issuer or guarantor of such commercial papers shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency and shall be subject to the following limits:

1. The total amount of investment in foreign currency denominated commercial papers issued or guaranteed by a single company and securities under the subparagraphs of Paragraph 1 of Article 7 herein which are issued or guaranteed by the same company shall not exceed 5% of the insurer's funds and 10% of the owners' equity of the issuing company, unless the provision of Subparagraph 2 hereof is met.

2. If the corporate bonds and commercial papers issued or guaranteed by a company are guaranteed by a third party and meet the following conditions, the total amount of investment in foreign currency denominated commercial papers issued or guaranteed by such company, as well as those issued or guaranteed by the third party, and securities mentioned under the subparagraphs of Paragraph 1 of Article 7 herein which are issued or guaranteed by such company and the third party shall not exceed 5% of the insurer's funds and 10% of the owners' equity of the third party:

(1) The third party and the company have prepared consolidated financial statements in accordance with generally accepted accounting principles (GAAP).

(2) The owners' equity of the third party exceeds that of the company.

Article 7

The listed or over-the-counter certificates of foreign stocks or bonds referred to in Subparagraph 8 of Article 5 herein include:

1. Stocks;
2. Initial public offerings of stocks;
3. Corporate bonds;
4. Depositary receipts, convertible bonds and corporate bonds with warrants issued by non-domestic enterprises.

An insurer's investment in the aforementioned corporate bonds, convertible bonds or corporate bonds with warrants issued by a non-domestic enterprise shall be subject to the following conditions:

1. The issuer or guarantor of the bonds shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency, unless the provisions of Subparagraphs 2 to 4 hereof are met.

2. An insurer that meets the following conditions set out in Sub-items A to D, Item 2, Subparagraph 1, Paragraph 2 of the preceding article may invest in the following bonds issued or guaranteed by a company having a certain credit rating from a foreign credit rating agency:

(1) The bond's issuer or guarantor has a credit rating equivalent to BB+ and the bond has been reviewed by the insurance association in accordance with its standards, and publicly announced and filed by the insurance association with the competent authority for recordation.

(2) The bond's issuer or guarantor has a credit rating equivalent to BBB-.

3. An insurer whose risk-based capital ratio for the most recent period reaches 200% or above and meeting the conditions set out in Sub-items A and B of Item (2), Subparagraph 1, Paragraph 2 of the preceding article may invest in bonds issued or guaranteed by a company having a credit rating equivalent to BBB from a foreign credit rating agency.

4. Where an insurer invests in subordinated bonds, the credit rating of such bonds' issuer or guarantor set out in the preceding three subparagraphs shall be replaced by the issue rating on such bonds from a foreign credit rating agency.

5. Investment in subordinated bonds having an issue rating equivalent to BB+ from a foreign credit rating agency is not subject to the provisions of Item (1) of Subparagraph 2 hereof that require the bonds to be reviewed by the insurance association in accordance with its standards, and publicly announced and filed by the insurance association with the competent authority for recordation.

An insurer's investment in securities specified in the preceding two paragraphs shall be subject to the following limits:

1. The total amount of investment in bonds mentioned in Item (1),

Subparagraph 2 of the preceding paragraph shall not exceed 2% of the insurer's approved foreign investment limit.

2. The total amount of investment in bonds mentioned in Subparagraphs 2 and 3 of the preceding paragraph shall not exceed 6% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher. However if the total amount of foreign securities under Article 5 herein that are put under custody in accordance with the proviso of Item (2), Subparagraph 2, Paragraph 2 of the preceding article reaches a certain percentage of the total amount of investment in foreign securities mentioned in Article 5, the insurer may observe the following provisions:

(1) If the percentage of foreign securities under custody is 30% or higher, the total amount of investment shall not exceed 7% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.

(2) If the percentage of foreign securities under custody is 50% or higher, the total amount of investment shall not exceed 7.5% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.

3. Where an insurer invests in convertible bonds and corporate bonds with warrants issued or guaranteed by a company having a credit rating equivalent to BBB+ to BB+ from a foreign credit rating agency, the amount and conditions of the abovementioned investments shall comply with Article 17 herein.

4. The amount of investment in subordinated bonds shall be combined into the investment limits specified in the preceding three subparagraphs based on the issue rating specified in Subparagraph 4 of the preceding paragraph.

5. Paragraph 5 of the preceding article shall apply mutatis mutandis to the total amount an insurer may invest in the securities of a single company.

6. The total amount of an insurer's investment in accordance with the preceding paragraph in corporate bonds as well as convertible bonds and corporate bonds with warrants issued or guaranteed by a single company having a credit rating equivalent to BBB, BBB- or BB+ from a foreign credit rating agency shall not exceed 10% of the insurer's owners' equity.

7. The total amount of an insurer's investment in the securities specified in Subparagraphs 1, 2 and 4 of Paragraph 1 herein shall not exceed 40% of the insurer's approved foreign investment limit imposed in accordance with Article 146-4 of the Act.

