

Provisional Regulations on the Administration of Insurance Asset Management Companies

保险资产管理公司管理暂行规定

(Ordinance No.2 issued on 21st April 2004)

Reviewed and approved at the China Insurance Regulatory Committee Chairman Meeting on December 8th, 2003, *Provisional Regulations on the Administration of Insurance Asset Management Companies* is now promulgated and shall come into effect as of June 1st, 2004.

Chairman

April 21st, 2004

Chapter I General Provisions

Article 1

These Regulations are formulated in accordance with the *Insurance Law of the People's Republic of China* (hereinafter referred to as the "Insurance Law") and the *Company Law of the People's Republic of China* for the purposes of strengthening the supervision and regulation of insurance asset management companies, preventing insurance fund managing risks, and protecting the legitimate rights and interests of insurance companies and insurance asset management companies.

Article 2

The China Insurance Regulatory Committee (hereinafter referred to as the "CIRC") is authorized by the State Council to perform supervisory and regulatory responsibilities over insurance asset management companies.

Article 3

"Insurance asset management company" refers to a financial institution that is approved by the CIRC in collaboration with other relevant authorities, legally registered, and trusted with the responsibility to manage insurance funds.

"Insurance funds" refers to insurance companies' various insurance reserves, capital, working capital, public reserve, undistributed profit, and other liabilities, as well as various assets generated from the aforementioned funds.

Article 4

The insurance company that entrusts an asset management company to manage its insurance funds shall abide by the *Insurance Law* and related regulations made by the CIRC, follow the principles of willingness, fairness, and honesty, and may not infringe upon any national interest or public good.

Article 5

An insurance asset management company shall, in managing insurance funds, abide by the *Insurance Law* and related regulations of the CIRC and shoulder the duties of being honest, credible, prudential and diligent.

Chapter II Establishment, Alternation and Termination

Article 6

The establishment of an insurance asset management company shall be subjected to the approval of the CIRC and other relevant authorities.

Article 7

An insurance asset management company shall take the following organization forms:

1. Limited Liability Company
2. Company Limited by Shares

Article 8

To establish an insurance asset company, at least one of the shareholders or founders shall be an insurance company or an insurance holding (group) company, which satisfies the following requirements:

1. It has engaged in the insurance business for at least 8 years;
2. No record of administrative penalty has been imposed on it in the last 3 years as a result of violating fund management regulations;
3. It must have no less than RMB 1 billion as net assets; it must have no less than RMB 5 billion as total assets, and in the case of a holding (group) company and life insurance company, its total assets must not be lower than RMB 10 billion;
4. Meeting the CIRC's solvency requirements;
5. It must have a sound corporate governance structure and internal control system;
6. It must have established a department for assets and liabilities matching and a risk control department and it must have a complete investment information management system;
7. The assets used and managed by its fund management department shall not be lower than 50 percent of its total assets or, in the case of a life insurance company, not less than 80 percent of its total assets;
8. Other requirements stipulated by the CIRC.

Article 9

The total shareholding of domestic insurance companies in an insurance asset management company shall not be less than 75 percent.

A domestic insurance company hereof refers to an insurance company or insurance holding (group) company that is set up with approval from the CIRC and is duly registered with legal person status.

Article 10

The registered capital of an insurance asset management company shall not be less than RMB 30 million or an equivalent amount in a freely convertible currency; its registered capital shall be paid-in currency capital.

The registered capital of an insurance asset management company shall not be less than one thousandth of the insurance funds under its management. Those who do not satisfy this minimum registered capital requirement shall increase their capital correspondingly. However, for those whose registered capital is in excess of RMB 500 million, this requirement does not apply.

Article 11

To establish an insurance asset management company, the applicant shall submit a written application to the CIRC, together with the following documents:

1. A letter of application for establishment;
2. A feasibility study report and a preparation plan for the company to be established;
3. Fundamental materials of the shareholders, including the name or designation of the shareholders, legal representative, form of organization, registered capital, scope of operation, qualification certification documents, the most recent year's balance sheet, and profit and loss account that has been audited by an accounting firm;
4. Certification documents, balance sheet(s), and profit and loss account(s) of the previous 3 years of the shareholders satisfying the condition set out in Article 8; the balance sheet(s) and the profit and loss account(s) must be audited by accounting firms;
5. Name list and resume(s) of the leader(s) of the company to be established;
6. Letter(s) of intent on capital contribution or share subscription agreement(s);
7. Other materials required by the CIRC.

