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Title :	Regulations Governing Foreign Investments by Insurance Companies <b>Ch</b>
Date :	2022.01.28
Legislative :	Amended on 28 January 2022 per Order No. Jin-Guan-Bao-Cai-Zi- 11104902761 of the Financial Supervisory Commission
Content :	<p>Article 8</p> <p>The securities representing interests in offshore funds referred to in Subparagraph 9 of Article 5 include:</p> <ol style="list-style-type: none"><li>1. Securities investment funds;</li><li>2. Index funds;</li><li>3. Exchange-traded funds;</li><li>4. Real estate investment trust funds;</li><li>5. Hedge funds;</li><li>6. Privately offered funds;</li><li>7. Infrastructure funds; and</li><li>8. Commodity funds.</li></ol> <p>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.</p> <p>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:</p> <ol style="list-style-type: none"><li>1. The total amount of such investment plus the securities specified in Subparagraph 13 of Article 5 shall not exceed 2% of the insurer's funds. However, where the insurer files an application in accordance with Articles 15, Paragraph 4, Subparagraph 5 and the competent authority approves that its foreign investment limit may exceed 40% of its funds, the aforementioned total investment may not exceed 3% of its funds.</li><li>2. The total investment in a single fund shall not exceed 10% of the total amount of the shares issued by such fund.</li><li>3. Where the total investment in a single fund exceeds 0.05% 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.</li><li>4. An insurer's investment in hedge funds shall be restricted to those administrated by fund management institutions with a sovereign credit rating of at least A+ or its equivalent from foreign credit rating agencies and registered in competent authorities of countries or regions that are signatories of the International Organization of Securities Commissions (IOSCO)' s Multilateral MOU (MMoU). The fund management institutions shall 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.</li><li>5. An insurer's investment in privately offered funds shall be restricted to those administrated by fund management institutions with a sovereign credit rating of at least A+ or its equivalent from foreign credit rating agencies and registered in competent authorities of countries or regions that are signatories of the International Organization of Securities Commissions (IOSCO)' s Multilateral MOU (MMoU). The fund management institutions shall have engaged in 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. However, these restrictions shall not apply in the following circumstances:</li></ol>

(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 fund management institution is legally established within the territory of the Republic of China, meets the standards for selecting domestic fund management institutions drawn up by the insurer and approved by its board of directors, and meets one of the conditions below:

A. 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 or the domestic securities investment trust authorized by the competent authority uses its own capital to invest in a subsidiary which serves as a general partner of the private equity fund.

B. The fund management institution has applied for and obtained a qualification letter for the private equity funds managed by it in accordance with National Development Council Directions for Guiding and Managing the Promotion of Industrial Investment by Private Equity Funds, and the investment scope of such funds conforms to government policies.

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 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 shall have a credit rating a credit rating equivalent to BBB+ to BB+ from a foreign credit rating agency;
2. Private placement of corporate bonds mentioned in Subparagraph 13 of the article 5.
3. Hedge funds, privately offered funds, infrastructure funds and commodity funds;
4. 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.
5. 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 sanctions and penalties 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.

When an insurer makes investments under Subparagraph 3 of Paragraph 1, aside from complying with Subparagraph 2 of the preceding paragraph when signing an investment commitment contract with the trading counterparty, the insurer shall, for contracts entered after the implementation of these

Regulations amended on January 28, 2022, not participate in subsequent capital injections stipulated in the contract, provided the insurer fails to comply with Subparagraph 2 of the preceding paragraph for the most recent two consecutive periods.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System