

**Regulations Governing the Management and Utilization of the Labor
Insurance Fund (2018.10.26) Chinese**

Amended on October 26, 2018

Article 1

These regulations are enacted in accordance with Paragraph 2 of Article 67 of the Labor Insurance Act (hereinafter referred to as ‘the Act”).

Article 2

The Bureau of Labor Funds of the Ministry of Labor shall be responsible for the management and utilization of investment of the Labor Insurance Fund (hereinafter referred to as “the Fund”); said utilization may be commissioned to professional investment institutions for management.

The Bureau of Labor Funds shall draw up plans or regulations for the utilization and management of investment referred to in the preceding Paragraph and present them to be reviewed and ratified by the central competent authority.

Article 3

The sources of the Fund are as follows:

1. The funds provided in one lump sum by the government at the time the Fund was set up;
2. Insurance premium and interest income and the balance after payment of insurance benefits;
3. Insurance premium overdue fines;
4. Earnings from investment of the Fund;
5. Other approved revenue.

Article 4

The Fund shall be utilized as follows:

1. To invest in government bonds, treasury bills and corporate bonds;
2. To be deposited in state-owned banks or financial institutions designated by the central competent authority;
3. To invest in Labor Insurance hospitals established by the Ministry of Labor and as loans to contracted public hospitals for the renovation of Labor Insurance wards;
4. To provide loans to insured persons;
5. To make investments approved by the government as beneficial to the revenue of the Fund.

Article 5

The objects of investments approved by the government as beneficial to the return of the Fund as stated in subparagraph 5 of the preceding Paragraph shall include the following:

1. Domestic and foreign debt securities other than government bonds, treasury bills and corporate bonds;

2. Bank deposits in foreign currencies;
3. Loan to government agencies in various levels or state-owned enterprises for undertaking economic construction or investment with compensation or repayable by budgeting on a year-by-year basis.
4. Equity securities traded or underwritten through centralized securities trading markets or over-the-counter markets in and outside the country (hereinafter referred to as beneficiary certificates);
5. Securities investment trust fund or futures trust fund beneficiary certificates issued or managed by domestic fund management institutions (hereinafter referred to as domestic funds);
6. Beneficiary certificates, fund shares or investment unit securities issued or managed by foreign fund management institutions or investment agencies (hereinafter referred to as offshore funds);
7. Properties in and outside the country and their development and construction;
8. Asset-backed securities in and outside the country;
9. Derivatives of the objects specified in subparagraphs 1, 2 and 4 and the preceding subparagraph and other derivatives;
10. Securities lending transactions;
11. Other utilization items beneficial to the return of the Fund approved by the central competent authority.

If the utilization items specified in the subparagraphs of the preceding Paragraph involve mainland China, Hong Kong or Macau, they shall comply with related regulations established by the financial authority or concerned agencies.

Article 6

The restrictions on domestic investment of the Fund are as follows:

1. The total cost for the investment in any single equity securities, debt securities or fund may not exceed five percent of the total amount of the Fund at the time of investment;
2. The total amount for the investment any equity securities or debt securities may not exceed ten percent of the total amount of each securities issued at the time of investment;
3. The total amount for the investment in a single fund may not exceed ten percent of the amount of beneficiary certificates issued. If a fund is an exchange traded fund, the total amount invested may not exceed twenty percent of the amount of beneficiary certificates issued.

Article 7

The restrictions on foreign investment of the Fund are as follows:

1. The total cost for the investment in any single equity securities, debt securities or offshore fund may not exceed five percent of the total amount of the Fund at the time of investment;
2. The total amount for the investment in any equity securities or debt

securities may not exceed ten percent of the total amount of each securities issued at the time of investment;

3. All foreign debt securities and asset-backed securities or bonds purchased shall be issued by institutions rated as of certain rankings by internationally renowned credit rating agencies or approved by securities authorities;

4. In addition to domestic and overseas branches of ROC banks, foreign currencies may be deposited in foreign banks rated as of certain rankings by internationally renowned credit rating agencies or approved by securities authorities;

5. The amount of foreign currencies deposited in the same bank may not exceed three percent of the total amount of the Fund but foreign currencies deposited in custodian banks are not subject to this limitation.

The Bureau of Labor Funds shall determine the certain rankings stated in subparagraphs 3 and 4 of the preceding Paragraph.

Article 8

The total amount of assets of the Fund to be utilized for overseas investments as stated in subparagraphs 1, 2, 4 and 6 to 9 of Paragraph 1 of Article 5 may not exceed sixty percent of the total amount of the Fund.

Article 9

For engaging in financial derivatives transactions, it shall trade via a financial institution approved by the competent financial, securities, or futures authorities of the foreign countries, and the following requirements shall be observed:

1. Apart from principal guaranteed products, derivatives trading shall in principle not increase the Fund's financial leverage;

2. In view need to hedge NT dollar and foreign currency exchange rates when making foreign investments, the Fund may engage in foreign exchange derivatives transactions within the amount limits and scope of tools prescribed by the Central Bank of the Republic of China (Taiwan) in relevant regulations;

3. Engaging in non-foreign exchange derivatives transactions may be conducted within the scope of trading contracts floated, published, or listed by the competent authority of the country, exchanges, or over-the-counter markets. The Bureau of Labor Funds shall determine limits, counterparties, and risk management measures when the Fund engages in derivatives transactions and shall request the approval of the central competent authority.

Article 10

The Bureau of labor Funds shall draw up an investment policy statement with regard to utilization of the Fund and establish a Fund utilization plan before each fiscal year begins and present them to be reviewed and ratified by the central competent authority. Utilization of the Fund shall be conducted according to the following procedures:

1. Investments in domestic and foreign debt securities, equity securities traded or underwritten through centralized securities trading markets or over-

the-counter markets in and outside the country, domestic funds, offshore funds, foreign currency deposits, derivatives, domestic and foreign asset-backed securities and loans to insured persons, as well as their types, amounts and earnings shall be presented to the central competent authority for reference in the month following implementation of such investments;.

2. Earnings from loan to government agencies in various levels or state-owned enterprises for undertaking economic construction or investment with compensation or repayable by budgeting on a year-by-year basis may not be lower than earnings calculated according to the fixed interest rate of Bank of Taiwan for 2-year time deposits. Information regarding the borrowers, loan amounts and earnings shall be presented to the central competent authority for reference in the month following implementation of such loans;

3. Plans for investments in properties in and outside the country as well as the corresponding development and construction shall include investment objectives, locations, amounts, management approaches, ways of retrieval of capital invested and benefits of the investment. If an investment is to exceed a certain amount, it shall be presented for the central competent authority's approval before the investment may be conducted;

4. The details, amounts and earnings of other utilization items approved by the central competent authority as beneficial to the earnings of the Fund shall be presented to the central competent authority for reference in the month following implementation of such utilization.

The central competent authority shall define the certain amount stated in subparagraph 3 of the preceding Paragraph.

Article 11

The revenue and expenditure, utilization and balance of the Fund shall be presented to the central competent authority for review and record on a monthly basis and the central competent authority shall publicly announce such data each year.

Article 12

The accounting for the Fund shall be conducted independently and the accounting reports and annual financial statements shall be in accordance with relevant laws and regulations.

Article 13

These regulations shall take effect on the date of promulgation.