Article 8

The securities representing interests in offshore funds referred to in Subparagraph 6 of Article 5 include:

1. Securities investment funds;
2. Index funds;
3. Exchange-traded funds;
4. Real estate investment trust funds;
5. Hedge funds;
6. Privately offered funds;
7. Infrastructure funds; and
8. Commodity funds.

Where an insurer invests in the securities representing interests in offshore funds, the total amount thereof shall not exceed 40% of the approved foreign investment limit imposed in accordance with Article 146-4 of the Act, and the total amount of investment in a single fund prescribed in the preceding Subparagraphs 1 to 4, 7 and 8 shall not exceed 5% of the insurer's funds and 10% of the total amount of the shares issued by the fund.

An insurer's investment in hedge funds and privately offered funds referred to in Subparagraphs 5 and 6 of Paragraph 1 of this Article shall be subject to the following limits and conditions:

1. The total amount of such investment shall not exceed 2% of the insurer's funds, and the total investment in a single fund shall not exceed 10% of the total amount of the shares issued by such fund.
2. Where the total investment in a single fund exceeds 0.5% of the insurer's funds, prior approval of the direct board of the insurer shall be required. The aforesaid limit on investment in a single fund is less than NT\$100 million, the limit may be set at NT\$100 million.
3. An insurer's investment in hedge funds shall be restricted to those

administered by fund management institutions which are listed in registration authorities of the OECD member countries and have engaged in management of hedge fund for at least two years, and with no less than US\$200 million or equivalent of hedge fund assets under the management thereof.

4. An insurer's investment in privately offered funds shall be restricted to those administered by fund management institutions which are listed in registration authorities of the OECD member countries and have engaged in the management of such funds for at least five years and with no less than US\$500 million or equivalent of fund assets under the management thereof, unless the following conditions are met:

(1) The fund management institutions, approved by competent authority as the investment business of our domestic financial holding companies, directly or indirectly register in overseas countries, engage in fund management business.

(2) The domestic fund management institutions have a recommendation letter from the authority of venture capital business for part or all of the venture capital businesses managed by them, and the insurer has drawn up the standards for selecting domestic fund management institutions and such standards have been approved by its board of directors.

Where an insurer invests in a fund of funds which holds a portfolio of the funds listed in Paragraph 1 of this Article, such investment shall comply with the provisions for each type of funds involved.

The indices tracked by the index funds referred to in Subparagraph 2 of Paragraph 1 of this article shall be announced by the competent authority. The privately offered fund mentioned in Subparagraph 6 of Paragraph 1 hereof means a privately offered fund that invests in private equity, private debt and real estate.

Where an insurer invests in the funds specified in Subparagraphs 5 to 8 of Paragraph 1 of this article, the amount and conditions of such investment shall comply with the provisions of Article 17.

Article 9

The securitized asset-backed products referred to in Subparagraph 10 of Article 5 include:

1. Asset-backed securities;
2. Commercial mortgage-backed securities;
3. Residential mortgage-backed securities; and
4. Collateralized debt obligations.

An insurer's investment in securitized asset-backed products listed above shall be restricted to those with a credit rating equivalent to A- or above by the foreign credit rating agencies and the total amount of such investment in such investment shall not exceed 20% of the approved foreign investment limit. In addition, the investment in each of such products shall not exceed 1% of the insurer's funds.

Where an insurer invests in the residential mortgage-backed bonds specified in Subparagraph 3 of paragraph 1, the average FICO of the underlying asset pools shall reach 680 or higher.

An insurer's investment in the residential mortgage-backed securities issued or guaranteed by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Government National Mortgage Association is exempted from the provisions of Paragraphs 2 and 3. The total amount of such investment and the subtotal amount attributed to each of the above agencies shall not exceed 50% and 25% of the limit imposed on the insurer's foreign investment respectively.

Where an insurer invests in any of the following collateralized debt obligations, the amount and conditions of such investment shall comply with Article 17:

1. The collateralized debt obligations of which part of the underlying assets are below BBB- or equivalent credit rating by the foreign credit rating agencies;
2. The collateralized debt obligations with such underlying asset pool as is based on a leverage financing structure or contains subprime mortgage loans or leverage loans.

Article 10

Where an insurer invests in the bonds issued by foreign government related issuers mentioned in Subparagraph 11 of Article 5, the investment shall be

restricted to those with government support equivalent to medium or above degree suggested by the foreign credit rating agencies, as well as with the bond itself or its issuer's or guarantor's credit ratings equivalent to AA- or above from the foreign credit rating agencies. The total investment in the above bonds issued by each foreign government related issuers shall not exceed 5% of the insurer's funds.

Where an insurer invests in the bonds issued by international organizations referred to in Subparagraph 12 of Article 5, the issuers of such bonds shall have a credit rating equivalent to A- or above from the foreign credit rating agencies. The total investment in the bonds issued by each international organization shall not exceed 5% of the insurer's funds.

