

Content

Title :	Regulations Governing Foreign Investments by Insurance Companies Ch
Date :	2014.12.19
Legislative :	<ol style="list-style-type: none">1.Promulgated 6 March 1993 per Ministry of Finance Letter (82) Taiwan-Finance-Insurance No. 8211763602.Amended and promulgated 27 June 1997 per Ministry of Finance Letter (86) Taiwan-Finance-Insurance No. 8623954763.Articles 3 and 7 amended and promulgated 26 November 1999 per Ministry of Finance Order (88) Taiwan-Finance-Insurance No. 8824181974.Name and full six articles amended and promulgated 2 October 2000 per Ministry of Finance Order (89) Taiwan-Finance-Insurance No. 0890750911, for implementation from the date of promulgation (from the enforcement date of these Regulations, Ministry of Finance Letter [86] Taiwan-Finance-Insurance No. 862395476 of 27 June 1997 and Letter [88] Taiwan-Finance-Insurance No. 882418197 of 26 November 1999 cease to apply)5.Full eight articles amended and promulgated 12 December 2000 per Ministry of Finance Letter (89) Taiwan-Finance-Insurance No. 0890751381, for implementation from the date of promulgation6.Full eight articles amended and promulgated 30 December 2002 per Ministry of Finance Order Taiwan-Finance-Insurance No. 0910751722, for implementation from the date of promulgation7.Article 3 amended and promulgated 10 November 2003 per Ministry of Finance Order Taiwan-Finance-Insurance No. 09207517608.Amended on June 30, 20049.Amended on November 22, 200510. Amended on March 12, 200811. Amended on October 22, 200812. Amended on December 29, 200913. Articles 12 amended on 31 August 2010 per Order Ref. Jin-Kuan-Bao-TSAI 09902509062 of the Financial Supervisory Commission, Executive Yuan14. Articles 12 and 12-1 amended on 19 October 2010 per Order Ref. Jin-Kuan-Bao-Tsai 09902511402 of the Financial Supervisory Commission, Executive Yuan15. Articles 15-1 amended on 17 December 2010 per Order Ref. Jin-Kuan-Bao-Tsai 09902514002 of the Financial Supervisory Commission, Executive Yuan16. Articles 12 amended on 18 August 2011 per Order Ref. Jin-Kuan-Bao-TSAI 10002512172 of the Financial Supervisory Commission, Executive Yuan17. Amended on May 11, 201218. Amended on 3 May 2013 per Order Ref. Jin-Kuan-Bao-Tsai 10202505081 of the Financial Supervisory Commission.19.Amended on April 22, 201420. Amended on 7 October 2014 per Order Ref. Jin-Kuan-Bao-Tsai 10302508421of the Financial Supervisory Commission.21. Amended on 19 December 2014 per Order Ref. Jin-Kuan-Bao-Tsai 10302511151 of the Financial Supervisory Commission.
Content :	<p>Article 1</p> <p>These Regulations are formulated in accordance with the provisions of Paragraph 3 of Article 146-4 of the Insurance Act (hereinafter referred to as the “Act”).</p> <p>Article 2</p> <p>Definitions of the phases referred to herein are as follows:</p> <ol style="list-style-type: none">1. “Foreign government” means the central government of a foreign country.2. “Foreign bank” means a foreign bank which is ranked among the world’ s top five hundred banks in terms of its capital or assets or has established

a branch within the territory of the Republic of China ("ROC").

3. "Foreign credit rating agencies" mean Moody' s Investors Service, Standard & Poor's Corp. and Fitch Ratings Ltd.

4. "Local credit rating agencies" mean Taiwan Ratings Corp. and Fitch Ratings Ltd., Taiwan Branch.

5. "Overseas and Mainland China area real property" means the land in a foreign country and Mainland China area and any buildings thereon, the right to the yields from such land or the right to develop such land and construct buildings thereon.

6. "Relationships of control and affiliation" have the same meaning as in Articles 369-2 and 369-3 of the Company Act and Article 6 of the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises.

The total amount of the investment items as referred to as being rated by foreign credit rating agencies under these Regulations is calculated in the following manner:

1. In cases where the rating level of such investment is above the minimum credit rating level as set forth hereunder, the total amount of the investment shall be calculated based on the amount of investment that remains at a certain level when or after the investment is made as well as the amount of the investment that is upgraded or downgraded after the investment;

2. Save as otherwise provided in the preceding paragraph, in cases where such investment meets the minimum credit rating level set forth hereunder, the total amount of investment shall also include the total amount of investment downgraded under a certain rating level after the investment; provided that, however, if such investment is downgraded to a certain rating level that is not permitted hereunder, such investment shall be handled in accordance with the relevant insurance laws and regulations.

