

Provisional Regulations on Administration of Stock Investment of Insurance Institutional Investors

保险机构投资者股票投资管理暂行办法

Chapter 1 General Provisions

Article 1

These Regulations are formulated in accordance with laws and administrative regulations including the Insurance Law of the People's Republic of China and the Securities Law of the People's Republic of China in order to strengthen administration of the stock investment of insurance institutional investors, standardize investment activities, prevent investment risks and safeguard the interests of the insured.

Article 2

“Insurance institutional investors” in these Regulations refer to insurance companies and insurance asset management companies that satisfy the requirements specified by the China Insurance Regulatory Commission (hereinafter referred to as the “CIRC”) and are engaged in stock investment. These Regulations shall apply to the stock investment of insurance group companies and insurance holding companies.

“Stock investment” in these Regulations refers to an insurance institutional investor's activities of trading or entrusting qualified institutions to trade stock market products including stocks and convertible corporate bonds. “Stock asset custody” in these Regulations refers to an insurance company's activities of signing a custody agreement with a commercial bank or with another specialized financial institution in accordance with relevant stipulations of the CIRC and entrust it to keep custody of the stocks and funds for stock investment and to be responsible for clearing, settlement, asset evaluation and investment supervision etc.

Article 3

When carrying out stock investment, an insurance institutional investor shall establish an independent custody mechanism, follow the principles of prudence, safety and value increase, operate independently at its own risk and assume sole responsibility for its profits or losses.

Article 4

The CIRC and the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”) shall, in accordance with their respective responsibilities, conduct supervision and administration of the stock investment activities of insurance institutional investors.

Chapter 2 Qualification Requirements

Article 5

To accept entrustment and be engaged in stock investment, an insurance asset management company shall satisfy the following requirements:

1. Its internal management system and risk control system comply with the stipulations of the Guidelines for Risk Control of Utilization of Insurance Funds;
2. Having an independent trading department;
3. Relevant senior managerial personnel and main business personnel satisfy the requirements specified in these Regulations;
4. Having a specialized investment analysis system and a specialized risk control system;
5. Other requirements specified by the CIRC.

Article 6

Subject to approval of the CIRC, an insurance company that satisfies the following requirements may entrust relevant insurance asset management companies that satisfy the requirements specified in Article 5 hereof to carry out stock investment:

1. Solvency margin complies with relevant stipulations of the CIRC;
2. Internal control system and risk control system comply with the stipulations of the Guidelines for Risk Control of Utilization of Insurance Funds;
3. Having a special department responsible for insurance funds entrustment affairs;
4. Relevant senior managerial personnel and main business personnel satisfy the requirements specified in these Regulations;
5. Having established a stock asset custody mechanism;
6. No record of major violation of laws or regulations in investment in the past 3 years;
7. Other requirements specified by the CIRC.

Article 7

Subject to approval of the CIRC, an insurance company that satisfies the following requirements may be engaged in stock investment directly:

1. Solvency margin complies with relevant stipulations of the CIRC;
2. Internal control system and risk control system comply with the stipulations of the Guidelines for Risk Control of Utilization of Insurance Funds;
3. Having a specialized department for fund utilization;
4. Having an independent trading department;
5. Having established a stock asset custody mechanism;
6. Relevant senior managerial personnel and main business personnel satisfy the requirements specified in these Regulations;
7. Having a specialized investment analysis system and a specialized risk control system;
8. No record of major violation of laws or regulations in investment in the past 3 years;
9. Other requirements specified by the CIRC.

Article 8

To apply for direct engagement in stock investment or for entrusting an insurance asset management company to carry out stock investment, an insurance company shall submit the following documents and materials in triplicate to the CIRC:

1. Application letter;
2. Resolution of the board of directors on stock investment;
3. Internal management system, risk control system and internal organization setup;
4. Materials about the stock asset custodian and the draft custody agreement;
5. The name list and resumes of relevant senior managerial personnel and main business personnel;
6. Financial statements of the previous 3 years audited by an accounting firm;
7. Current trading seat, securities account and funds account;
8. Stock investment strategy, which shall at least explain the conception of stock investment, the investment objective and the investment portfolio;
9. Other documents and materials required by the CIRC.

Where an insurance company applies for direct engagement in stock investment, it shall submit in addition the descriptions of relevant investment analysis system and risk control system.

Article 9

When examining the application of an insurance company for direct engagement in stock investment or entrusting an insurance asset management company to carry out stock investment, the CIRC shall make the decision to or not to approve the application within 20 days after receiving a complete set of application documents and materials. Where it decides not to approve the application, it shall inform the applicant in writing and give reasons.