Where an insurer invests in foreign currency denominated certificates of stocks or bonds listed or traded over-the-counter on the domestic securities market mentioned in Subparagraph 13 of Article 5 herein, the amount of the investment shall be calculated, based on the type of stock certificate or bond invested, into respectively the limits provided in Paragraphs 1 and 2 of this article, Paragraphs 1, 2, 4, and 5 of Article 6, Paragraph 3 of Article 7, and Paragraph 1 of Article 17 herein, and the conditions for such investment shall comply with the following provisions:

(1) Based on the type of stock certificate or bond invested, the investment shall comply with the conditions set out in Paragraphs 1 and 2 of this article, Paragraphs 1, 2, 4 and 5 of Article 6, Paragraph 2 of Article 7 and Paragraph 2 of Article 17 herein.

(2) For investment in bonds with covenants that the issuer may redeem the bond after a certain period of time, that period of time shall not be less than 5 years from the date of issue; for bonds acquired in the secondary market, the duration from the date of transaction settlement to the end of that period of time shall not be less than 3 years. The preceding provision does not apply to bonds already invested by the insurer before the amendment of these Regulations is implemented.

Article 11-1

When an insurer invests in real estate overseas and in the Mainland China area in any of the following ways:

1. To obtain real estate overseas and in the Mainland China area in its own name.
2. To obtain real estate overseas or in the Mainland China area through real estate investment business for special-purpose investment.
3. Obtaining real estate overseas or in the Mainland China area through a real estate investment business for special-purpose investment by way of loan.
4. Obtaining real estate overseas or in the Mainland China area through a trust contract.

Real estate investment business for special-purpose investment, as referred to in the preceding paragraph, means those enterprises 100% owned by the insurer, as filed with the competent authority for reference or approved by the competent authority exclusively for the purpose of investment in real estate overseas or in the Mainland China area. As pointed out in the preceding paragraph, obtaining real estate overseas or in the Mainland China area through a trust contract, is regarded as a trust contract when concerned with the obtaining, management, use, benefit and disposal of that real estate made between an insurer filed with the component authorities for reference or permitted by the competent authority or its real estate investment business for special-purpose investment and trustee institutions.

In cases where an insurer and the real estate investment business acquires or disposes of the real estate that it has invested overseas and in the Mainland China area, it is required to obtain an appraisal report issued by an international appraisal institution that is qualified locally, and the mandated institutions in charge of the management are limited to international real estate management companies. In cases where the investment is made through the real estate investment business for special purposes of investment, it is also required to obtain a legal opinion as regards its legality issued by local qualified counsel; the following items shall be disclosed within three days after the acquisition of such documents in the website of the insurer:

1. The location of the overseas and Mainland China area real estate.

2. Information proving the fair market value.
3. Ownership, area and use condition of the property.

The appraisal companies and the real estate management companies set forth in the preceding paragraph shall meet the following requirements

1. Appraisal companies are limited to those incorporated and registered with the competent authorities in OECD countries or the Republic of China and have offices of business in the place where the proposed invested overseas real estate or the real estate investment business for special purposes of investment and the Republic of China.

2. Real estate management companies shall meet any of the following requirements, provided that, however, that if the invested real estate is managed by an existing real estate management company and that such contract does not mature, or the real estate management company shall be jointly determined by the co-owners of the real estate, such provision is not applicable:

(1). Publicly available documents proving that such real estate management company has been incorporated in the place where the real estate proposed by the insurer is located for at least three years and has experience in managing commercial building with floor space of at least 35,000 square meters and assets of NTD 10 billion or equivalent foreign currencies.

(2). Concrete and public information proving that such real estate management company ranks among the top five real estate management companies in terms of revenue for the most recent year.

In cases where an insurer invests in overseas and Mainland China area real estate in accordance with paragraph 1, such company shall include the handling procedure in relation to the investment in overseas and Mainland China area real estate in internal controls, and have the board of directors to adopt it; such also applies to amendment. The handling procedure shall include at least the following matters:

1. Investment guidelines, strategies, and responsible departments.
2. Evaluation, transaction, management and handling procedure.
3. Risk management measures.

For the risk management measures as referred to in the preceding paragraph, sub-paragraph 3, its risk control shall include a control mechanism of different levels with reference to credit rating information provided by foreign credit rating agencies in relation to foreign countries and the Mainland China area where the real estate is located and shall set up risk limits for each level and country.

For an insurer that engages in overseas real estate investment, such company shall designate staff with relevant experience or professionally trained personnel, and submit an investment assessment report for each case to the board of directors for authorization and handling.

Pursuant to the requirements set forth in Article 12 of Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises and Article 12 of the Regulations Governing Public Disclosure of Information by Life Insurance Enterprises, non-life and life insurance enterprises shall respectively make public disclosure of the following information under the notes in the explanatory documents posted on their information disclosure website:

1. Areas, amounts and profit/loss of real estate investments made overseas and in Mainland China, which have been reviewed by a certified public accountant (CPA) and shall be updated on an annual basis;
2. Information specified under Paragraph 7 of Article 11-2; and
3. Information specified under Paragraph 3 of Article 11-3.