Article 3

The foreign investments by an insurer shall be restricted to the following:

1. foreign exchange deposit;

2. foreign securities;

3. foreign currency loans approved by the Central Bank of the Republic of China and secured by the life policies issued by the said insurer and denominated in foreign currencies;

4. financial derivatives;

5. overseas real property;

6. establishment of or investment in foreign insurance companies, insurance agency companies, insurance brokerage companies or other insurance-related enterprises approved by the competent authorities;

7. major investment projects approved by the Executive Yuan and launched in response to the economic development policies of the government; and

8. other projects approved by the competent authority to use the fund of the insurer.

When conducting the derivatives transactions referred to in Subparagraph 4 of this Article, the insurer shall comply with the provisions of the Regulations Governing Financial Derivatives Transactions Conducted by Insurance Companies.

Article 4

Where an insurer uses its funds for foreign exchange deposit, such funds may be placed in the overseas banks as well as in the domestic banks in the ROC.

The total amount of foreign exchange deposit placed in the same bank shall not exceed 3% of the insurance funds.

Where the foreign exchange deposit referred to in Paragraph 1 of this Article herein is intended for the insurance business rather than for the purpose of investment, such deposit shall be subject to the provisions of Paragraph 3 of Article 146 of the Act.

Article 5

An insurer's funds may be allocated as investment to the following types of foreign securities:

1. government bonds or treasury bills issued by a foreign government;
2. financial bonds, negotiable certificates of deposit or medium-term floating rate bonds issued or guaranteed by a foreign bank;
3. foreign currency denominated corporate bonds or financial bonds issued by a local enterprise or bank;
4. foreign currency denominated commercial papers;
5. listed or over-the-counter certificates of foreign stocks or bonds;
6. securities of outstanding overseas funds;
7. securitized asset-backed products;
8. bonds issued by foreign government related issuers;
9. bonds issued by international organizations;
10. foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds ;and
11. other securities approved by the competent authorities.

Where the insurer invests in the corporate bonds or financial bonds mentioned in Subparagraph 3 of this Article, the conditions may be subject to the provisions of Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act; and the amount of such transactions shall be subjected to the limits specified in Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act.

Article 6

Where an insurer invests in the foreign currency denominated commercial papers referred to in Subparagraph 4 of Paragraph 1 of Article 5, the issuer or the guarantee providers of such commercial papers shall have a credit rating equivalent to BBB+ or above from the foreign credit rating agencies.

The total amount of foreign currency denominated commercial papers issued or guaranteed by a company and the securities which are purchased from the same company that comply with each provision of Paragraph 1 of Article 7 shall not exceed 5% of the insurer's funds and 10% of the Shareholders' Equity of the issuing company but excluded those which are subject to the provisions in paragraph 1 of this article.

If the corporate bonds and commercial papers invested by an insurer is guaranteed by a third party and meet the following conditions, the total amount of foreign currency denominated commercial papers issued or guaranteed by a company, as well as those guaranteed by the third party, and the securities which are purchased from the third party that comply with each provision of Paragraph 1 of Article 7 shall not exceed 5% of the

insurer's funds and 10% of the Shareholders' 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 Shareholders' 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 5 of Article 5 include:

1. stocks;

2. initial public offerings of stocks;

3. corporate bonds; and

4. depositary receipts, convertible bonds and warrant bonds issued by companies overseas.

Where an insurer invests in the aforementioned corporate bonds or the convertible or warrant bonds issued or guaranteed by a foreign company, the issuing company or the guarantee-provided company shall have a BBB+ or above equivalent credit rating from the foreign credit rating agencies.

Provided that, however, in cases where there are no major disciplinary actions for violations of the Act in relation to foreign investment in the most recent year, or the rectification of those violations has been carried out and affirmed by the component authorities, such may be handled in the following manner:

1. In cases where the risk-based capital ratio at the end of the most recent period of the insurer is above 200% and a risk management committee subordinate to the board of directors, a chief risk officer, as well as an interior risk management department, have been established to assume responsibility for the overall risk management of the company, for the investment in the corporate bonds as set forth in the preceding paragraph, the issuer or the guarantor of such investment may have a credit rating equivalent to BBB or above by foreign credit agencies.

2. In cases where the insurer meets the requirements set forth in the preceding sub-paragraph and the risk-based capital ratio at the end of the most recent period is 250% or above, or is rated as AA or above as rated by domestic or foreign credit rating agencies in the most recent year, for the investment in the corporate bonds, convertible bonds or warrant bonds issued by foreign companies, the issuer or the guarantor of such investment may have a credit rating equivalent to BBB- or above, provided that the risk limit is set by the board of directors and monitored by the risk management committee or the risk management department.

3. In cases where the insurer meets the requirements set forth in the preceding sub-paragraph, such insurance company may invest in corporate bonds issued or guaranteed by companies that have a credit rating equivalent to BB+ or above as rated by foreign credit agencies, have been reviewed and listed by the insurance association, and have been filed with the component authorities for reference, or convertible bonds and warrant bonds issued by non-domestic companies.