The CIRC may, as it sees fit, conduct an expert review of the application of an insurance company and inform the insurance company in writing of the time needed for the expert review.

Article 10

Where an insurance company is directly engaged in stock investment, it shall submit to the CIRC the official custody agreement, the benchmark for evaluation of investment performance and materials about the trading seat, the securities account and the funds account within 10 days after going through relevant procedures of stock investment.

Where an insurance company entrusts an insurance asset management company to carry out stock investment, it shall submit to the CIRC the entrustment agreement, the official custody agreement, guidelines for investment, the benchmark for evaluation of investment performance and materials about the trading seat, the securities account and the capital account within 10 days after going through relevant procedures of stock investment.

In case of any change in the contents of the documents specified in the preceding two paragraphs, the insurance company shall report to the CIRC within 5 days after going through the procedures of change.

The insurance company shall submit a copy of the materials about the trading seat, the securities account and the funds account to the CSRC simultaneously.

Chapter 3 Investment Scope and Proportion

Article 11

The stock investment of an insurance institutional investor shall be limited to the following categories:

1. RMB common stocks;
2. Convertible corporate bonds;
3. Other investment instruments specified by the CIRC.

“RMB common stocks” mentioned in item 1 of the preceding paragraph refer to the stocks publicly issued and listed within the territory of China and subscribed for and traded in RMB.

Article 12

The stock investment of an insurance institutional investor may be carried out in the following ways:

1. Subscription in the primary market, including rights issue based on market value, on-line or off-line subscription, participation in placement in name of a strategic investor, etc.;
2. Trading in the secondary market.

Article 13

The stocks of a listed company held by an insurance institutional investor shall not reach 30% of the RMB common stocks of the listed company.

The specific proportion of stock investment of an insurance institutional investor shall be separately specified by the CIRC.

An insurance asset management company shall not carry out stock investment with its own funds.

Article 14

An insurance institutional investor shall not invest in RMB common stocks of the following types:

1. Stocks subject to "special treatment" or "special treatment for warning of the risk of delisting" or the delisted stocks;
2. Stocks whose price has risen by over 100% in the past 12 months;
3. Stocks suspected of manipulation;
4. Stocks whose issuer's accounting firm refuses to give opinions about or gives reserved opinions about the issuer's financial statement of the previous year;

5. Stocks whose issuer has disclosed serious deterioration of operation results, heavy losses or heavy losses expected in the future;

6. Stocks whose issuer has disclosed the fact that it is being investigated by a regulatory authority or has been seriously punished by a regulatory authority in the past 1 year;

7. Stocks of other types specified by the CIRC.

Article 15

The balance of an insurance institutional investor's investment in convertible corporate bonds shall be incorporated in the balance of enterprise bonds investment in accordance with relevant stipulations of the *Provisional Regulations on Administration of Insurance Companies' Investment in Enterprise Bonds*.

After conversion into stocks, the convertible corporate bonds held by an insurance company shall be incorporated at cost price in the investment balance of RMB common stocks in accordance with relevant stipulations of the CIRC on stock investment proportion.

Article 16

For the investment account opened by an insurance institutional investor for unit-linked insurance, the proportion of stock investment may reach 100%.

For the investment account opened by an insurance institutional investor for universal life insurance, the proportion of stock investment shall not exceed 80%.

For the independent accounts opened by an insurance institutional investor for other insurance products, the proportion of stock investment shall not exceed the percentage specified by the CIRC.

For the independent accounts opened by an insurance institutional investor for the above insurance products, the proportion of stock investment shall not exceed the specific proportion stipulated in insurance clauses.

Chapter 4 Asset Custody

Article 17

An insurance company shall choose commercial banks or other specialized financial institutions that satisfy the requirements specified in the *Guidelines for Stock Asset Custody of Insurance Companies* as the stock asset custodian.

Article 18

The stock asset custodian of an insurance company shall fulfill the following obligations:

1. Keep in safe custody the funds and stock assets of the insurance company;
2. Handle matters concerning clearing and settlement on a timely basis in accordance with the instructions of the insurance company or the insurance asset management company;
3. Supervise the investment operation of the insurance company or the insurance asset management company;
4. Evaluate the value of the stock assets that the insurance company placed in its custody;
5. Submit stock asset custody reports to the insurance company or the insurance asset management company regularly;
6. Submit relevant statistics of the stock assets, regularly and irregularly submit to the CIRC reports on risk assessment and on performance assessment of the stock assets in accordance with the supervision and administration requirements of the CIRC;
7. Keep complete records, account books, report forms and other relevant materials of activities of stock asset custody business; important materials about stock assets in its custody including vouchers, trading records and contracts shall be kept for over 15 years;
8. Other obligations specified by the CIRC.

