Content

Title：	Directions for Issuance of Bonds with Capital Characteristics by Insurance Companies Ch
Date：	2024.10.01
Legislative：	Amended on Oct.1, 2024 per No.Jin-Guan-Bao-Cai-Zi 11304935131 of the Financial Supervisory Commission

Content： 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. However, related parties does not apply to natural persons.

(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.