The insurer's investment in the securities specified in Paragraph 1 and 2 of this Article shall be subjected to the following provisions:

1. The total amount of the securities purchased by the insurer from each company shall comply with the provisions of Paragraph 2 or paragraph 3 of

the preceding article;

2. In cases where an insurer invests in the corporate bonds issued or guaranteed by a company with a credit rating equivalent to BBB or BBB- or BB+ as rated by foreign credit agencies, convertible bonds and warrant bonds issued by non-domestic companies in accordance with the preceding paragraph, the total amount of such investment shall not exceed 10% of the owner equity of an insurer.

3. In cases where an insurer invests in corporate bonds with a credit rating equivalent to BB+ as rated by foreign credit agencies, convertible bonds and warrant bonds issued by non-domestic companies in accordance with the preceding paragraph, such investment shall not exceed 2% of the approved foreign investment limit of that insurance company.

4. In cases where an insurer invests in corporate bonds with a credit rating equivalent to BBB+ ~ BB+ as rated by foreign credit agencies, corporate bonds and warrant bonds issued by non-domestic companies in accordance with the preceding paragraph, the total amount of such investment is subject to 12% of the approved foreign investment limit or 60% of the owner equity, whichever is higher.

5. Where the insurer invests in corporate bonds, convertible and warrant bonds issued or guaranteed by the companies with a credit rating equivalent to BBB+ to BB+ from the foreign credit rating agencies, the amount and conditions of the abovementioned investments shall comply with Article 17;

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

Article 8

The securities of outstanding overseas 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. private equity funds;
7. infrastructure funds; and
8. commodity funds.

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

An insurer's investment in hedge funds and private equity funds referred to in Subparagraphs 5 and 6 of Paragraph 1 of this Article shall comply with the following provisions:

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. Hedge funds investment shall be restricted to those administrated 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. Private equity funds investments shall be restricted to those administrated by fund management institutions which are listed in registration authorities of the OECD member countries and have engaged in the management of private equity funds for at least five years and with no less than US\$500 million or equivalent of private equity fund assets under the management thereof, except the following conditions:

(1) The fund management institutions, approved by competent authorities 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 with recommendation letter obtained from the authorities of venture capital business for part or all of the venture capital businesses managed by them, and with no less than US\$100 million or equivalent of overseas private equity fund assets under the management thereof.

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 authorities.

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 7 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 shall not exceed 20% of the limit imposed on the insurer's foreign investment. 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 8 of Paragraph 1 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 9 of Paragraph 1 of Article 5, the issuers of such bonds shall have a credit rating equivalent to A- or above suggested by 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.

When an insurer invests in foreign currency denominated listed or over-the-counter certificates of stocks or bonds issued by the domestic market mentioned in Subparagraph 10, paragraph 1 of Article 5, the amount of the investment shall be calculated within the statutory limit provided in paragraph 1 and 2 of this article, paragraph 2 of article 5, paragraph 2 and 3 of article 6, paragraph 3 of the article 7, and paragraph 1 of article 17, with the condition of such investment either shall be in conformity with paragraph 1 and 2 of this article, paragraph 2 of article 5, and paragraph 2 of article 7, or shall not be contrary to paragraph 2 of article 17.

Article 11

For insurance company's investment in real estates overseas and those in the Mainland China area, such investment shall be limited to those that have been legally utilized and have generated profits at the time of investment and shall be subject to the following restrictions:

1. The ratio of regulator capital to risk-based capital at the end of the most recent period is at least 200%.
2. There are no major disciplinary actions for violations of the Act in relation to foreign investment in the most recent two years and there are no major violations of the internal control procedures governing various applications of funds in the most recent two years, or rectification of

those violations has been carried out and affirmed by the competent authorities.

3. The board of directors shall establish a risk management committee or the company shall set up a risk management department and a chief risk officer in charge of overall risk management.

Unless specified otherwise, the total amount of the investment as set forth in the preceding paragraph shall not exceed 10% of the owner equity of the insurance company.

The requirement that the real estate has been legally utilized and generated profits at the time of investment as set forth in paragraph 1 means that rent ratio is above 60% and meets the return on investment corresponding to the local economy.

Article 11-1

The insurer may invest 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 of investment.
3. Obtaining real estate overseas or in the Mainland China area through a real estate investment business for the special purpose of 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 of investment, as referred to in the preceding paragraph, means those enterprises 100% owned by the insurer, as filed with the component authorities for reference or approved by the component authorities 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 authorities or its real estate investment business for the special purpose of 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 insurance company:

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 insurance company 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, 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 area of investment, the total amount of the funds utilized for investment and the profitability performance of real estate investment overseas or in Mainland China, and shall renew such information on an

annual basis.