Article 19

The stock asset custodian of an insurance company shall strictly separate its own assets from stock assets in its custody and it shall open different relevant accounts for different insurance companies and manage the accounts separately.

Article 20

The stock asset custodian of an insurance company shall not engage in the following activities:

1. Exercising mixed management of stock assets placed in its custody by an insurance company and assets of its own;
2. Exercising mixed management of stock assets placed in its custody by an insurance company and other assets in its custody;
3. Exercising mixed management of stock assets placed in its custody by different insurance companies;
4. Misappropriating the stock assets placed in its custody by an insurance company;
5. Seeking benefits for itself or for a third party by taking advantage of the stock assets placed in its custody by an insurance company and relevant information;
6. Violation of laws, administrative regulations, relevant stipulations of the State or the custody agreement;
7. Other activities prohibited by the CIRC.

Article 21

An insurance company shall enter into a custody agreement with a stock asset custodian. The custody agreement shall state clearly the following:

1. Obligations of the stock asset custodian specified in Article 18, Article 19 and Article 20 in these Regulations;
2. Where a stock asset custodian violates the obligations specified in Item 1 of this Article and the CIRC requires the insurance company concerned to replace the stock asset custodian, the insurance company has the right to terminate the custody agreement in advance.

Article 22

Where a stock asset custodian is dissolved, closed down or goes bankrupt in accordance with law, the stock assets placed in its custody by an insurance company shall not be included in the category of assets to be liquidated.

Chapter 5 Forbidden Activities of Insurance Institutional Investors

Article 23

The scope and proportion of stock investment of an insurance institutional investor shall not exceed those specified by the CIRC.

Article 24

No managerial personnel of an insurance institutional investor engaged in decision making, research, trading and clearing of stock investment or other relevant personnel of the insurance institutional investor shall engage in insider trading.

The insider trading mentioned in the preceding paragraph shall be determined in accordance with the *Securities Law of the People's Republic of China* and the *Provisional Regulations on Prohibition of Securities Fraud*.

Article 25

An insurance institutional investor shall not engage in the following activities in stock investment:

1. Transferring profits between securities accounts of insurance funds of different nature;
2. Purchasing stocks by illegal financing;
3. Other activities specified by the CIRC.

Article 26

It is prohibited for any insurance institutional investor to obtain illegitimate benefits or to shift risks to others by any of the following means:

1. Carrying out combined or successive purchases or sales independently or in collusion with others by building up an advantage in terms of funds or shareholdings or using one's advantage in terms of information, thereby manipulating the trading prices of securities;
2. Collaborating with others to mutually trade securities or to mutually buy or sell securities not held by them, at a prearranged time and price and by prearranged means, thereby affecting the price or volume of the securities traded;
3. Buying or selling securities from or to oneself without transfer of ownership of the securities by means of making oneself the other party to the transaction, thereby affecting the price or volume of the securities traded;
4. Manipulating the trading prices of securities by other means.

Article 27

Where a listed company directly or indirectly holds more than 10% equity of an insurance institutional investor, the insurance institutional investor shall not invest in stocks of this listed company or stocks of an affiliated company of the listed company.

Article 28

Insurance institutional investors, stock asset custodians, securities business institutions and other securities intermediaries shall not fabricate trading records, financial information or other materials.

Article 29

Unless otherwise specified by the CIRC, an insurance company shall not entrust institutions other than insurance asset management companies to carry out stock investment.

Chapter 6 Risk Control

Article 30

An insurance institutional investor shall have the conceptions of long-term investment and value investment; it shall optimize its asset allocation and diversify its investment risks.

Article 31

An insurance institutional investor shall establish a sound and complete stock investment risk control system in accordance with the *Guidelines for Risk Control of Utilization of Insurance Funds*.

Article 32

The stock investment risk control system of an insurance institutional investor shall at least include the following:

1. Investment decision-making process;
2. Investment authorization system;
3. Research and report system;
4. Stock scope selection system;
5. Risk assessment and performance assessment index systems;
6. Code of professional ethics;
7. Mechanism for handling sudden occurrence of major events.

Where an insurance company entrusts an insurance asset management company to carry out stock investment, the stock investment risk control system of the insurance company shall at least include the stock custody system in addition.

Where an insurance company is directly engaged in stock investment, its stock investment risk control system shall at least include the stock custody system, the stock trading management system and the information management system in addition.

The stock investment risk control system of an insurance asset management company shall at least include the stock trading management system and the information management system in addition.