An insurer that invests in overseas or Mainland China area real estate in accordance with the provisions under the subparagraphs of Paragraph 1 hereof shall disclose the following information in the notes to its annual financial statements:

1. For overseas and Mainland China area real estate acquired in accordance with Subparagraph 1 of Paragraph 1 hereof, is the real estate ownership subject to restrictions?
2. For overseas and Mainland China area real estate acquired in accordance with Subparagraphs 2 and 3 of Paragraph 1 hereof, does the real estate investment business for special-purpose investment have any situation that violates Subparagraph 2, Paragraph 3 of Article 11-2 herein and is the real estate ownership of the investment business subject to restrictions other

than the restriction associated with being furnished as security for other's debt?

3. For overseas and Mainland China area real estate acquired in accordance with Subparagraph 4 of Paragraph 1 hereof, is the ownership of the trust property subject to restrictions?

Article 11-2

As pointed out in subparagraph 3, paragraph 1 of the previous article, when an insurer engages in obtaining real estate overseas or in the Mainland China area through a real estate investment business for special-purpose investment by way of a loan, any such decisions shall be passed by three-fourths of board members in attendance, with two-thirds of all board members in attendance, and shall be in conformity with the following regulations:

1. Loan interest, term of loan, collateral or conditions of guarantor's setting or levying, and method of capital and interest payment adopted by the insurer shall not exceed the conditions of similar loans provided in the invested area where it engages in a real estate investment business for special-purpose investment within the term of financing and shall conform with local regulations in the invested area.

2. Loans acquired through a real estate investment business for special-purpose investment shall all be utilized in obtaining real estate overseas or in Mainland China through investment.

The gross balance of a loan invested by an insurer when engaging in a real estate investment business for the special-purpose investment shall not exceed 10% of that insurer's owners' equity of the respective insurers and it shall be calculated in the limit amount based on the following restrictions:

1. The gross balance loaned provided by subparagraph 2, paragraph 1 of article 3 of the Regulations for Extending Loans by Insurance Enterprises to Interested Parties shall not exceed 1.5 times the insurer's owners' equity for the respective insurers.

2. The gross balance loaned to the same interested party as provided by paragraph 3 of article 2 of the Regulations governing Insurance Enterprises in Making Loans to and Others Transactions with A Single Party, A Single Related Party or A Single Related Enterprise shall not exceed 40% of the insurer's owners' equity for the respective insurers.

3. The gross balance loaned to the same affiliated enterprise as provided by paragraph 4 of article 2 of the Regulations governing Insurance Enterprises in Making Loans to and Others Transactions with A Single Party, A Single Related Party or A Single Related Enterprise shall not exceed 40% of the insurer's owners' equity for the respective insurers.

The operation of real estate business for special-purpose investment shall be subject to the following restrictions:

1. The business scope of such company shall be confined to purchasing, holding, maintaining, management, operation or disposal of real estate and real estate related rights.

2. Except the loan mentioned in first paragraph, an insurance enterprise may not borrow funds from an outside party, act as guarantor for an outside party, or provide its assets as collateral for the debt of another.

3. Such business shall not seek loans from outside sources, or act as a guarantor, or provide its property as a security for the indebtedness of others; its funds shall be limited to the following purposes:

(1) For the payment of relevant costs and expenses incurred in connection with the business operations as set forth in the preceding subparagraph;

(2) For deposits with financial institutions.

4. The various revenues received by that business shall, except for the portion which should be reserved to meet essential operating needs, be remitted back to the parent company within six months after the final annual accounts are audited by the Certified Public Accountant(s).

In cases where an insurer invests in real estate investment business for special-purpose investment, such insurer shall duly submit to the competent authority for prior approval for each and every object of real estate overseas and in the Mainland China area that it proposes to acquire:

1. A business plan, which shall at least include category, location, floor space (area), business development plan, business principles and guidelines.

2. An explanation as to the transparency of the real estate registration system where the relevant real estate overseas or in Mainland China is located and that said system is publically traceable.
3. An analysis in various phases of the capital or the amount of investment that the insurer proposes to make.
4. List of the proposed responsible person(s).
5. An overview of the business operations of the invested real estate overseas and in the Mainland China area and the real estate investment business for special purposes of investments that have been established.
6. Proof that the real estate has been legally utilized and generated profits at the time of investment.
7. The content of the decision and decision-making procedure in obtaining real estate overseas or in the Mainland China area through a real estate investment business for special-purpose investment by way of loan passed by the board, along with the analysis of necessity and legitimacy of engaging in real estate investment business for special-purpose investment by way of loan proposed to the board and an a reasonable explanation concerning interests, period of loan, collateral, or conditions dealing with the setting or levying of guarantors and the method of payment.
8. Other document(s) as required by the competent authority.

