Content

Title：	Regulations Governing Foreign Investments by Insurance Companies Ch
Date：	2018.11.21
Legislative：	Amended on 21 November 2018 per Order No. Jin-Guan-Bao-Cai-Zi- 10704505011 of the Financial Supervisory Commission
Content：	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 foreign central governments; and bonds issued by institutions of such governments; 2. Bonds issued or guaranteed by foreign local governments; and bonds issued or guaranteed by institutions of such governments; 3. Financial bonds, negotiable certificates of deposit, medium-term floating rate notes issued or guaranteed by a foreign bank; 4. Foreign currency denominated negotiable certificates of deposit issued by a branch (including offshore banking units) of a foreign bank in Taiwan or a branch of a Mainland China bank in Taiwan; 5. Foreign currency denominated financial bonds or negotiable certificates of deposit issued by a domestic bank; 6. Foreign currency denominated corporate bonds issued by a domestic enterprise; 7. Foreign currency denominated commercial papers; 8. Listed or over-the-counter certificates of foreign stocks or bonds; 9. Securities representing interests in offshore funds; 10. Securitized asset-backed products; 11. Bonds issued by international organizations; 12. Foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds ; and 13. Other securities approved by the competent authority. Article 6 Where an insurer invests in the bonds issued by foreign central government related issuers mentioned in Subparagraph 1 of the preceding article, the investment shall be subject to the following conditions and limits: 1. The institution of the foreign central government shall have a rating of at least medium or its equivalent in terms of the level of support from the central government as determined by a foreign credit rating agency. In addition, the credit rating of the issuance or guarantee institution or the credit rating of the bond shall have a rating of AA- or its equivalent from a foreign credit rating agency. 2. An insurer’s investment in bonds issued by an institution of a foreign central government shall not exceed 5% of the insurer’s funds. An insurer’s investment in bonds issued or guaranteed by a foreign local government mentioned in Subparagraph 2 of the preceding article shall be subject to the following conditions and limits: 1. The bond shall have an issue rating equivalent to A- or above from a foreign credit rating agency, and the country the local government belongs to shall have a sovereign rating equivalent to AA- or above from a foreign credit rating agency. 2. The total amount of investment in bonds issued or guaranteed by a single foreign local government shall not exceed 5% of the insurer’s approved foreign investment limit. An insurer’s investment in bonds issued or guaranteed by institutions of foreign local governments mentioned in Subparagraph 2 of the preceding article shall be subject to the following conditions and limits: 1.The institution of the foreign local government must be established and funded by the local government for the performance of public services or established with a special permit in accordance with laws. The appointment