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 the special purpose of 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 the special purpose of 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 the special purpose of 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 of investment shall not exceed 10% of each Shareholders' 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 each Shareholders' 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 each Shareholders' 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 each owner's equity for the respective insurers.

The operation of real estate business for special purpose of 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 of investment, such insurer shall duly submit to the competent authorities 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 the special purpose of 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 the special purpose of 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 authorities.

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 authorities 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 authorities.

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.

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 authorities 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 trusted properties.
 - (2) Concerning any realized revenue from the trusted properties, unless there is a concrete utilization plan permitted by the competent authorities 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 authorities, 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 authorities :

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 trusted 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 authorities.

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

1. 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 authorities.

Article 11-4

An insurer meeting the following conditions and wishing to obtain real estate overseas, or in the Mainland China area through real estate investment business for special purposes of investment, or through a trust contract shall, before the investment is made, submit the documents stipulated in Paragraph 4, Article 11-2 or each Subparagraph under Paragraph 2 of the previous Article and acquire the consent at least 1/2 of the directors attending a meeting of the board attended by at least 2/3 of all the directors. A filing shall also be made with the competent authority. The restrictions under Paragraph 4, Article 11-2 and Paragraph 2 of the previous Article requiring prior approval from the competent authority before each investment is not applicable:

1. A comprehensive internal procedure has been established in compliance with the self-governance regulations for investment in real estate overseas filed by the insurance association with the competent authority.
2. The risk-based capital ratio at the end of the two most recent periods is more than 250%.
3. A risk management committee has been established in the board of directors and an interior risk management department and one chief risk officer have been put in place to assume responsibility for the overall risk management of the company.
4. If the insurer is already engaged in real estate investment overseas and in the Mainland China area, the average rent ratio of all real estate already invested is above 80% and meets the return on investment corresponding to the local economy of each target.
5. The contemplated real estate investment business for special purpose of investment is located in the same country or territory as the contemplated real estate overseas acquisition target and in the Mainland China area and there is no more than one real estate investment business for special purposes of investment in such country or territory. However, if two or more real estate investment businesses for special purposes of investment must be established in the same country or territory in order to acquire two or more contemplated real estate properties due to local legislation, the first part of this paragraph shall not be applicable.

If an insurer engages in real estate investment overseas or in the Mainland China area in accordance with the previous paragraph, but fails to make a submission to the board of directors or if any information submitted to the board of directors is false, such insurer shall not be allowed to apply to the previous paragraph for a period of 2 years from the date of confirmation of such event.

If an insurer fails to make a submission to the board of directors in accordance with the previous paragraph, or if any information submitted to

the board of directors is false, the investment already made shall be deemed in breach of the investment regulations established in accordance with the Act.

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, sub-paragraphs 1 and 3.
2. Unless an insurer is permitted by the competent authorities 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 insurance company.

Where an insurance company invests in the corporate bonds listed in Subparagraph III of the paragraph 1, the issuer or guarantee provider of the abovementioned bonds shall have the credit rating as evaluated by the foreign credit rating institution(s) up to or above A- or the equivalent level.

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 insurance company.
2. The total amount of investment in the securities issued by the same corporation with attributes satisfactory to Subparagraphs II and III of Paragraph I shall not exceed 1% of the approved limit on foreign investment for such an insurance company and shall not exceed 10% of the issuer's Shareholders' Equity.
3. 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 approved limit on foreign investment for that insurance company and shall not exceed 10% of the total amount already issued by that fund.
4. The grand total of investment in securities and exchange traded funds as defined under Subparagraphs I~ VI under Paragraph I shall not exceed 10% of the approved limit on foreign investment for such an insurance company. An insurance company shall, while utilizing funds defined under various Subparagraphs of Paragraph I, 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 insurance company shall, respectively pursuant to the requirements set forth in Article 12 of Regulations Governing Public Disclosure of Information by Non-life Insurance company and Article 12 of the Regulations Governing Public Disclosure of Information by the Life Insurance Companies, 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 I and the profitability performance and shall keep such information renewed on a quarterly basis.

Article 13

Where the owners' equity of an insurer is above the minimum capital or minimum operating fund prescribed in Article 139 of the Act, the insurer may make the foreign investment specified in Subparagraph 6 of Paragraph 1 of Article 3 after the approval of the competent authorities.

The sum of (i) the total amount of the aforesaid investment, (ii) the total amount of the investment specified in Article 4 of the Regulations Governing Approval for Insurance Companies to Engage in Insurance Activities between Taiwan and Mainland China, and (iii) the total amount of the investments made in accordance with in Paragraph 1 of Article 146-6 of the Act shall not exceed the owners' equity of the insurer.

Where an insurer makes investment in accordance with Paragraph 1 of this Article and Paragraph 1, Article 146-6 of the Act and if a relationship of control and affiliation between the insurer and the company invested by it is established, the sum of such investment, when combined with the total amount of the investment specified in Article 4 of the Regulations Governing Approval for Insurance Companies to Engage in Insurance Activities between Taiwan and Mainland China, shall not exceed 40% of the owners' equity of the insurer, except investment made in accordance with Subparagraph 6, Paragraph 1, Article 3 with the approval of the competent authority.