In cases where an insurance company invests in real estate investment business for special purposes of investment in the Mainland China area, such shall be subject to the approval of the Ministry of Economic Affairs in accordance with the Act Governing the Relations between the People of the Taiwan Area and the Mainland China Area.

In cases where an insurance company sets up real estate investment business for special purposes of investment overseas and in the Mainland China area, the 'Regulations for Establishment, Transfer, or Withdraw Branch Units by Insurance Enterprises ' and 'Regulations Governing Permission for Establishment of Branch Units and Subsidiaries in Hong Kong and Macau by Taiwan-area Insurance Institutions' is not applicable.

An insurance company shall submit the following documents of real estate investment business for special purposes of investment for the reference of the competent authority within three months of the end of each fiscal year.

1. A summary of the internal audit.
2. A financial report audited by the Certified Public Accountant(s).
3. A summary of the basic information in relation to the operations.
4. Other documents as required by the competent authority.

A competent authority or its entrusted institutions or personnel are entitled to examine the business, financial situation, and other necessary matters of the real estate investment business for special purpose, and are entitled to request that, when needed, the insurer or the real estate investment business provide documents, data, or designated personnel to explain them within a set period.

An insurer shall, in accordance with the following items, establish in its internal control system the necessary process for the internal control of the real estate investment business for special purpose and shall take local regulations of investment and the nature of actual operations with regard to the investment business into consideration when supervising that business to establish its internal control system.

1. The supervision and management toward the operation and management of its investment business for insurers should include the following control procedure at least:

(1) An insurer shall establish an appropriate controlling system between itself and its investment business, including the method of appointing and assigning a legal representative and important managers for its investment business.

(2) An insurer shall make an overall operational strategy and risk management policy and directives for principles governing it and its investment business which will serve its investment business in establishing related business plans and the policies and procedure of risk management.

(3) An insurer shall establish policies and procedures of business segmentation, conditions of account receivable and account payable, and account disposal between it and its investment business.

(4) An insurer shall establish a policy to supervise and to manage the

important financial and business affairs of its investment business.

2. The supervision and management toward the financial and business affairs of its investment business for insurers should include the following control procedure at least :

(1) An insurer shall supervise its investment business so as to establish an independent financial and business information system.

(2) An insurer shall establish an effective channel of communication with its investment business which, in addition to reporting important financial and business information to the insurer before any events occur, as mentioned in the previous subparagraph, shall also immediately report to the insurer any important matter that may influence the operation of its business before a specific event occurs.

(3) An insurer shall acquire and examine the monthly management report of its investment business on at least a quarterly basis.

(4) An insurer shall, based on related legal regulations concerning compulsory notifying or reporting information and terms prescribed, arrange for its investment business to provide necessary financial and business information or entrust an accountant to audit and check its financial report.

3. The supervision and management toward the auditing management of its investment business for insurers should include the following control procedure at least:

(1) An insurer shall direct its investment business to establish an internal auditing department, internal control system, and procedure and approach for self-examination and shall supervise their execution.

(2) An insurer shall combine the auditing of investment business into its own enforcement rules of internal auditing and shall conduct auditing periodically or randomly; with regard to any discoveries and suggestions resulting from the audit report, the insurer shall have its investment business make corrections and create a tracking report periodically to ensure corrective measures have been adopted in time.

(3) The investment business of an insurer shall immediately report to the insurer any defect or abnormal situation of the internal control system discovered through the auditing plan and execution.

(4) The internal auditing unit of an insurer shall reexamine the audit report or self-examination report provided by its investment business and shall track the corrective efforts aimed at the defects and the abnormal situation in its internal control system.

If the overseas or Mainland China area real estate acquired by an insurer in accordance with Subparagraph 2 or 3, Paragraph 1 of the preceding article has any of the following events, the insurer shall report the reasons and relevant information to the competent authority within seven days after the occurrence of event:

1. Change of the structure of investment in the real estate investment business for special-purpose investment after the insurer has been approved by or has filed with the competent authority. The preceding provision applies to the situation where the insurer changes its investment structure again after reporting change of investment structure to the competent authority in accordance with this paragraph.

2. The real estate investment business for special-purpose investment has any of the following financial or business situations:

(1) Any situation described under Items 4, 5 and 7 to 10, Subparagraph 1 of Article 13-3 herein.

(2) Involved in a major judicial litigation case.

(3) Selling all or part of its real estate holdings or the real estate owned by the investment business suffers loss for some reason.

(4) Other material situations that may affect the rights and interests of the insurer.

Article 11-3

An insurer obtaining real estate overseas or in the Mainland China area through a trust contract based on subparagraph 4, paragraph 1 of article 11-1 shall conduct affairs in conformity with the following regulations.

1. The trustee institution shall be permitted by competent authority to engage in a trust business with a credit rating equivalent to BBB+ as rated by domestic or foreign credit agencies within the latest one-year and shall not be the interested parties, as mentioned in paragraph 3 of article 146-7

of this Act.