Article 33

When investing in stocks, an insurance institutional investor shall prepare a written research report before making any of the following important decisions:

1. The amount of funds for a single investment exceeds what is determined by the institutional investor;
2. An investment that involves more than 5% of investable stock assets;
3. Investment portfolio or investment direction needs material adjustment;
4. Criteria for selection of stock scope needs material adjustment;
5. The risk tolerance of stock investment needs material adjustment.

Article 34

When determining the scope of investable stocks, an insurance institutional investor shall consider all indexes of a listed company including governance structure, earning power, information transparency and stock liquidity. The insurance institutional investor shall make stock investment within the scope of investable stocks.

Article 35

An insurance institutional investor shall determine the benchmark for evaluating the performance of stock investment before making an investment and take as reference the indexes of stocks with good performance, blue chips and stocks with strong liquidity.

The benchmark for evaluating the performance of stock investment of the insurance industry shall be separately specified by the CIRC.

Article 36

When utilizing the following funds, an insurance institutional investor shall respectively open a securities account and a funds account for each of the following types of funds and conduct separate accounting of the accounts:

1. The funds of traditional insurance products;
2. The funds of participating insurance products;
3. The funds of universal insurance products;
4. The funds of unit-linked insurance products;
5. The funds of insurance products subject to independent accounting as specified by the CIRC.

Article 37

An insurance asset management company and an insurance company directly engaged in stock investment shall trade stocks through independent seats. Regulations on administration of independent seats of stock trading shall be separately formulated.

Article 38

Stock trading instructions of an insurance asset management company and those of an insurance company directly engaged in stock investment shall be implemented by the independent trading department and full-time trading personnel.

Article 39

An insurance asset management company and an insurance company directly engaged in stock investment shall establish information management system including fire wall, post responsibilities, access control and safety protection.

Article 40

An insurance asset management company and an insurance company directly engaged in stock investment shall standardize the operation procedures of stock trading systems including facilities of computer room, communication equipment, computer equipment, operating system software and database software.

Article 41

Where an insurance institutional investor chooses to trade stocks through the seats of a securities business institution, the securities business institution shall satisfy the following requirements:

1. Good financial status, steady operation and net capital of over RMB 1 billion;
2. Sound internal control system;
3. The funds for trading settlement of its customers are fully deposited into commercial banks with qualification of deposit and custody for funds for securities trading settlement;
4. Having opened settlement deposit accounts for its own trading settlement and settlement deposit accounts for its customers' trading settlement separately with China Securities Registration and Settlement Company Ltd.;
5. Having set up seats for its proprietary business and seats for its non-proprietary business separately in Shanghai Stock Exchange and Shenzhen Stock Exchange;
6. Communication conditions and trading facilities are efficient, safe and meet the requirements of stock trading, and its information services are comprehensive;
7. Capable of securities market research and able to provide consulting services in time;
8. Having no record of major violation of laws or regulations, having not been punished by the CSRC in the past 3 years and not being filed or investigated;
9. Having no record of dishonesty, no activities of occupying and using, or misappropriating customers' guaranty funds or securities in the previous year;
10. Making written promises to accept the inspection of the stock trading status of the insurance institutional investor by the CIRC and truthfully submit various materials about the stock trading of the insurance institutional investor to the CIRC;
11. Its local business departments are managed in a standardized manner, operate well and have complete service functions;
12. Other requirements specified by the CIRC.

Article 42

Where an insurance institutional investor chooses to trade stocks through the seat of a business department of a securities business institution, it shall enter into relevant agreement with the head office of the business department. The agreement shall state clearly the obligations of the securities business institution specified in Item 10 of Article 41 in these Regulations. Where the securities business institution violates the aforesaid obligations and the CIRC requires the insurance institutional investor to replace the securities business institution, the insurance institutional investor shall have the right to terminate the agreement in advance.

The insurance institutional investor shall submit the copy of the agreement to the CIRC within 5 days after signing the agreement specified in the preceding paragraph.

Article 43

An insurance asset management company and an insurance company directly engaged in stock investment shall, every day before the opening of the market, verify the balance of securities and the balance of funds with the stock asset custodian to ensure that the balance of securities and the balance of funds are sufficient for settlement.

Article 44

Where any of the cases set forth in Article 14 in these Regulations occurs to the stocks held by an insurance institutional investor, the insurance institutional investor shall formulate specific schemes to solve the problem.

Article 45

Where the operating status of an insurance company changes and the requirements specified in these Regulations are not satisfied, the insurance company shall not hold more stocks and shall lower the proportion of stock investment within the time limit and in the manner specified by the CIRC.