Article 13-1

To file an application to invest in an overseas banking enterprise, the insurer must meet the following requirements:

1. The insurer must meet at least one of the following requirements:
 - (1) The average risk-based capital ratio of the insurer over the most recent 3 years is above 250%.
 - (2) The owner's equity at the end of the most recent period divided by the total asset excluding separate account is above 6%.
 2. The insurer shall possess the professional capability and experience for sound operation and management of a banking enterprise.
 3. The insurer's various reserve funds amortized during the previous year must be consistent with the legal requirements.
 4. The insurer is not subject to any event that may interfere with sound operation, as determined by the competent authority, and the insurer meets the following conditions, except if such event has been substantially improved, as determined by the competent authority:
 - (1) No significant sanction with a fine of more than NT\$1 Million was imposed by the competent authority in the most recent year.
 - (2) No order was issued from the competent authority in the most recent year for the dismissal or replacement of a director, supervisor or manager.
 - (3) No sanction was imposed by the competent authority in the most recent year to suspend the insurer's business or to impose a restriction on the insurer's finances or business.
 - (4) No sanction was imposed by the competent authority in the most recent year to cancel any branch organization.
 5. The investment is subject to the approval of the insurer's board of directors. If the insurer is a subsidiary of a financial holding company, the investment is subject to the approval of the board of directors of such financial holding company.
 6. The insurer shall establish an internal procedure related to the investment in overseas banks and the operation and management of the other businesses invested by such banks. Such procedure, including any amendment shall be implemented after approval by the insurer's board of directors. If the insurer is a subsidiary of a financial holding company, such internal procedure, including any amendment, shall be implemented after approval by the board of directors of the financial holding company.
 7. The insurer's board of directors shall establish a risk management committee or an interior risk management department and one chief risk officer shall assume responsibility for the overall risk management of the company.
 8. An effective investment management and risk control procedure shall be established and implemented after approval by the board of directors.
- When applying to invest in any overseas insurance-related enterprise other than the banking enterprise, in addition to Subparagraphs 3 to 5, Subparagraph 7 and 8 of the previous paragraph, the insurer must also meet the following requirements:
1. The insurer must meet at least one of the following requirements:
 - (1) The average risk-based capital ratio of the insurer over the most recent 3 years is above 200%.
 - (2) The owner's equity at the end of the most recent period divided by the total asset excluding separate account is above 6%.

2. If the insurer's shareholding in the invested insurance-related enterprise or in any business further invested by such invested business constitutes a relationship of control and affiliation as defined in the Chapter of Affiliates under the Company Act, an internal procedure related to operation and management shall be established and implemented only after approval by the insurer's board of directors. The same shall be applicable in case of any amendment.

Article 13-2

Any insurer contemplating investment in any overseas insurance-related enterprise shall file a prior application with the competent authority for approval by submitting an Application Form (Table 1) and relevant documents (Attachment).

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:

- (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 12 of the 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, 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 14

An insurer shall obtain prior approval of the competent authorities before making the foreign investment specified in Subparagraph 7 of Paragraph 1 of Article 3.

Article 15

Where an insurer has formulated the processing procedure and risk monitoring and management measures concerning the foreign investment and obtained the approval of the board of directors, the insurer may proceed with the foreign investment within the limit of 10% of its funds.

The processing procedure concerning the foreign investment according to the preceding Paragraph of this Article shall include the making of written analysis reports, the records of the implementation of the procedure, and the submittal of the review reports. Relevant documents shall be kept for at least five years.

The risk monitoring and management measures for foreign investment mentioned in the first Paragraph of this Article shall include risk management policies, risk management framework and risk management system. The risk management system shall include the identification, assessment and monitoring of the risks of foreign investments, the execution of the control over exposure limit, and the alteration procedure.

To increase the limit on foreign investment, the insurer shall submit the application form (as shown in the appendix) according to the following provisions:

1. Where the insurer complies with the following provisions, the limit on its total overseas investment may be enhanced to 25% of its funds:

(1) The insurer complies with the provisions of Paragraph 1 to Paragraph 3 of this Article.

(2) There are no major violations of the internal control procedure governing various applications of funds in the immediately preceding year, or the violations have been rectified and the rectification has been affirmed by the competent authorities.

(3) According to the evaluation of a certified actuary or an external investment organization, the proposed overseas investment is beneficial to the business of the insurer.

(4) The insurer produces a complete investment handbook with instructions of risk management system.

2. Where the insurer complies with the following provisions, the limit on its total foreign investment may be enhanced to 30% of its funds:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) In the immediately preceding year, the insurer has not been subject to any major disciplinary actions by the competent authorities, or its rectification of the violations has been done and got affirmed by the competent authorities.