2. A trust contract made between insurers and a trustee institution shall contain at least the following items:

- (1) The insurer shall have the decision making power with regard to the utilization of the trust properties.
- (2) Concerning any realized revenue from the trust properties, unless there is a concrete utilization plan permitted by the competent authority or it is reserved as operational capital, the trustee institution shall transfer the revenue to the insurer no later than six months after the annual settlement.
- (3) When it is necessary, the trustee institution, upon a request from the competent authority, shall provide related information that shall not be falsely represented or concealed.

Before the real estate obtained overseas or in the Mainland China by investment through a trust contract, an insurer shall prepare the following items for the approval of the competent authority:

1. The name, credit rating, and the obligations and responsibilities of the trustee institution.
2. The trust contract signed with the trustee institutions and an explanation of trust properties in which the type, location, and acreage shall be listed.
3. Certificates that have been legally utilized and have generated income at the time of such investment.
4. Other documents reported upon the request of the competent authority.

An insurer shall, within 3 months after the end of each fiscal year, prepare for the competent authority the following documents on real estate obtained overseas or in the Mainland China by investment through a trust contract:

1. A CPA audited and certified final accounting report issued by the trustee institutions.
2. Summary of information concerning the operational situation of the trust contract issued by the trustee institutions.
3. Other documents requested by competent authority.

If the overseas or Mainland China area real estate acquired by an insurer through a trust contract has any of the following events, the insurer shall report the reasons and relevant information to the competent authority within seven days after the occurrence of event:

1. Change of trust structure after the insurer has been approved by or has filed with the competent authority. The preceding provision applies to the situation where the trust structure changes again after the insurer has reported change of trust structure to the competent authority in accordance with this paragraph.
2. Change of trustee institution.
3. Change of trust contract signed with the trustee institution that has material impact on the rights and interests of the insurer.
4. The overseas or Mainland China area real estate acquired by the insurer is involved in a major violation case or judicial litigation case.
5. The trustee institution is selling all or part of the trust property or the trust property suffers loss for some reason.

Article 12

In cases where the board of directors of an insurer has adopted the relevant transaction procedures and risk management measures and determines the foreign currency risk limit each year for which the risk management committee or risk management department monitors periodically, such company may use its funds in items denominated in RMB. Provided that, however, the use of funds of such company in relation to government or corporate securities is limited to the following items and the risk-based capital ratio of the most recent period at the time of the investment shall be at least 200%, and there is no situation as listed in Article 17, paragraph 2, sub-paragraphs 1 and 3:

1. Government bonds and treasury bills in the Mainland China area, including those traded among banks on the bond market.
2. The stocks transacted in the centralized markets and the initial public offering (IPO) stocks before being listed in centralized market.
3. Corporate bonds and financial bonds traded on the centralized market or among banks in the Mainland China area.

4. The securities investment funds and Exchange Traded Funds (ETF) listed in the Mainland China area.

5. Transactions of financial derivatives may be engaged for hedging purposes within the actual investment amounts under Subparagraphs I to IV of this Paragraph.

The investments of government or corporate securities of the Mainland China in accordance with the previous paragraph shall satisfy the following regulations :

1. There is no situation as listed in Article 17, paragraph 2, subparagraphs 1 and 3.

2. Unless an insurer is permitted by the competent authority to make an investment in accordance with subparagraph 3 and 4 of the previous paragraph, where the risk-based capital ratio of the most recent period at the time of the investment does not reach 200%, the investment of an insurer shall be limited to subparagraph 1 and 5 of the previous paragraph.

3. The total amount of such investment, in accordance with the preceding subparagraph, shall not exceed 5% of the foreign investment limits approved for that insurer.

Where an insurer invests in corporate bonds or financial bonds listed under Subparagraph 3 of Paragraph 1 hereof, the credit rating of the issuer or guarantee provider of the abovementioned bonds shall comply with the following provisions:.

1. In cases of corporate bonds other than subordinated bonds, the credit rating of the issuer or guarantee provider from a foreign credit rating agency shall be equivalent to A- or above; and

2. In cases of subordinated corporate bonds or subordinated financial bonds, the credit rating of the issuer or guarantee provider from a foreign credit rating agency shall be equivalent to A+ or above.

The competent authority may, if necessary, restrict the investment items that the funds of an insurer may be used for as enumerated under paragraph 1.

Items of investment provided within paragraph 1, in addition to being bound by the respective conditions as provided for by the law, shall have their transaction amounts calculated respectively into each item' s limit amount, conforming to the following conditions:

1. The total amount of investment in the government bonds and treasury bills in the Mainland China area shall not exceed 5% of the approved limit on foreign investment for that insurer.

2. The total amount of investment in subordinated corporate bonds and financial bonds mentioned in Subparagraph 3 of Paragraph 1 hereof shall not exceed 1% of the insurer's approved foreign investment limit.

3. The total amount of investment in the securities issued by the same corporation with attributes satisfactory to Subparagraphs 2 and 3 of Paragraph 1 shall not exceed 1% of the insurer's approved foreign investment limit and shall not exceed 10% of the issuer' s Shareholders' Equity.