Article 12

Within 3 months after receiving a complete set of application documents, the CIRC and other relevant authorities under the State Council, shall conduct a preliminary review of the application and make a decision as to whether or not to grant approval; in case no approval is granted, the CIRC shall inform the applicant of the decision in writing and explain the reason.

Article 13

The applicant shall complete the preparation within 6 months after receiving the approval. Where the applicant fails to do so within the prescribed period, the preparatory period can be extended by 3 months by application of the applicant and with the CIRC's approval. Where the preparation is still not completed within the extended period, the original approval document issued by the CIRC shall become void automatically.

The preparing body may not engage in any commercial activities during the preparation period.

Article 14

After completion of the preparatory work, the applicant shall submit an application for operation and the following documents to the CIRC:

1. An application letter for operation;
2. Capital verification issued by a legal capital verifying agency and a photocopy of capital accounting voucher evidencing payment of the registered capital;
3. A name list and resumes of the proposed senior managerial personnel and major personnel;
4. A Certificate of ownership right or right of use of the business premises;
5. Articles of Association and internal management system;
6. Materials about information management system, fund management transaction equipment, and security equipment;
7. Other documents required by the CIRC.

Article 15

Within 20 days after receiving a complete set of application documents for an insurance asset management company's operation, the CIRC shall decide, whether or not to grant approval; in case the application is approved, a license for conducting insurance asset management business shall be issued; in case the application is disapproved, the CIRC shall inform the applicant of the decision in writing and explain the reason.

Article 16

An insurance asset management company shall apply to the CIRC for establishment of branch offices and submit the following documents to it:

1. A letter of application for establishment
2. The scope of business of the proposed organization;
3. A business plan and market analysis for the next three years;
4. Resume(s) and related certification documents of the leader(s) of the preparation of the planned organization;
5. Materials about information system, fund management transaction equipment, and security equipment.

Article 17

The CIRC shall conduct a preliminary review of the insurance asset management company's application for establishment of branch offices and shall decide within 20 days after receiving the complete application documents, whether or not to grant approval; in case no approval is granted, the CIRC shall inform the applicant in writing of the decision and explain the reason.

Article 18

The applicant shall complete the preparation within 3 months of its receipt of the approval for establishment of branch offices. Where the applicant fails to do so within the prescribed period, the original approval document issued by the CIRC shall become void automatically.

The preparing body may not be engaged in any commercial activities during the preparation period.

Article 19

Upon completion of the preparatory work of the establishment of branch offices, the applicant shall submit an application for operation to the CIRC, together with the following documents:

1. An application for operation;
2. A progress report of the preparation work;
3. The scope of business;
4. Resume(s) and related certification documents of the leader(s) of the planned organization;
5. Certificate of right of use or ownership right of the business premises;
6. Materials about information management system, fund management transaction equipment, and security equipment;
7. Materials about the internal organization structure and the personnel.

Article 20

Within 20 days after receiving a complete set of application documents for an insurance asset management company's operation, The CIRC shall decide whether or not to grant approval; in case the application is approved, a license for conducting insurance asset management business shall be issued to the branch office; in case the application is disapproved, the CIRC shall inform the applicant of the decision in writing and explain the reason.

Article 21

Upon approval of the application for operation, with the approval document and the license for conducting insurance asset management business, the insurance asset management company or the branch offices of the insurance asset management company shall proceed to register at the administration department of industry and commerce and obtain a business license for operation commencement.

Article 22

The CIRC shall uniformly design, print, issue, withhold, revoke, and withdraw the Permit for Insurance Asset Management Business. Other agencies or individuals are not allowed to design, print, issue, withhold, revoke or withdraw the said Permit.