of its personnel, finances, or business management shall be directly or indirectly controlled by the local government. Funds gained from the institution's performance of public services or designated source of income of the institution shall be used as the source of funding for the repayment of debts.
2.The issuance and trading of the bonds and information disclosure shall meet related regulations established by the competent authority of securities in the respective countries of the issuers or other authorities established in accordance with securities laws of the country that are under the supervision of the competent authorities responsible for securities.
3. The bond shall have a rating of at least A- or its equivalent as determined by a foreign credit rating agency. The country the local government related issuers belongs to shall have a sovereign rating equivalent to AA- or above from a foreign credit rating agency.
4. An insurer's total investment in bonds issued or guaranteed by institutions of each foreign local government plus the total investment in bonds issued or guaranteed by the same foreign local government shall not exceed 5% of the insurer's approved foreign investment limit.
An insurer's investment in financial bonds, negotiable certificates of deposit or medium-term floating rate notes issued or guaranteed by a foreign bank shall be subject to the following conditions and limits:
1. Investment conditions:
(1) The bond issuer or guarantor shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency, unless the provisions of Items (2) to (4) hereof are met.
(2) An insurer that meets the following conditions may invest in bonds issued or guaranteed by a bank having a credit rating equivalent to BBB- or BB+ from a foreign credit rating agency:
A. The insurer was not subject to any major disciplinary action for violation of the Act in relation to foreign investment in the most recent year, or remedial actions for the violation, if any, have been taken and affirmed by the competent authority;
B. The insurer has set up a risk management committee under its board of directors and set up a risk management department with a chief risk officer appointed to assume de facto responsibility for the overall risk management of the company;
C. The board of directors sets risk exposure limits annually and such limits are regularly controlled by the risk management committee or risk management department; and
D. The insurer's risk-based capital ratio for the most recent period reaches 250% or above, or the insurer has a credit rating equivalent to AA or above from a local or foreign credit rating agency in the most recent year.
(3) An insurer whose risk-based capital ratio for the most recent period reaches 200% or above and meeting the conditions set out in Sub-items A and B of Item (2) hereof may invest in bonds issued or guaranteed by a bank having a credit rating equivalent to BBB from a foreign credit rating agency.
(4) Where an insurer invests in subordinated bonds, the credit rating of such bonds' issuer or guarantor set out in the preceding three items shall be replaced by the issue rating on such bonds from a foreign credit rating agency.
2. Investment limits:
(1) The total amount of investment in subordinated bonds having an issue rating equivalent to BB+ from a foreign credit rating agency shall not exceed 2% of the insurer's approved foreign investment limit.
(2) The total amount of investment in subordinated bonds having an issue rating equivalent to BBB to BB+ from a foreign credit rating agency shall not exceed 7.5% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher. However, where the insurer obtains approval from the competent authority based on the proviso in Article 16, Paragraph 1 and the total amount of foreign securities mentioned in the preceding article that are put under the custody of Taiwan Depository & Clearing Corporation, domestic financial institutions, and branches of foreign financial institutions in Taiwan having a credit rating

equivalent to A- or above from a local or foreign credit rating agency in the most recent year does not reach a certain percentage of the total amount of investment in foreign securities mentioned in the preceding article, the insurer shall observe the following provisions:
A. If the percentage of foreign securities under custody is less than 30% , the total amount of investment shall not exceed 6% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.
B. If the percentage of foreign securities under custody is 30% or higher and less than 50%, the total amount of investment shall not exceed 7% of the insurer's approved foreign investment limit or 30% of its owners' equity, whichever is higher.
(3) The total amount of investment in bonds and negotiable certificates of deposit issued or guaranteed by a single bank in combination with the total amount of investment in the stocks mentioned in Paragraph 1 of Article 7 herein issued by the same bank shall not exceed 5% of the insurer's funds and 10% of the owners' equity of the issuing bank.
(4) The total amount of investment in subordinated bonds having an issue rating equivalent to BBB, BBB- or BB+ from a foreign credit rating agency and issued or guaranteed by a single bank shall not exceed 10% of the insurer's owners' equity.
An insurer's total amount of investment in foreign currency denominated negotiable certificates of deposit issued by a branch of a foreign bank in Taiwan (including offshore banking unit) or a branch of a Mainland China bank in Taiwan mentioned in Subparagraph 4 of the preceding article and in foreign currency denominated negotiable certificates of deposit issued by a domestic bank mentioned in Subparagraph 5 of the preceding article shall be subject to the limits specified in Paragraph 2 of Article 4 herein.
An insurer's investment in foreign currency denominated financial bonds issued by a domestic bank mentioned in Subparagraph 5 of the preceding article and in foreign currency denominated corporate bonds issued by a domestic enterprise mentioned in Subparagraph 6 of the preceding article shall be subject to the following conditions and limits:
1. Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act shall apply mutatis mutandis to the investment conditions.
2. The investment amount shall be subject to the limits set out in Subparagraphs 2 and 4 of Paragraph 1 and Paragraph 2 of Article 146-1 of the Act.
An insurer's investment in foreign currency denominated commercial papers mentioned in Subparagraph 7 of the preceding article shall be subject to the condition that the issuer or guarantor of such commercial papers shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency and shall be subject to the following limits:
1. The total amount of investment in foreign currency denominated commercial papers issued or guaranteed by a single company and securities under the subparagraphs of Paragraph 1 of Article 7 herein which are issued or guaranteed by the same company shall not exceed 5% of the insurer's funds and 10% of the owners' equity of the issuing company, unless the provision of Subparagraph 2 hereof is met.
2. If the corporate bonds and commercial papers issued or guaranteed by a company are guaranteed by a third party and meet the following conditions, the total amount of investment in foreign currency denominated commercial papers issued or guaranteed by such company, as well as those issued or guaranteed by the third party, and securities mentioned under the subparagraphs of Paragraph 1 of Article 7 herein which are issued or guaranteed by such company and the third party shall not exceed 5% of the insurer's funds and 10% of the owners' 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 owners' 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 8 of Article 5 herein include:
1. Stocks;
2. Initial public offerings of stocks;