Article 46

An insurance institutional investor shall reveal the risk status of stock investment by adopting Value-at-Risk and other risk measurement indexes.

Article 47

The fund transfer and expense payment among insurance companies, insurance asset management companies, stock asset custodians and securities business institutions shall be conducted by means of transferring between accounts.

Article 48

The senior managerial personnel of an insurance institutional investor responsible for stock investment shall satisfy the following requirements:

1. Undergraduate diploma or above;
2. More than 5 years of work experience in securities or finance;
3. Familiar with the operation of securities investment and have necessary financial and legal knowledge;
4. Other requirements specified by the CIRC.

Article 49

A senior managerial personnel of an insurance institutional investor shall make decisions concerning stock investment strictly within the scope of authority specified in the internal management system and risk control system. Any investment decision-making beyond the scope of authority is strictly prohibited.

Article 50

The main business personnel of an insurance institutional investor engaged in stock investment shall satisfy the following requirements :

1. Undergraduate diploma or above;
2. More than 3 years of work experience in the field of securities or finance;
3. Familiar with the rules and operation procedures of securities business;
4. Other requirements specified by the CIRC.

The main business personnel mentioned in the preceding paragraph refer to the supervisors and main operational personnel engaged in stock investment.

Article 51

An insurance asset management company and an insurance company directly engaged in stock investment shall have main business personnel engaged in stock investment of a quantity matching the scale of stock investment as well as research personnel of corresponding quantity in the field of macroeconomy, industry analysis, financial engineering, etc.

Where the stock assets utilized by an insurance asset management company or by an insurance company directly engaged in stock investment exceed RMB 100 million, the main business personnel engaged in stock investment shall be no less than 5.

Article 52

A person of any of the following cases shall not act as the senior managerial personnel or main business personnel of an insurance institutional investor responsible for stock investment:

1. Having received a sentence for crimes including corruption, bribery, encroachment or misappropriation of property or sabotage of social economic order, etc.;
2. Having received an administrative penalty or a sentence due to illegal activities including gambling, drug taking, going whoring and fraud;
3. Senior managerial personnel of a company or enterprise that went bankrupt due to poor management, who bore personal responsibility or immediate supervisory responsibility for the bankruptcy and it has been less than 5 years from the date of completion of the liquidation of the company or enterprise;
4. Under investigation by judicial authorities, discipline inspection and supervision department or the CIRC;
5. A person who has outstanding due debts of a large amount;
6. A person prohibited by a financial regulatory authority from holding a position in financial institutions within a certain time limit and such time limit has not expired.

Chapter 7 Supervision and Administration

Article 53

The CIRC and the CSRC shall conduct inspection of the stock investment of insurance institutional investors in accordance with their respective responsibilities.

The CIRC may employ intermediaries including accounting firms to inspect the stock investment of insurance institutional investors.

Article 54

An insurance institutional investor shall submit the following report forms, reports or other documents to the CIRC in accordance with relevant stipulations:

1. Benchmark for evaluating the performance of stock investment;
2. Explanation of the calculation method and use of risk indexes;
3. Relevant report forms of stock investment.

The content and means of submittal of the report forms and reports specified in the preceding paragraph shall be separately stipulated by the CIRC.

Article 55

An insurance institutional investor shall disclose relevant information about stock investment in the manner specified by the CIRC.

Article 56

When carrying out stock investment, an insurance institutional investor shall abide by laws, administrative regulations and relevant stipulations of the State and accept the supervision and administration of their market trading conducts by the CSRC.

Article 57

Where an insurance institutional investor violates laws, administrative regulations or the CIRC's relevant stipulations, the CIRC may have regulatory conversations with or question relevant senior managerial personnel and main business personnel. Where the circumstances are serious, the CIRC may give a warning, fine or order the investor to replace relevant managerial personnel and main business personnel in accordance with the law.

Article 58

Where an insurance institutional investor violates laws, administrative regulations or relevant stipulations, the CIRC and the CSRC may impose administrative penalties on it.

Article 59

Where a stock asset custodian or a securities business institution specified in these Regulations violates laws, administrative regulations or relevant stipulations of the State, relevant regulatory authorities shall impose administrative penalties on it within the scope of their respective authority and supervision and administration responsibilities.

Where the stock asset custodian and the securities business institution mentioned in the preceding paragraph violates these Regulations seriously, the CIRC may order the insurance institutional investor concerned to replace the stock asset custodian and securities business institution.

Chapter 8 Supplementary Provisions

Article 60

The "day" mentioned in these Regulations refers to working day, excluding legal holidays.

Article 61

These Regulations shall come into effect from the date of promulgation.

End.