

Notification of the Insurance Commission

Re: Investment in Other Businesses of Life Insurance Companies

B.E. 2556 (2013)

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Life insurance business is the business where a company accepts the transfer of risks from the public and the business sector and bears a responsibility under the law to pay compensation for damage under an insurance contract in consideration for premiums. To ensure that the company will be able to allocate insurance reserves sufficient for its obligations to creditors under the insurance contracts, the company must invest in appropriate assets to gain adequate return and consistent with its existing obligations. For the company with a capability and has adequate operation systems, personnel and resources, it may operate other businesses apart from life insurance business in order to seek additional income. In doing so, the company must take due care such that the operations of other businesses will not cause damage or become an obstacle to the company's ordinary course of business. Consequently, a life insurance company's investment and operation of other businesses are considered important transactions for the operation and security of the company, which the board of directors must take this into consideration when determining investment and other businesses policies and establishing an enterprise risk management policy. The board of directors must also monitor and control the company's investment and operation of other businesses to ensure that the company's operation is appropriate and in compliance with all relevant laws and that it is consistent with the company's obligations, capability of operation systems and the expertise of personnel.

By virtue of section 28 of the Life Insurance Act, B.E. 2535 (1992), section 3(2) of the Insurance Commission Act, B.E. 2550 (2007), and the resolutions of Insurance Commission Meetings No. 5/2013 on 22 March 2013, 8/2013 on 28 June 2013 and 9/2013 on 19 July 2013, the Insurance Commission hereby issues the following notification:

Clause 1 This notification shall be called the "Notification of the Insurance Commission Re: Investment in Other Businesses of Life Insurance Companies, B.E. 2556 (2013)."

Clause 2 This Notification shall come into force on the date following its publication in the Government Gazette.

Clause 3 The following notifications shall be repealed:

(1) Notification of the Ministry of Commerce Re: Investment in Other Businesses of Life Insurance Companies dated 20 October 2004;

(2) Notification of the Ministry of Commerce Re: Investment in Other Businesses of Life Insurance Companies (No. 2) dated 3 October 2006;

(3) Notification of the Ministry of Commerce Re: Investment in Other Businesses of Life Insurance Companies (No. 3) dated 24 January 2007;

(4) Notification of the Insurance Commission Re: Investment in Other Businesses of Life Insurance Companies, B.E. 2553 (2010) dated 27 September 2010;

(5) Notification of the Insurance Commission Re: Investment in Other Businesses of Life Insurance Companies (No. 2), B.E. 2554 (2011) dated 19 May 2011.

Clause 4 In this notification,

"Commission" means the Insurance Commission;

"Office" means the Office of the Insurance Commission;

"company" means a company which has received a license to undertake the life insurance business under the law governing life insurance and shall include a branch of a foreign life insurance company which has received a license to undertake the life insurance business in the Kingdom under the law governing life insurance;

"board of directors" means the board of directors of a company which is licensed to undertake the life insurance business under the law governing life insurance, or in the case of a branch of a foreign life insurance company which have received a license to undertake the life insurance business in the Kingdom under the law governing life insurance, the management with relevant authority and responsibility;

"financial institution" means a financial institution under the law on the financial institution business, including a bank established by a specific law which conducts business in the Kingdom;

"limited company" means a limited company under the Civil and Commercial Code, a public limited company under the law governing public limited companies, and shall include other juristic persons incorporated under a specific law in accordance with the list prescribed by the Registrar;

"debt instrument" means an instrument which represents direct and indirect obligations of the issuer to pay cash or other assets to the holder in accordance with the amount and conditions expressly or implicitly specified. Debt instruments include bonds, treasury bills, bills of exchange, promissory notes, savings certificates, debentures, principal-protected structured notes, debenture warrants or debenture depository receipts (DR) under the law governing securities and exchange, as well as sukuk or other securities as prescribed by the Registrar;

"savings certificate" means the certificate for raising savings issued by a bank established under a specific law and paying interest upon its maturity and offering a chance to win prizes periodically;

"sukuk" means a financial instrument with the following characteristics:

(1) being a trust certificate issued by a sukuk trustee;

(2) the structure of trust transaction is determined for the purpose of using the fund from issuance of financial instruments to seek benefits in the forms that comply with the Islamic principles; and

(3) the conditions for the reimbursement of the principal and the rate or proportion of benefits that the trust is entitled to receive from the originator for the benefit of the financial instrument holders are clearly determined in advance and there shall be conditions for reimbursement of the principal and rate or proportion of benefits that the trust shall pay to the financial instrument holders. The determination of the rate and proportion of such payment of benefits shall comply with the Islamic principles;

"hybrid instrument" means a convertible debenture or other securities as prescribed by the Registrar;

"equity instrument" means an instrument which serves as evidence that the holder thereof has the ownership of a residual interest in the business, such as shares, share warrants, Thai nonvoting depository receipts (NVDR) or depository receipts (DR) of common shares under the law governing securities and exchange or other securities as prescribed by the Registrar;

"investment unit" means an investment unit, an investment unit warrant, a trust certificate of a real estate investment trust (REIT), or trust certificates of other trusts under the law governing securities and exchange;

"derivative" means a derivative under the law governing derivatives;

"plain vanilla derivative" means a derivative which cannot be decomposed into components and without any additional structures or conditions, such as currency futures, cross currency swaps, interest rate futures, interest rate swaps, equity futures or equity options;

"structured note" means a structured note under the law governing securities and exchange;

"securities" means securities under the law governing securities and exchange;

"the domestic exchange" means the Stock Exchange of Thailand and MAI Securities Exchange under the law on securities and exchange;

"organization or state enterprise" means an organization or a state enterprise established by a specific law, an organization or state enterprise under the law on the budgetary procedure, and shall include a provincial administrative organization, a municipality, Bangkok Metropolitan Administration, Pattaya City, or other local administrative organizations designated by law as special local administrative organizations.