3. Corporate bonds;
4. Depositary receipts, convertible bonds and corporate bonds with warrants issued by non-domestic enterprises.
An insurer’s investment in the aforementioned corporate bonds, convertible bonds or corporate bonds with warrants issued by a non-domestic enterprise shall be subject to the following conditions:
1. The issuer or guarantor of the bonds shall have a credit rating equivalent to BBB+ or above from a foreign credit rating agency, unless the provisions of Subparagraphs 2 to 4 hereof are met.
2. An insurer that meets the following conditions set out in Sub-items A to D, Item (2), Subparagraph 1, Paragraph 4 of the preceding article may invest in the following bonds issued or guaranteed by a company having a certain credit rating from a foreign credit rating agency:
(1) The bond’s issuer or guarantor has a credit rating equivalent to BB+ and the bond has been reviewed by the insurance association in accordance with its standards, and publicly announced and filed by the insurance association with the competent authority for recordation.
(2) The bond’s issuer or guarantor has a credit rating equivalent to BBB-.
3. An insurer whose risk-based capital ratio for the most recent period reaches 200% or above and meeting the conditions set out in Sub-items A and B of Item (2), Subparagraph 1, Paragraph 4 of the preceding article may invest in bonds issued or guaranteed by a company having a credit rating equivalent to BBB from a foreign credit rating agency.
4. Where an insurer invests in subordinated bonds, the credit rating of such bonds’ issuer or guarantor set out in the preceding three subparagraphs shall be replaced by the issue rating on such bonds from a foreign credit rating agency.
5. Investment in subordinated bonds having an issue rating equivalent to BB+ from a foreign credit rating agency is not subject to the provisions of Item (1) of Subparagraph 2 hereof that require the bonds to be reviewed by the insurance association in accordance with its standards, and publicly announced and filed by the insurance association with the competent authority for recordation.
An insurer’s investment in securities specified in the preceding two paragraphs shall be subject to the following limits:
1. The total amount of investment in bonds mentioned in Item (1), Subparagraph 2 of the preceding paragraph shall not exceed 2% of the insurer's approved foreign investment limit.
2. The total amount of investment in bonds mentioned in Subparagraphs 2 and 3 of the preceding paragraph shall not exceed 7.5% of the insurer’s approved foreign investment limit or 30% of its owners’ equity, whichever is higher. However, where the insurer obtains approval from the competent authority based on the proviso in Article 16, Paragraph 1 and the total amount of foreign securities mentioned in the Article 5 that are put under the custody of Taiwan Depository & Clearing Corporation, domestic financial institutions, and branches of foreign financial institutions in Taiwan having a credit rating equivalent to A- or above from a local or foreign credit rating agency in the most recent year does not reach a certain percentage of the total amount of investment in foreign securities mentioned in the Article 5, the insurer shall observe the following provisions:
(1) If the percentage of foreign securities under custody is less than 30%, the total amount of investment shall not exceed 6% of the insurer’s approved foreign investment limit or 30% of its owners’ equity, whichever is higher.
(2) If the percentage of foreign securities under custody is 30% or higher and less than 50%, the total amount of investment shall not exceed 7% of the insurer’s approved foreign investment limit or 30% of its owners’ equity, whichever is higher.
3. Where an insurer invests in convertible bonds and corporate bonds with warrants issued or guaranteed by a company having a credit rating equivalent to BBB+ to BB+ from a foreign credit rating agency, the amount and conditions of the abovementioned investments shall comply with Article 17 herein.
4. The amount of investment in subordinated bonds shall be combined into the investment limits specified in the preceding three subparagraphs based

