

Content

Title :	Regulations Governing Transactions Other Than Loans between Insurance Enterprises and Interested Parties
Date :	2020.04.28
Legislative :	As amended on April 28, 2020
Content :	<p>Article 3 The scope of “transactions other than loans between an insurance enterprise and its interested parties” mentioned in Paragraph 3, Article 146-7 of the Act shall mean any of the following transaction activities:</p> <ol style="list-style-type: none">1. Investing in or purchasing securities issued by its interested parties;2. Purchasing real estate or other assets from its interested parties;3. Selling securities, real estate or other assets to its interested parties;4. Entering into a contract with its interested parties regarding payment of money or provision of services;5. Acquiring real estate, property or stocks from its interested parties through the enforcement of mortgage or pledge;6. Leasing property or real estate to or from its interested parties;7. Entering into an agreement with its interested parties on the payment of transaction deposit, royalty or rental deposit;8. Arrangements involving any of the persons mentioned in the preceding article acting as an agent or broker of an insurance enterprise or its subsidiary(ies) or providing other services which charge commission or fees;9. Purchasing financial derivatives or structured products linked to a security issued by its interested parties from any person other than the security issuer; and10. Engaging in transactions with third parties having a relationship with its interested parties or engaging in transactions with third parties in which its interested parties are involved. <p>The term “third parties having a relationship” mentioned in Subparagraph 10 of the preceding paragraph include the spouse and relatives by blood within second degree of kinship of the interested parties of the insurance enterprises as well as enterprises in which any of the person or his/her spouse acts as a director, supervisor or president (general manager). The scope of the aforesaid person include the juristic person and the natural person.</p> <p>The securities mentioned in Subparagraphs 1 and 3 of Paragraph 1 hereof exclude negotiable certificates of deposits issued by a bank, an insurance enterprise’ s investment in special projects as well as investment in public utilities and social welfare enterprises pursuant to Article 146-5 of the Act, and stocks issued by insurance-related businesses held by an insurance enterprise pursuant to Article 146-6 of the Act.</p> <p>The scope of "engaging in transactions with third parties in which any interested parties are involved " mentioned in Subparagraph 10 of Paragraph 1 does not include any of the following transactions:</p> <ol style="list-style-type: none">1. Cases where the insurance enterprise serves as the sales institution of the securities investment trust fund while another subsidiary of its financial holding company serves as the custodian institution of the same securities investment trust fund and the parties and agreed terms of the securities investment trust fund contract and sales contract do not involve other interested parties.2. Cases where the insurance enterprise engages in financial derivatives trade with a third party and the custodian institution is an interested party.3. Cases where the insurance enterprise engages in the purchase or sales of ordinary corporate bonds issued by a third party in a secondary market and the guarantee institution is an interested party.

4. Cases where another subsidiary of the same financial holding company serves as a co-underwriter of an international initial public offering project and the interested party purchases securities with equity characteristics in such project from the lead underwriter or other co-underwriters.

When an insurance enterprise purchases corporate bonds issued by an interested party, such bonds must be guaranteed.

Article 4 When an insurance enterprise engages in transactions other than loans with interested parties, the terms of such transactions shall not be more favorable than those offered to other same category counterparties, and such transactions require the concurrence of at least three-quarters of all directors of the insurance enterprise present at a board of directors meeting attended by at least two-thirds of all directors.

Directors attending a board of directors meeting shall recuse themselves from cases involving themselves or their interested parties and shall not exercise voting rights on behalf of other directors. The preceding provision does not apply to insurance enterprises organized by a single juristic person shareholder where the case involves that single juristic person shareholder.

When an insurance enterprise engages in the following transactions other than loans with its interested parties, it may draw up internal operational rules with the concurrence of at least three-quarters of all directors present at a board of directors meeting attended by at least two-thirds of all directors to give the managing department general authorization to engage in those transactions according to the operational rules, and the terms of such transactions may not be more favorable than those offered to other same category counterparties:

1. The following transactions with stated, open market prices:

(1) Transactions of financial derivatives.

(2) Remittance, foreign exchange, deposit and foreign currency transactions.

(3) Transactions of short-term notes or bills in primary and secondary markets, and transactions of government bonds, financial bonds and corporate bonds in the secondary market.