4. The total amount of investment in each of the securities investment funds and exchange traded funds listed in the Mainland China area shall not exceed 1% of the insurer's approved foreign investment limit and shall not exceed 10% of the total amount already issued by that fund.

5. The grand total of investment in securities and exchange traded funds as defined under Subparagraphs 1/4 under Paragraph 1 shall not exceed 10% of the insurer's approved foreign investment limit.

An insurer shall, while utilizing funds defined under any subparagraph of Paragraph 1, faithfully comply with requirements by the laws and ordinances concerned and the internal operating norms regarding utilization of the funds. The non-life and life insurers shall, respectively pursuant to the requirements set forth in Article 11 of Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises and Article 11 of Regulations Governing Public Disclosure of Information by Life Insurance Enterprises, make disclosure to the public under the notes which should be made under the information disclosure website the total amount of the funds utilized for investment under Paragraph 1 and the profitability performance and shall keep such information renewed on a quarterly basis.

Article 13-3

An insurer who has received approval from the competent authority for the

investment of overseas insurance-related enterprise shall comply with the following:

1. If any of the following circumstances exist in an insurer's invested insurance-related enterprise, which has the approval of the competent authority, the reasons and relevant information shall be reported to the competent authority within seven days after the occurrence of event:

(1) Change of business scope or significant operation policy.

(2) A change of capital amount of the invested insurance-related enterprise resulting in a change of the shareholding ratio of the insurer or the insurer's overseas subsidiary in a third territory, that has an impact on the relationship of control and affiliation as defined in the Chapter of Affiliates under the Company Act of the Republic of China between the insurer and the invested insurance-related enterprise or between the insurer's overseas subsidiary in a third territory and the invested insurance-related enterprise.

(3) An important financial or business decision that requires the approval of the majority of directors attending a meeting of the board of directors that is attended by 2/3 or more of all directors of the company, or a resolution approved by a majority of voting rights represented by shareholders at a meeting attended by representatives of 2/3 or more of the total number of outstanding shares.

(4) Dissolution or cessation of business.

(5) Change of entity name or business address.

(6) Merger with any other financial institution, assignment or taking assignment of all or a substantial part of assets or business.

(7) Reorganization, liquidation or bankruptcy.

(8) Significant loss that has occurred or is expected to occur.

(9) A material breach of the law or the cancellation or withdrawal of a business permit by the competent authority of an overseas territory.

(10) Other material breach of corporate governance or internal control.

2. Any insurer investing in an overseas banking enterprise with the approval of the competent authority shall report or discuss the matter with their board of directors for the review and approval of all important financial matters, internal audit, risk management, hiring and dismissal of important personnel and other matters of such overseas banking at least every quarter. If the insurer is a subsidiary of a financial holding company, such report shall also be submitted to the board of directors of such financial holding company, or such events shall be reported or discussed at meetings organized by the responsible department authorized by the board of directors of the financial holding company.

3. Neither the insurer's overseas subsidiary, nor any invested business that constitutes a relationship of control and affiliation as defined in the Chapter of Affiliates under the Company Act of the Republic of China, shall further invest in any domestic insurance-related enterprise.

4. If the insurer's overseas subsidiary invests in any other entity, or if the entity invested in by the overseas subsidiary further invests in any other entity, and if there is a relationship of control and affiliation defined in the Chapter of Affiliates under the Company Act with the invested entity, such investment shall be subject to a prior request to the competent authority for approval. Relevant documents of proof shall also be filed with the competent authority for reference within 10 days of approval and actual investment.

5. Before the end of April of each year, a business report covering all overseas insurance-related enterprises in which investment has been made during the previous year shall be submitted to the competent authority. Such business report shall include the status of the business, profit and loss situation and performance review.

6. The business audit report and accountant's report of the invested overseas insurance related business, as well as the inspection report by the financial inspection authority of the country where the invested business is situated, shall be filed with the competent authority for reference within 15 days from the receipt of such reports. However, if any such report involves any material breach of law, it shall be filed immediately with the competent authority for reference.

7. Information about the operation of the overseas insurance-related enterprise should be provided in the information reporting system

designated by the competent authority. Any change should be duly updated.

8. Pursuant to the requirements set forth in Article 11 of Regulations Governing Public Disclosure of Information by Non-life Insurance Enterprises and Article 11 of Regulations Governing Public Disclosure of Information by Life Insurance Enterprises, the non-life and life insurance companies shall, respectively, make disclosures to the public in the notes which are to be made in the information disclosure website area concerning the names of the insurance-related enterprises in which investment has been made by the overseas insurance-related enterprise, the countries where such businesses are located, the amount of investment and investment profit and loss from each year, and shall renew such information on an annual basis.

9. After investment in an overseas insurance-related enterprise, if the insurer meets the requirements under Paragraph 1 or 2, Article 13-1, the insurer may participate in the capital increase in cash of such business within the original investment ratio. An application form (Table 1) and the documents listed under Paragraphs 1 to 8 of the attachment shall be filed with the competent authority for reference within 15 days of the investment.