on the issue rating specified in Subparagraph 4 of the preceding paragraph.
5. Paragraph 7 of the preceding article shall apply mutatis mutandis to the total amount an insurer may invest in the securities of a single company.
6. The total amount of an insurer's investment in accordance with the preceding paragraph in corporate bonds as well as convertible bonds and corporate bonds with warrants issued or guaranteed by a single company having a credit rating equivalent to BBB, BBB- or BB+ from a foreign credit rating agency shall not exceed 10% of the insurer's owners' equity.
7. The total amount of an insurer's investment in the securities specified in Subparagraphs 1, 2 and 4 of Paragraph 1 herein shall not exceed 40% of the insurer's approved foreign investment limit imposed in accordance with Article 146-4 of the Act.

Article 8 The securities representing interests in offshore 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.Privately offered funds;
7.Infrastructure funds; and
8.Commodity funds.
Where an insurer invests in the securities representing interests in offshore funds, the total amount thereof shall not exceed 40% of the approved foreign investment limit imposed in accordance with Article 146-4 of the Act, and the total amount of investment in a single fund prescribed in the preceding Subparagraphs 1 to 4, 7 and 8 shall not exceed 5% of the insurer's funds and 10% of the total amount of the shares issued by the fund.
An insurer's investment in hedge funds and privately offered funds referred to in Subparagraphs 5 and 6 of Paragraph 1 of this Article shall be subject to the following limits and conditions:
1. The total amount of such investment shall not exceed 2% of the insurer's funds. However, where the insurer files an application in accordance with Articles 15, Paragraph 4, Subparagraph 5 and the competent authority approves that its foreign investment limit may exceed 40% of its funds, the total investment may not exceed 3% of its funds.
2. The total investment in a single fund shall not exceed 10% of the total amount of the shares issued by such fund.
3.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.
4. An insurer's investment in hedge funds shall be restricted to those administrated by fund management institutions with a sovereign credit rating of at least A+ or its equivalent from foreign credit rating agencies and registered in competent authorities of countries or regions that are signatories of the International Organization of Securities Commissions (IOSCO)'s Multilateral MOU (MMoU). The fund management institutions shall have engaged in management of hedge fund for at least two years and with no less than US$200 million or equivalent of hedge fund assets under the management thereof.
5. An insurer's investment in privately offered funds shall be restricted to those administrated by fund management institutions with a sovereign credit rating of at least A+ or its equivalent from foreign credit rating agencies and registered in competent authorities of countries or regions that are signatories of the International Organization of Securities Commissions (IOSCO)'s Multilateral MOU (MMoU). The fund management institutions shall have engaged in management of such funds for at least five years and with no less than US$500 million or equivalent of fund assets under the management thereof. However, these restrictions shall not apply in the following circumstances:
(1) The fund management institutions, approved by competent authority as the investment business of our domestic financial holding companies, directly or indirectly register in overseas countries, engage in fund

management business.
(2) The domestic fund management institutions have a recommendation letter from the authority of venture capital business for part or all of the venture capital businesses managed by them or the domestic securities investment trust authorized by the competent authority uses its own capital to invest in a subsidiary which serves as a general partner of the private equity fund, and the insurer has drawn up the standards for selecting domestic fund management institutions and such standards have been approved by its board of directors.
Where an insurer invests in a fund of funds which holds a portfolio of the funds listed in Paragraph 1 of this Article, such investment shall comply with the provisions for each type of funds involved.
The indices tracked by the index funds referred to in Subparagraph 2 of Paragraph 1 of this article shall be announced by the competent authority.
The privately offered fund mentioned in Subparagraph 6 of Paragraph 1 hereof means a privately offered fund that invests in private equity, private debt and real estate.
Where an insurer invests in the funds specified in Subparagraphs 5 to 8 of Paragraph 1 of this article, the amount and conditions of such investment shall comply with the provisions of Article 17.