Article 23

The senior managerial personnel of an insurance asset management company shall satisfy the following requirements:

1. A Bachelor's degree or above;
2. 10 years or more work experience in economic fields or 5 years or more work experience in finance, insurance, or securities;
3. No record of criminal conviction or administrative penalty for violation of economic rules or regulations;
4. Other requirement specified by the CIRC.

The senior managerial personnel of an insurance asset management company may not take a part-time job at any other business, unless specified otherwise by the CIRC.

Article 24

Under the following circumstances, an insurance asset management company shall report to and seek approval from the CIRC:

1. Change of Articles of Association;
2. Change of capital contributors or the shareholder who hold 10 percent or more of the company shares;
3. Adjustment of the scope of business;
4. Termination of branch offices;
5. Change of business premises;
6. Change of senior managerial personnel.

Article 25

If an insurance asset management company undergoes legal dissolution, is closed down or terminated by declared bankruptcy, the insurance funds under its management shall not be included as part of the liquidation assets.

Article 26

Upon legal dissolution of an insurance asset management company, a liquidation team shall be set up. The liquidation shall be supervised and guided by the CIRC.

In case that an insurance asset company is closed down according to law, the CIRC shall organize the shareholders, relevant authorities, and other specialists to set up a liquidation team on a timely basis.

Upon declared bankruptcy of an insurance asset management company, the people's court shall organize a liquidation team in accordance with law.

Article 27

The liquidation team shall notify the creditors within 10 days after setting up, and shall bulletin at least 3 times in the CIRC-specified newspapers within 60 days after setting up. The content of the public notice shall be subjected to the CIRC's approval.

The liquidation team shall entrust specialized intermediaries such as accredited accounting firms to appraise the company's rights, liabilities, and assets.

Article 28

In cases of legal dissolution, closedown, or declared bankruptcy of an insurance asset management company, the liquidation of its assets and treatment of its rights and liabilities shall be carried out in accordance with relevant laws and regulations.

Chapter III Scope of Business and Rules for Operation

Article 29

The scope of business of an insurance asset management company includes all or part of the following:

1. To manage and utilize the insurance funds entrusted by its shareholders in RMB or foreign currency;
2. To manage and utilize the fund entrusted by insurance company controlled by its shareholders;
3. To manage and utilize self-possessioned funds in RMB or foreign currency;
4. Other types of business approved by the CIRC;
5. Types of business approved by other authorities of the State Council.

Article 30

The management and utilization of the insurance funds is limited to bank deposits, buying and selling of governmental bonds, financial bonds, and other fund utilization forms prescribed by the State Council.

Article 31

An insurance asset management company shall report to and seek approval from the State Administration of Foreign Exchange for foreign exchange fund management and other foreign exchange businesses.

Article 32

The total investment ratio of the same investment channel and the investment ratio of the single investment target between an insurance asset management company's self-possessioned fund and the entrusted funds shall be calculated separately.

The total investment ratio of the same investment channel and the investment ratio of the single investment target between an insurance companies' funds entrusted to other agencies and the self-managed funds shall be integrated separately.

Article 33

An insurance company and its entrusted insurance asset management company shall appoint an independent custodian.

The custodian shall be a commercial bank or specialized financial institutions meeting the requirements of the CIRC.

Article 34

The following funds shall be separately managed and accounted by different investment managers of the insurance asset management company:

1. Self-possessed funds and the insurance funds entrusted for management;
2. Different kinds of insurance funds entrusted for management from the same insurance company.

An insurance asset management company shall treat all the different insurance funds under its management equally.

Article 35

An insurance asset management company shall put any asset generated from the utilization, disposal, or others forms of management of the insurance funds into the insurance funds.

Aside from the remuneration specified in the relevant contract, any interests that an insurance asset management company acquired by means of the entrusted insurance funds shall be put into the insurance funds.

Article 36

A written contract shall be signed when an insurance asset management company is entrusted to manage insurance funds or when a custodian is entrusted to manage insurance funds.

The content and format of the written contract shall be included in a separate document issued by the CIRC.

Article 37

An insurance asset management company collects management fees according to contract and shall report the collection to the CIRC.

