

This article was published in the *Asia Insurance Review* on November 2014.

## **More regulatory hurdles removed to facilitate foreign investment activities**

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Following the regulatory relaxation of foreign investment limitations for insurance companies in 2013, the Financial Supervisory Commission (the "FSC"), the regulator of insurance industries in Taiwan, further amended the Regulations Governing Investments by Insurance Companies (the "Regulations"), effective from 22 April 2014.

The 2014 amendments to the Regulations mainly focus on expanding the investment portfolio of Taiwanese insurance companies and increasing flexibility with regard to overseas real estate investment. Moreover, the amendments to the Insurance Act announced on 4 June 2014 shows a flexible attitude toward overseas investments.

### **Investments in foreign-currency-denominated bonds**

According to current Regulations, an insurance company may allocate its funds to invest in certain types of foreign securities. The 2014 amendments to the Regulations further expand the permissible investment portfolio to include foreign currency-denominated listed or over-the-counter ("OTC") certificates of domestic stocks and bonds. The so-called Formosa Bonds listed on the GreTai Securities Market (the "GTSM", which operates the local OTC market) falls into this class. After the Regulations took effect, there has been an increase in issuance of Formosa Bonds on the GTSM.

### **The Insurance Act Amendments further support more diverse investment activities**

Under the legal regime of the Insurance Act in Taiwan, restrictions on the overseas investment of insurance companies' funds were placed not only on the types of investment but also the investment amount. Insurance companies are required to obtain approval of the FSC regarding the overseas investment amount which shall not exceed 45% of the funds which includes owner's equity and various reserves of each insurance company ("Overseas Investment Ceiling"). In the past, there was only one type of investment that was not included to be counted in the Overseas Investment Ceiling, ie, the value of non-investment-linked life insurance products distributed in foreign currencies with a prior approval from the FSC.

To encourage investment of Taiwanese insurance companies and to meet the needs and expectations on internationalization of the industry, the Legislative Yuan (the legislative authority of Taiwan) passed the amended Article 146-4 of the Insurance Act to extend the said Overseas Investment Ceiling to three additional types of investment as follows:

1. The value of foreign currency denominated listed or over-the-counter certificates of domestic stocks or bonds that are invested in by insurance enterprises in accordance with the Insurance Act;
2. The value of insurance-related enterprises established by or invested in by insurance companies with prior approval from the FSC; or
3. Other foreign investments and their values with prior approval from the FSC.

### **More diverse overseas real estate investment channels**

Among other things, the Regulations further allow insurance companies to engage in real estate investment in foreign countries or in the PRC by:

1. Acquiring real estate in foreign countries or/and in the PRC through a special purpose vehicle for real estate investment business (the "SPV") by way of loan; or
2. Acquiring real estate in foreign countries or in the PRC through a trust contract.

The said "acquiring real estate through a trust contract" means by way of a trust contract with regard to the acquisition, management, use, benefit and disposal of real estate between an insurance company permitted by the FSC and the trust institution or made between the SPV and trustee institution.