Article 10　Where an insurer invests in the bonds issued by international organizations referred to in Subparagraph 11 of Article 5, the issuers of such bonds shall have a credit rating equivalent to A- or above from 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.
An insurer’s investment in foreign currency denominated certificates of stocks or bonds listed or traded over-the-counter on the domestic securities market mentioned in Subparagraph 12 of Article 5 shall be subject to the following conditions and limits:
1. Investment conditions:
(1) Based on the type of stock certificate or bond invested, the investment shall comply with the conditions set out in Paragraphs 1, Paragraphs 1, 2, 4, 6 and 7 of Article 6, Paragraph 2 of Article 7 and Paragraph 2 of Article 17 herein.
(2) For investment in bonds with covenants that the issuer may redeem the bond after a certain period of time, that period of time shall not be less than 5 years from the date of issue; for bonds acquired in the secondary market, the duration from the date of transaction settlement to the end of that period of time shall not be less than 3 years. The preceding provision does not apply to bonds already invested by the insurer before the amendment of these Regulations is implemented.
2. Investment limits:
(1)The total investment amount plus the foreign investment amount included in the limit for foreign investments shall not exceed 145% of the insurer’s approved foreign investment limit. However, if the aforementioned total amount of the insurer has exceeded the limit prior to the promulgation of the amended Regulations, no additional investments in the securities mentioned in Subparagraph 12 of Article 5 shall be permitted.
(2) The amount of the investment shall be calculated, based on the type of stock certificate or bond invested, into respectively the limits provided in Paragraphs 1, Paragraphs 1, 2, 4, 6 and 7 of Article 6, Paragraph 3 of Article 7 and Paragraph 1 of Article 17 herein.

Article 11- 1　When an insurer invests 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 investment.
3. Obtaining real estate overseas or in the Mainland China area through a real estate investment business for special-purpose 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 investment, as referred to in the preceding paragraph, means those enterprises 100% owned by the insurer, as filed with the competent authority for reference or approved by the competent authority 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 authority or its real estate investment business for special-purpose 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 insurer:
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 countries or regions with a sovereign credit rating of at least A+ or its equivalent from foreign credit rating agencies 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 insurer 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, non-life and life insurance enterprises shall respectively make public disclosure of the following information under the notes in the explanatory documents posted on their information disclosure website:
1. Areas, amounts and profit/loss of real estate investments made overseas and in Mainland China, which have been reviewed by a certified public accountant (CPA) and shall be updated on an annual basis;
2. Information specified under Paragraph 7 of Article 11-2; and
3. Information specified under Paragraph 3 of Article 11-3.
An insurer that invests in overseas or Mainland China area real estate in accordance with the provisions under the subparagraphs of Paragraph 1 hereof shall disclose the following information in the notes to its annual financial statements:
1. For overseas and Mainland China area real estate acquired in accordance with Subparagraph 1 of Paragraph 1 hereof, is the real estate ownership subject to restrictions?
2. For overseas and Mainland China area real estate acquired in accordance with Subparagraphs 2 and 3 of Paragraph 1 hereof, does the real estate investment business for special-purpose investment have any situation that violates Subparagraph 2, Paragraph 3 of Article 11-2 herein and is the real estate ownership of the investment business subject to restrictions other than the restriction associated with being furnished as security for other’s debt?
3. For overseas and Mainland China area real estate acquired in accordance with Subparagraph 4 of Paragraph 1 hereof, is the ownership of the trust property subject to restrictions?