10. The transactions between the insurer and the overseas insurance-related enterprise in which investment has been made shall be consistent with the relevant requirements of Articles 146-3 and 146-7 of the Act.

11. The insurer has duly enforced the evaluation mechanism or internal regulation listed under Paragraphs 4 and 9 to 11 of the attachment.

12. Provide any other information or document required by the competent authority.

Article 16

An insurer may put its foreign investment assets under the custody of a custodian institution or under its own custody in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities, and in addition, the custodian institution shall be Taiwan Depository & Clearing Corporation or a financial institution meeting the following requirements:

1. Having been established for more than three years and having a branch or subsidiary in Taiwan that has been approved to conduct custody business;
2. Having a credit rating equivalent to A- or above for the most recent year from a domestic or foreign credit rating agency; and
3. A bank ranking in the world's top 500 by assets or net worth for the most recent year or an institution with more than US\$500 billion assets under custody; the preceding provisions do not apply to domestic institutions.

An insurer whose risk-based capital ratio for the most recent period is under 200% shall, within six months after the amended Regulations are in force, put its foreign assets under the custody of Taiwan Depository & Clearing Corporation or a domestic financial institution or the branch of a foreign financial institution in Taiwan whose ratio of its capital to risk-weighted assets for the most recent period meets the regulatory requirements. The aforementioned six-month period may be extended, subject to the consent of the competent authority.

An insurer shall put its investments in foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds under custody in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities.

An insurer with its foreign investment limit reaching 35% or higher of its funds or with its overall foreign investment reaching or above US\$1 billion shall put all its foreign securities, except those representing interests in offshore funds and those from special-purpose money trust funds conducted by financial institutions, under the custody of not more than five custodian institutions, excluding Taiwan Depository & Clearing Corporation.

Where an insurer entrusts an overseas custodian for the custody of its overseas assets, the institution being appointed to handle its discretionary account and the entrusted custodian institution shall belong to different financial institutions, and in addition, the execution and modification of the overseas custodian agreement and changes to the authorized signatories on the custodial account must be approved by the insurer's board of directors, and the insurer shall ensure that the

custodian agreement contains the following provisions:

1. If deemed necessary, the competent authority may dispatch personnel or order the insurer to appoint an accountant or other professionals to examine the insurer's overseas assets under the custody of the custodian institution and to submit a report or express opinions to the competent authority. In such event, the custodian institution entrusted by the insurer shall not refuse the related examination;
2. The overseas custodial account of the insurer may not be used to provide any form of guarantee for the debt of others;
3. Unless with the consent of the insurer, the custodian institution shall not transfer the assets in the insurer's custodial account to any third parties;
4. For matters relating to insurer's custodial account as inquired by the certifying accountant of the insurer for confirmation (including whether the account balance matches, whether any asset in the account is used to provide guarantee, etc.), the custodian shall directly reply by letter to the accounting firm after verifying each inquiry item;
5. The custodian agreement shall specify that the ultimate beneficiary of the agreement, the owners of assets, and the beneficiary of master and sub accounts shall be the insurer only; and
6. Other matters designated by the competent authority.

Where the custodian institution has not met the requirements set out in Subparagraph 1 or Subparagraph 3 of Paragraph 1 hereof at the time the amended Regulations are in force, the insurer shall transfer its overseas assets to an institution that meets the requirements set out in Paragraph 1 hereof within six months after the amended Regulations are in force; where the custodian agreement does not comply with the provisions in the preceding paragraph, the insurer shall modify the agreement within one year after the amended Regulations are in force.

Article 17

The aggregate amount of the following investments shall not exceed 5% of the disposable funds of the insurer:

1. Convertible bonds and corporate bonds with warrants issued or guaranteed by a company having a credit rating equivalent to BBB+ to BB+ from a foreign credit rating agency;
2. Hedge funds, privately offered funds, infrastructure funds and commodity funds;
3. Collateralized debt obligations of which part of the underlying assets are below BBB- or equivalent credit rating from the foreign credit rating agencies, except those with less than 5% of its underlying assets below the above rating and were invested in accordance with relevant regulations before the promulgation of these Regulations.
4. Collateralized debt obligations with such underlying asset pool based on a leverage financing structure or contains subprime mortgage loans or leverage loans.

Insurers with any of the following circumstances are not allowed to conduct the investment listed in the preceding Paragraph:

1. The insurer has been subjected to major disciplinary actions in the immediately preceding year for violations of the Act with regard to foreign investment, except that remedial actions for the violation, if any, have been taken and affirmed by the competent authority.
2. The ratio of regulatory capital to risk-based capital at the end of the most recent period is less than 250%, except that the above ratio is between 200% and 250% and the insurer gets a AA equivalent credit rating or above.
3. Neither a risk management committee subordinate to the director board has been set up, nor a chief risk officer has been assigned and an interior risk management department has been established to assume de facto responsibility for the overall risk management of the company.