3. Where the insurer complies with the following provisions, the limit on its total foreign investment may be enhanced to 35% of its funds:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) The value-at-risk of the foreign investment held for trading purpose and available for sale has been calculated, and the calculation is performed at least once a week.

(3) For the foreign investment without no active market and classified to hold-to-mature position, an appropriate model has been designed to analyze, identify and quantify the associated risks and reported that the risk assessment of the situation to the board of directors at least once every half year.

(4) In the immediately preceding two years, the insurer has not been subjected to any fine or disciplinary actions by the competent authorities, or the rectification of the violations has been done and got affirmed by the competent authorities.

(5) In addition to set up a risk control committee under the board of directors, the insurer has also established a risk control department with an assigned chief risk controller to assume de facto responsibility for the overall risk management of the company. The scope of risk management over the foreign investment at least shall include assessment and management of associated risks and impact on the insurer's solvency.

4. The insurer which applies for increase of limit on total foreign investment to more than 35% of its funds shall comply with the following provisions:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) It has been more than one year since the insurer obtained the approval for increase of the limit on total foreign investment to 35% of its funds.

(3) The board of directors specifies the exposure limit each year and regular risk management is implemented by the risk management committee or risk management department.

(4) The insurer's risk-based capital ratio as of the end of the most recent period reaches 250% or above, or the insurer has a AA- equivalent or higher credit rating from the foreign or local credit rating agencies in the immediately preceding year.

(5) The insurer has not obtained any other approval for increase of the limit on total foreign investment in the current year.

5. The insurer which applies for increase of limit on total foreign investment over 40% of its funds shall comply with the following provisions:

(1) The insurer complies with the provisions of the preceding Subparagraph.

(2) The insurer's risk-based capital ratio, both in the most recent year and the average of the most recent 3 years, has never fallen below 250%, or the insurer has a AA+ equivalent or higher credit rating from the foreign or domestic credit rating agencies in the immediately preceding year.

(3) The insurer has established an internal risk model to quantify the overall risk of the company.

(4) The insurer has not obtained any other approval for increase of the limit on total foreign investment in the current year.

The “major disciplinary action” referred to in Item 2 of Subparagraph 2 of the preceding paragraph of this Article and Subparagraph 1 of Paragraph 2 of Article 17 means a fine above NT\$1 million imposed by the competent authority.

Calculation of “value at risk” referred to in Item 2 of Subparagraph 3 of Paragraph 4 of this Article means that on the basis of data of the samples which are taken either on a weekly basis for a minimum period of three years or on a daily basis for a minimum period of one year, with the data updated once a week at least, the value at risk for ten trading days is calculated with the confidence level set at 99% and the back testing is performed every month.

The competent authorities may, in view of the business performance of the insurer, determine the exact increment in the limit referred to in Subparagraphs 4 and 5 of Paragraph 4.

The aforesaid increment shall be limited to 5% of the insurer’s funds.

However, the competent authorities may, in view of the overall business performance of the insurer, make proper adjustment thereto year by year.

If the product structure consolidated score of a life insurance company for the most recent year meets the criteria determined by the competent authority, one of the following measures may be adopted:

(1) Within the maximum limit stipulated under Paragraph 2, Article 146-4 of the Act, the limit of overseas investment allowed under Paragraph 1 or 4 may be increased by 1% of the funds.

(2) In the calculation formula under Paragraph 2, Article 15-2, 25% of various reserves for non-investment-linked life insurance business may be increased to 27%.

Article 15- 1

Where an insurance company satisfies the requirements enumerated below, the limit on foreign investment may be flexibly adjusted and calculated based on the flexible calculation formula within the maximum limit set forth under Article 146-4, Paragraph 2 of the Act after being submitted to and approved by the competent authority:

I. The Foreign-currency Denominated Non-investment-linked Life Insurance Business as approved by the competent authority (hereinafter referred to as the Subject Business).

II. Where satisfactory to the requirements set forth in Paragraphs I-III of the preceding Article.

III. Where the various reserve funds amortized in accordance with the relevant requirements of the Act have been utilized for the fund utilization items set forth under the Act in the same foreign currency(ies) of the Subject Business

The term “flexible adjustment formula” as set forth in the preceding paragraph denotes the limit on foreign investment=The limit on foreign investment approved under Paragraph IV of the preceding Article × (1+ Various reserve funds for the Foreign-currency Denominated Non-investment-linked Life Insurance Business).

