Content

Title：	Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies Ch
Date：	2024.03.06
Legislative：	Amended on March 6, 2024 per No.Jin-Guan-Bao-Cai-Zi 11304129111 of the Financial Supervisory Commission

Content：

1.When insurance companies apply for approval to issue bonds with capital characteristics pursuant to Subparagraph 3, Article 143 of the Insurance Act for the sake of strengthening their financial structure, they shall follow the provisions of these Directions.

2.The term “bonds with capital characteristics” used in these Directions refer to convertible corporate bonds, non-cumulative perpetual corporate bonds, cumulative perpetual corporate bonds, and 10-year or longer corporate bonds with a term to maturity of five (5) years or longer, subordinated to other debts of the company, and without guarantee or collateral provided by the insurance company or its affiliates.
Convertible corporate bonds under the preceding paragraph refer to subordinated bonds that meet the following requirements:
(1) Having a term to maturity of less than ten (10) years.
(2)To be converted into common stocks or perpetual preferred stocks on maturity date; may only be converted into common stocks or perpetual preferred stocks before maturity date. Other conversion methods shall be approved by the competent authority.
Long-term corporate bonds with a term to maturity of ten (10) years or longer in Paragraph 1 shall meet the following requirements:
(1)The payment of interest shall not be subject to changes in the insurer’s credit or financial situation.
(2) The bond is not held by the insurer or its related parties.
(3) There is no cross holding between financial institutions. However the preceding provision does not apply to cross holding of each other’s capital instruments with another financial institution through an agreement or by other means not for the purpose of inflating capital.
(4) The bond is not affected by other capital instruments (that its claim priority does not change because of its collateral status or other instruments).
(5) Investors are not allowed to ask the insurer for early repayment or payment of principal or interest unless the distribution is made according to law when the insurer undergoes liquidation or wind-up of business.
The term “related party” used in the preceding paragraph is as defined in IAS (International Accounting Standard) 24.
Non-cumulative perpetual corporate bonds, cumulative perpetual corporate bonds and long-term corporate bonds with a term to maturity of ten (10) years or longer under Paragraph 1 shall not feature interest rate step-up or other incentives to redeem. However if the bond has been issued for ten (10) years or longer, early redemption is allowed, provided by calculation the capital adequacy ratio of the insurer after bond redemption is greater than the minimum regulatory capital adequacy ratio at the time of calculation, and the competent authority has given its consent.
The requirements under Paragraph 3 and the preceding paragraph that concern the rights and interests of investors shall be stipulated in the bond purchase agreement.

3.An insurance company may, with the approval of the competent authority, establish a special-purpose overseas fundraising enterprise that is 100% owned by the insurance company and is dedicated to the issuance of bonds with capital characteristics and the use of funds, act via that enterprise to issue bonds with capital characteristics overseas in accordance with the provisions of these Directions. An insurance company may provide guarantees for those bonds.

4.Insurance companies that plan to strengthen financial structure and meet the following requirements may apply to the competent authority for approval to issue bonds with capital characteristics:
(1) Having not been subject to major sanction and disciplinary action by the competent authority for three times for more or the cumulative fines imposed by the competent authority is less than NT$10 million in the year prior to the issuance application, or if it has, concrete improvement actions have been taken to remedy the violation and recognized by the competent authority.
(2) The company's credit rating or the corporate bond's credit rating from a credit rating agency is equivalent to twBBB- or higher in the year prior to the issuance application. The preceding provision does not apply to issuance via private placement.
(3) Bonds issued not by public offering can only to be sold or transferred after sale to insurance enterprises, banking enterprises, bills houses, trust enterprises, securities firms, specific parties participating in the company's capital reinforcement plan, companies or funds with total assets exceeding NT$50 million as stated in its latest CPA audited or reviewed financial report, or trusts having signed a trust agreement with a trust enterprise and with assets exceeding NT$50 million, excluding the insurance company's subsidiaries or investments in which the insurance company's subsidiaries hold more than 20% of total issued shares with voting rights or hold controlling interest.
Insurance companies should exercise due diligence in investigating the qualifications of subscribers under Subparagraph 3 of the preceding paragraph.
The term "major sanction and disciplinary action" mentioned in Subparagraph 1 of Paragraph 1 refer to situations under the subparagraphs of Article 2 of the Regulations Governing Public Announcement of Major Sanctions Imposed for Violation of Financial Laws or Regulations by the Financial Supervisory Commission.

5.An insurance company that plans to issue bonds with capital characteristics shall submit the following application documents to the competent authority for approval before proceeding in accordance with the Company Act, Securities and Exchange Act and other relevant regulations:
(1) A statement undertaking that the application documents contain no misrepresentations or nondisclosures.
(2) Issuance plan and purpose (type of bond, nature of guarantee, issuance period, issuance method, issue size, currency of issue, coupon rate, conditions for early redemption and repayment of principal/interest, status of specific buyers, related party transaction, etc.).
(3) Rating of bond from a credit rating agency or the latest long-term credit rating of the insurance company.
(4) Actuary's analysis and evaluation report on the effect of issuing bonds with capital characteristics on improving the company's financial structure or capital adequacy.
(5) The plan for raising funds for the redemption of bonds with capital characteristics, and the method for the custody of such funds.
(6) The issuance plan and the plan for using the funds raised that comply with the Company Act, Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Regulations Governing the Offering and Issuance of Overseas Securities by Securities Issuers.
(7) The latest CPA-audited and certified financial report.
(8) The minutes of the meeting of the board of directors.
(9) Financial data such as after-tax profit in the year of application up to the end of previous month.
(10)The state of bonds with capital characteristics issued in the past and their implementation status (if any issue is not completed, provide description of valid reasons).
(11)The issuance of bonds with capital characteristics via special-purpose overseas fundraising enterprise, the proof that the aforementioned

enterprise has applied for approval to establish and a certificate of the above fundraising enterprise registration from the overseas jurisdiction should be attached.
The issuance of foreign-currency bonds with capital characteristics by insurance companies shall have the approval of the competent authority, and in addition, comply with the rules of the Central Bank.

6.Matters not specified in these Directions shall be governed by the Company Act, Securities and Exchange Act, Regulations Governing the Offering and Issuance of Securities by Securities Issuers, and Regulations Governing the Offering and Issuance of Overseas Securities by Securities Issuers.