The rate of management fees shall be decided in accordance with the principles of fairness and rationality.

The CIRC may issue standards for the insurance asset management fees rate.

Article 38

An insurance asset management company shall not have the following behaviors:

1. Providing any security;
2. Promising a minimal return on the entrusted funds or that the entrusted funds shall not suffer any loss;
3. Entrusting another party to manage the insurance funds under its management;
4. Using the entrusted insurance funds to seek interests for a third party;
5. Conducting fund management transactions with shareholders or the insurance company that entrusts the fund for management, or manipulating entrusted funds from different sources to conduct such transactions;
6. Conspiring with the trustor to seek illegal interests in the name of asset management fees or by other means;
7. Other conducts forbidden by the relevant State law, regulations, or by regulatory authorities.

Article 39

Any loss of the insurance funds due to an insurance management company's violation of the State regulations or contract provisions shall be borne and indemnified by the insurance asset management company. Before the indemnification of the loss is made, no asset management fee may be collected.

Article 40

The complete record of the insurance asset management company's management of the insurance funds and the contract of entrusting the insurance funds for management shall be kept for more than 15 years.

Article 41

An insurance asset management company shall regularly or in accordance with the contract provisions report the management, utilization, disposal, and balance of the entrusted insurance funds.

The trustor is entitled to check, take notes, or copy the accounts and other documents related to its entrusted insurance funds and to ask for an explanation from the trustee.

Article 42

The year-end financial statements for an insurance asset management company's self-possessed funds and the entrusted insurance funds shall be audited by accounting firms.

Article 43

An insurance asset management company and the insurance funds custodians have a legal obligation of confidentiality for the information of the trustor and the insurance fund management.

Article 44

An insurance asset management company must not offset the rights arising from the entrusted funds during the course of management and disposal against the liabilities arising from its self-possessed assets.

An insurance asset management company must not offset the rights and liabilities arising from the management and disposal of insurance funds entrusted by different parties against each other.

In case of civil disputes between an insurance asset management company and other social organizations or individuals, the entrusted insurance funds shall not be detained, frozen, liquidized, etc.

Chapter IV Risk Control and Supervisory Management

Article 45

An insurance asset management company shall establish a complete corporate governance structure and effective internal control mechanism, set up an investment decision-making department and risk control department, and put into place the restriction mechanism of mutual supervision.

Article 46

An insurance asset management company shall strengthen its construction of information technology system and set up a complete information management system for investment decision-making, fund management, and financial accounting.

An insurance asset management company shall have security measures matching its business operation.

Article 47

An insurance asset management company shall set up a supervisory committee in accordance with relevant regulations.

The trustor may send supervisory personnel to the insurance asset management company entrusted of the insurance funds. On behalf of the trustor, the supervisory personnel supervise(s) the performance of the insurance asset management company on contract implementation, but they may not interfere with the normal operation of the company.

Article 48

An insurance asset management company is entitled to attend the meetings of associated insurance company's department of assets and liabilities matching.

Article 49

Within 20 days after signing the insurance funds management contract and the custodian contract, the insurance asset management company shall submit a photocopy of the said contracts to the CIRC.

Article 50

An insurance asset management company shall, in accordance with the CIRC's regulations, submit relevant documents and other materials such as a balance sheet, profit and loss accounts, business statistics, financial analysis report, etc. to the CIRC.

The content and format of the aforementioned documents shall be promulgated separately by the CIRC.

Article 51

The CIRC's supervision and inspection of an insurance asset management company shall be a combination of on-site and off-site supervision.

The CIRC may authorize specialized intermediaries such as an accounting firm to conduct the inspection of the insurance asset management companies.

Article 52

For insurance companies and insurance asset management companies that are in violation of these Regulations and relevant laws and regulations, the CIRC shall, in accordance with the *Insurance Law* and relevant administrative laws and regulations, impose administrative penalty on the said companies, their senior managerial personnel, and the directly responsible personnel.

Chapter V Supplementary Provision

Article 53

These Regulations shall come into effect as of 1st June 2004.

End.