Where the insurance company intends to calculate the investment limit in accordance with Paragraph I, it shall apply to the competent authority with

the following documents for approval beforehand:

- I. Statements and supporting certificate(s) to prove satisfactory to the requirements set forth in Paragraphs I-III of the preceding article.
- II. Statements and supporting certificate(s) to prove no major fault in internal control handling procedures with regard to the usage of insurer's funds over the past year, or the remedial measure for the fault, if any, have been satisfactorily implemented and officially acknowledged by the competent authority.
- III. The concrete evaluation opinions submitted by the certifying actuarial personnel or the external valuation institution about the appropriateness of the asset & liability match.
- IV. Integral Investment Handbook including the internal risk management system and relevant operating norms.
- V. Descriptions of the status quo of the Subject Business.
- VI. Statements and supporting certificate(s) to prove that the various reserve funds amortized in accordance with the Act have been utilized for the capital utilization items required by the Act for the Subject Business to be received, paid in the same foreign currency(ies) in full.
- VII. Statements and supporting certificate(s) to verify the limit on foreign assets investment portfolio, performance, strategies, risk tolerance extent and overall risk management policies and systems as traced and reviewed by the board of directors case by case over the past year.
- VIII. Statements of various reserve funds amortized and about the proof of adequacy thereof.
- IX. The latest financial statements as audited or verified by the Certified Public Accountant.
- X. Other document(s) as required by the competent authority.

Where an insurance company has been approved by the competent authority for calculation of the limit on foreign assets investment in accordance with Paragraph I, and in the Subject Business it is found that the various reserve funds amortized under the Act have not been utilized for the fund utilization items for the same currency(ies) under the Act, it shall complete the remedial adjustment plan, and get it approved by the board of directors and submitted to the competent authority for information within one month starting from the date of occurrence of such fact.

Where an insurance company proves to have failed to operate in accordance with the preceding paragraph, and to fail to complete adjustment based on the adjustment plan or after it is approved by the Financial Supervisory Commission, Executive Yuan for calculation of the limit on foreign assets investment in accordance with Paragraph I, it has accumulated more than twice the required adjustment plans, the competent authority may annul the approval under Paragraph I.

Article 15- 2

Any insurance company that meets the following conditions may file an application with the competent authority for the amount to be excluded from the calculation of the limit on the total amount of foreign investment under the first part of Paragraph 2, Article 146-4 of the Act (Hereinafter "Excluded Foreign Investment Amount"):

- 1.Meeting the requirements under Sections 1 to 3, Paragraph 1 of the previous article.

2.The total amount of funds utilized in domestic investments by the insurance company as a percentage of the amount of funds that may be utilized, less various reserves for non-investment-linked life insurance business collected and paid in foreign currency, meets the requirement of the applicable limit stipulated under these Regulations.

3.The insurer's risk-based capital ratio for the latest period is 200% or higher.

4.The board of directors will determine the risk limit every year and the risk control committee or the risk control department shall perform regular control. The Excluded Foreign Investment Amount referred to in the previous section is calculated as follows:

Excluded Foreign Investment Amount = (25% of various reserves for non-investment-linked life insurance business, or various reserves for non-investment-linked life insurance business collected and paid in foreign currency, whichever is lower) x (1 - determined percentage).

"Determined percentage" referred to in the previous section means the percentage of foreign investment by insurance company determined by the competent authority under Paragraph 4, Article 15. If such percentage is changed, the above limit shall be re-calculated based on the changed determined percentage.

In filing an application for Excluded Foreign Investment Amount, the insurance company shall submit the following documents to the competent authority for approval:

- 1.Documents listed under Paragraph 3 of the previous article.
- 2.Explanatory or justification document showing compliance with Sections 2 to 4, Paragraph 1.
- 3.Other documents as required by the competent authorities.

In cases where an insurer meets the relevant requirements as set forth in the preceding paragraph, and has obtained the approval from the competent authorities that the investment shall not be included in the foreign investment limits in accordance with paragraph 2, such company may submit the documents as required in the preceding paragraph, a business development plan, the proposed amount that is not included in the foreign investment limits and an explanation of assessment of reasonableness thereof, to the competent authorities for special approval, and the formula set forth in paragraph 2 is not applicable.

After the competent authority grants an approval for any insurance company to calculate the amount of foreign investment in accordance with the flexible adjustment formula under the previous article, when the competent authority grants approval for the Excluded Foreign Investment Amount in accordance with Paragraph 1, it shall cancel the approval for calculation of foreign investment amount calculated based on such flexible adjustment formula.

In case any of the following occurs after an insurance company is granted approval of Excluded Foreign Investment Amount, it shall prepare an adjustment plan, have it approved by its board of directors and file it with the competent authority for reference. The following correction shall also be completed within one month from the occurrence of the fact:

1. The various reserve funds set aside under the Act for the operation of any non-investment type of personal insurance activity have not been

utilized for the fund utilization items for the same currency(ies) under these regulations.

2. Failure to comply with Subsection 2, Paragraph 1.

Any insurance company fails to comply with the previous section, fails to complete adjustment in accordance with the adjustment plan or fails to file the adjustment plan as required under the previous section for 2 or more times on accumulated basis, the competent authority may revoke the approval for Excluded Foreign Investment Amount under Paragraph 1 and 5.