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 includes 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 authority.
(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 authority, or its rectification of the violations has been done and got affirmed by the competent authority.
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 classified to financial assets at fair value through profit or loss, financial assets measured at fair value through other comprehensive income has been calculated, and the calculation is performed at least once a week.
(3) For the foreign investment classified to financial assets measured at amortized cost, 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 authority, or the rectification of the violations has been done and got affirmed by the competent authority.
(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 authority 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 authority 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, 35% of various reserves for non-investment-linked life insurance business may be increased to 37%.
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 Subparagraphs 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 paragraph is calculated as follows:
Excluded Foreign Investment Amount = (35% 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) - total amount of investment from various reserves for non-investment-linked life insurance business collected and paid in foreign currency in securities or bonds denominated in foreign currencies that are listed or traded over-the-counter as specified in Article 5, Subparagraph 12.
“Determined percentage” referred to in the previous paragraph 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 Subparagraphs 2 to 4, Paragraph 1.
3.Other documents as required by the competent authority.
In cases where an insurer meets the relevant requirements as set forth in the preceding paragraph, and has obtained the approval from the competent authority 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 authority 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 Subparagraph 2, Paragraph 1.
Any insurance company fails to comply with the previous paragraph, fails to complete adjustment in accordance with the adjustment plan or fails to file the adjustment plan as required under the previous paragraph 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 the custody of a custodian institution or under its own custody in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities, and in addition, the custodian institution shall be Taiwan Depository & Clearing Corporation or a domestic financial institution, or a branch of a foreign financial institution in Taiwan with a credit rating equivalent to A- or above from a local or foreign credit rating agency in the most recent year. However, this restriction shall not apply if it is approved by the competent authority and the insurer may appoint a foreign financial institution meeting the following requirements as the custodian:
1. Having been established for more than three years and having a branch or subsidiary in Taiwan that has been approved to conduct custody business;
2. Having a credit rating equivalent to A- or above for the most recent year from a domestic or foreign credit rating agency; and
3. A bank ranking in the world’s top 500 by assets or net worth for the most recent year or an institution with more than US$500 billion assets under custody.
An insurer whose risk-based capital ratio for the most recent period is under 200% shall put its foreign assets under the custody of Taiwan Depository & Clearing Corporation or a domestic financial institution or the branch of a foreign financial institution in Taiwan whose ratio of its capital to risk-weighted assets for the most recent period meets the regulatory requirements.
An insurer shall put its investments in foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds under custody in accordance with the Regulations Governing Book-Entry Operations for Centrally Deposited Securities.
An insurer with its foreign investment limit reaching 35% or higher of its funds or with its overall foreign investment reaching or above US$1 billion shall put all its foreign securities, except those representing interests in offshore funds and those from special-purpose money trust funds conducted by financial institutions, under the custody of not more than five custodian institutions, excluding Taiwan Depository & Clearing Corporation.
Where an insurer entrusts an overseas custodian for the custody of its overseas assets, the institution being appointed to handle its discretionary account and the entrusted custodian institution shall belong to different financial institutions, and in addition, the execution and modification of the overseas custodian agreement and changes to the authorized signatories on the custodial account must be approved by the insurer's board of directors, and the insurer shall ensure that the custodian agreement contains the following provisions:
1. If deemed necessary, the competent authority may dispatch personnel or order the insurer to appoint an accountant or other professionals to examine the insurer's overseas assets under the custody of the custodian institution and to submit a report or express opinions to the competent authority. In such event, the custodian institution entrusted by the

	insurer shall not refuse the related examination; 2. The overseas custodial account of the insurer may not be used to provide any form of guarantee for the debt of others; 3. Unless with the consent of the insurer, the custodian institution shall not transfer the assets in the insurer's custodial account to any third parties; 4. For matters relating to insurer's custodial account as inquired by the certifying accountant of the insurer for confirmation (including whether the account balance matches, whether any asset in the account is used to provide guarantee, etc.), the custodian shall directly reply by letter to the accounting firm after verifying each inquiry item; 5. The custodian agreement shall specify that the ultimate beneficiary of the agreement, the owners of assets, and the beneficiary of master and sub accounts shall be the insurer only; and 6. Other matters designated by the competent authority. If a custodian institution fails to meet requirements in Paragraph 1 when the Regulations are amended, the insurer shall transfer foreign assets within one year after the promulgation of the amendment to a custodian institution that meets requirements specified in Paragraph 1 or report to the competent authority for approval based on the proviso in Paragraph 1.

Data Source：Financial Supervisory Commission Laws and Regulations Retrieving System