2. Transactions of New Taiwan Dollar (NTD) and foreign currency denominated corporate bonds and financial bonds not linked to equity where the bond issuer or the bond itself has a rating equivalent to twA or above from Taiwan Ratings, provided the total amount of subscription of such corporate bond or financial bond by a same person during the bond's underwriting period does not exceed NT\$10,000,000.

3. Sharing of processing fees, service fees or commissions generated from cross-selling and joint promotion of other business' products or provision of relevant services with other subsidiaries belonging to the same financial holding company.

4. The following insurance products or other transactions related to insurance:

(1) Transactions of insurance products whose premium rates have been reported to the competent authority for approval or on a use-and-file basis and prices or premium rates have been reported to the competent authority or industry association for approval, or on a file-and-use or use-and-file basis, or other transactions with established, uniform fee standards.

(2) Transactions involving reinsurance commissions, reinsurance premiums, other commissions or agency fees and relevant service costs.

5. A single transaction not exceeding NT\$5,000,000.

6. Acquisition and disposal of beneficial securities of collective trust fund or beneficiary certificates of securities investment trust fund, futures trust fund (including exchange-traded funds and exchange-traded futures trust funds, but excluding closed-end funds) or exchange traded notes issued by an interested party through investment; and the managing department should compile transaction records and profit/loss status for each transaction and report to the board of directors on a quarterly basis. If other regulations stipulate otherwise, such other regulations shall prevail.

7. Transaction of securitized financial asset products or securitized real estate products publicly placed or offered in accordance with the Financial

Asset Securitization Act or the Real Estate Securitization Act and traded in the secondary market, but excluding the beneficial securities of real estate investment trust; and the managing department should compile transaction records and profit/loss status for each transaction and report to the board of directors on a quarterly basis. The preceding provision does not apply to beneficial securities and asset-backed securities with an issuance period of one year or less.

8. Transactions made with trust property or trust fund in accordance with the Regulations Governing the Management of Collective Trust Funds or the Regulations Governing Management and Utilization of Collective Investment Trust Funds when the interested party is a bank engaging concurrently in trust business ; transactions made with fund assets in accordance with the Regulations Governing Securities Investment Trust Funds or the Regulations Governing Futures Trust Funds when the interested party is a securities investment trust enterprise (SITE); and transactions made with entrusted assets in accordance with the Regulations Governing the Conduct of Discretionary Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises when the interested party is a SITE, securities investment consulting enterprise (SICE), or a company engaging concurrently in SITE or SICE.

9. Transactions made through the Emerging Stock Computerized Price Negotiation and Click System in connection with the obligations of the interested party to give quotes and offer to buy and sell emerging stocks when the interested party is a recommending securities firm for emerging stocks.

10. Transactions relating to the handling of non-performing loans of an insurance enterprise by an appointed impartial third party recognized by the competent authority in accordance with the Regulations Governing The Recognition Of An Impartial Third Party And Its Public Auction Procedure.

11. Except for transactions involving securities with equity characteristics, single transactions in an amount not exceeding NT\$50,000,000 with the parent financial holding company or a wholly directly or indirectly owned subsidiary of the parent financial holding company.

12. A public-interest disaster relief donation for a major natural disaster.

The term "single transaction" mentioned in Subparagraphs 5 and 11 of the preceding paragraph shall be determined by the following standards:

1. If the contractual activity involves an outright transaction, it is determined by total contract value.
2. If the contract, regardless whether it is a fixed-term or indefinite-term contract, agrees on payment of commissions or expenses, it is determined by the agreed single payment of commission or expense effected during the term of contract (if the contract agrees on monthly payment, the entire monthly payment, whether it is paid in one lump sum or in installments, should be viewed as a single payment).
3. If it is a lease contract, it is determined by the total amount of annual rent or annual interest equivalent on the rental deposit.
4. If the transaction involves securities with equity characteristics or structured product, it is determined by the total amount of transaction for the day.
5. If it is a financial derivative transaction, it is determined by the total nominal amount of transaction for the day.

The responsible person of the branch of a foreign insurance enterprise in Taiwan may, with the concurrence of at least three-quarters of all directors present at a board of directors meeting attended by at least two-thirds of all directors, execute matters under this article as decided by the board of directors within the scope of authorization.