Article 16

An insurer may put its foreign investment assets under its own custody or under custody of Taiwan Depository & Clearing Corporation or such custodian institutions with a credit rating equivalent to or above A- from domestic or foreign financial institutions in the preceding year.

The insurer with its foreign investment limit equivalent to or above 35% of its funds or with its overall foreign investment reach to or above US\$1 billion shall put together all its foreign securities, except those of outstanding overseas funds and those from special-purpose money trust funds conducted by financial institutions, under custody in one or at most five custodian institution except Taiwan Depository & Clearing Corporation.

Article 17

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

- 1.convertible and warrant bonds issued by the companies with BBB+ to BB+ or equivalent credit rating from the foreign credit rating agencies;
- 2.hedge funds, private equity 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 the rectification of those violations has been done and get affirmed by the competent authorities.
- 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.

Article 18

Where the investment items and ceiling applied to and approved by competent

authorities not be limited to the prescriptions herein, for an insurer who have merged with a troubled insurer or assumed part or all of its operation, assets, or liabilities.

Where, before these Regulations come into force, an insurer invested in such commodities as are not specified herein or the aggregate amount of its investment in various foreign assets exceeded the limits prescribed herein, the insurer shall not make any further investments.

Article 19

This Regulation shall come into force on the date of promulgation.

Documents Required for Insurer' s Application to Invest in Overseas Insurance-Related Enterprises

1. Documents of proof showing that the insurer meets the requirements under Paragraph 1 or 2 of Article 13-1.
2. An investment purpose and plan, including the shareholder structure of the company in which investment has been made, members of the operational team, scope of business, principles and guidelines of business, business development plan, 3-year financial forecasts, investment feasibility analysis [including reasons for choosing the contemplated country (or territory) of incorporation, including local political, economic and financial situation, local financial legislation applicable to investment in domestic enterprises by overseas insurance companies (including restrictions on the business operation and whether the financial competent authority of the Republic of China can collect and audit the financial and business situation of such enterprises), tax legislation and a self-evaluation of the compliance of the incorporation project with local legislation], estimated schedule for the implementation of the investment plan and the measures to undertake if the plan cannot be implemented.
3. If the overseas insurance-related enterprise in which investment is to be made is a banking enterprise, the business plan shall also include explanations about the insurer' s professional capability and experience for sound operation and management of the banking enterprise and relevant documents of proof [such as whether the insurance company' s director, supervisor, general manager, vice president and executives of relevant departments meet the requirements under the Guidelines for Qualification Requirements, Conditions for Serving Duplicate Positions and Compliance Matters for Representatives of Banking Enterprises, or whether the company has established a dedicated department responsible for overseas bank investment, operation and management and whether the personnel of such department has the professional capacity and experience required to operate banks; or whether the insurer is a subsidiary of a financial holding company and the management mechanism and management situation of such financial holding company for the overseas banks in which the insurer has invested or will invest].
4. Establish internal procedures related to operation and management for investment in overseas banks, their further investment in other enterprises and shareholding in such invested or further invested enterprises that constitutes a relationship of control and affiliation defined in the Chapter of Affiliates under the Company Act of the Republic of China. Such procedures shall include the following main items: Scope of management,

directions and principles of management, management of financial, business and accounting procedures, asset management, financial statements that should be prepared periodically, manner of periodic internal financial and business audit and risk control and others (such as human resource management and internal control and audit procedure for the enterprises in which investment is to be made).

5. Detailed information of overseas insurance-related enterprises in which investment has already been made and profit and loss status of each overseas insurance-related enterprise in the most recent 3 years.

6. If the overseas insurance-related enterprise in which investment is to be made is an existing company, the balance sheet and income statement of such overseas insurance-related enterprise for the most recent 3 years should be provided. Explanations should be provided in case of accumulated losses.

7. Detailed information about shares of the insurance-related enterprise that have been purchased by the insurer's subsidiary, related party and affiliate under the current application.

8. Whether the insurer and the overseas insurance-related enterprise have a relationship of control and affiliation in accordance with the law of the country where such enterprise is located and in accordance with the Chapter of Affiliates of the Company Act of the Republic of China.

9. Management and risk assessment mechanism for investment in the overseas insurance-related enterprise.

10. Internal regulations about conflict of interest in the business operations among overseas insurance-related enterprises and avoidance of insider trading.

11. Regulations about arms-length transactions with the overseas insurance-related enterprises.

12. If the insurer has made investment in accordance with Article 146-4 of the Act, the details of such investment such as the time and amount of investment should also be provided at the time of application.

13. Undertaking that no investment will be made directly or through any subsidiary, related party or affiliate in the target of investment application during the period of review by the competent authority.

14. Other evaluation information or documents that might be required by the competent authority on the overseas insurance-related enterprise in which investment is to be made.