"international organization" means the World Bank, the Asian Development Bank (ADB), the International Finance Corporation (IFC), or an organization or juristic person under the list prescribed by the Registrar;

"foreign bank" means a commercial bank established under a foreign law and located outside the Kingdom;

"credit rating" means a sign or symbol used in credit rating by credit rating agencies approved or accepted by the Office of the Securities and Exchange Commission;

"investment grade" means a credit rating which each credit rating agency that was approved by the Office of the Securities and Exchange Commission has specified as acceptable for investment;

"company's investment assets" means assets in which the company may invest under this notification in accordance with the appraisal value shown in the capital and solvency report as of the most recent quarter or year, submitted by the company to the Registrar under the notification of the Registrar on specification of rules, procedures and conditions for preparation of a capital and solvency reports of life insurance companies. The company's investment assets shall also include investment assets of universal life policies, but not including availing of bills and issuance of the letter of guarantee as performance bond for projects under clause 25(8);

In the event that the company wishes to use the appraisal value of the assets shown in the interim capital and solvency report, the company shall prepare a capital and solvency report in accordance with the form and particulars under the notification of the Registrar on the specification of rules, procedures and conditions for preparation of capital and solvency reports of life insurance companies, reviewed by a certified public accountant, and shall present the amount of insurance liability by type of life insurance, certified by an actuary;

"appraisal value" means the appraisal value of the company's assets under the notification of the Insurance Commission on the valuation of assets and liabilities of life insurance companies;

"person in charge of the investment unit" means a manager or a subdivision head responsible for the investment unit who has been authorized by the company's board of directors or investment committee to make decisions on investment and to manage the company's investment fund, or a person in another equivalent position;

"obligation" means a commitment which causes the owner of an asset to accept a certain action that affects the asset or to refrain from exercising certain rights in such asset;

"back office activities" means the operation which the company shall perform in its ordinary course of business or operation which supports the normal operation of the company, such as establishing a risk pool management, the provision of advice on claim administration, accounting and finance, administrative function, information technology service, human resources, internal audit, compliance or similar function, or other supporting functions as prescribed by the Registrar;

"information technology service" means information technology service which supports the ordinary course of insurance business, such as data processing, computer system development, and data storage;

"communication or presentation of services of securities companies or banks" means provision of advice and information on the services of securities companies or commercial banks to customers and solicitation of customers to use the services of the securities companies or commercial banks, such as opening accounts for securities trading with a securities company, including distributing, gathering, and reviewing applications and supporting documents for opening a securities trading account;

"total assets" means the company's assets in accordance with the appraisal value in the capital and solvency report as of the end of the most recent quarter or year, including investment assets of universal life policies, submitted by the company to the Registrar in accordance with the notification of the Registrar on the specification of rules, procedures and conditions for preparing capital and solvency report of life insurance companies, but not including availing of bills and issuance of the letter of guarantee as performance bond for projects under clause 25(8);

In the event that the company wishes to use the appraisal value of the assets shown in the interim capital and solvency report, the company shall prepare a capital and solvency report in accordance with the form and particulars under the notification of the Registrar on the specification of rules, procedures and conditions for preparation of capital and solvency reports of life insurance companies, reviewed by a certified public accountant, and shall present the amount of insurance liability by type of life insurance, certified by an actuary;

"capital surplus" means the surplus of total capital required under section 27 of the law governing life insurance, as shown in the capital and solvency report as of the end of the most recent quarter or year;

In the event that the company wishes to use the appraisal value of the assets shown in the interim capital and solvency report, the company shall prepare a capital and solvency report in accordance with the form and particulars under the notification of the Registrar on the specification of rules, procedures and conditions for preparation of capital and solvency reports of life insurance companies, reviewed by a certified public accountant, and shall present the amount of insurance liability by type of life insurance, certified by an actuary.

Clause 5 With respect to investment and other business operations, the company shall comply with the rules and conditions hereunder by abiding by the principles below.

(1) The company's board of directors must focus on establishing investment and other business policies, enterprise risk management policy and risk management processes that are appropriate for the company's capability, and must monitor and control the company's investment and other business operations to ensure that they are consistent with the company's stability, financial position and operation, as well as good governance and risk management principles.

(2) The company shall manage its assets in accordance with the nature of its business and life insurance policies, and in a manner that is appropriate for its obligations to the insured, in terms of cash flow, amount of funds, duration and currency.

(3) With respect to investment and other business operations, the company shall consider its capability in terms of operation system and staff expertise, taking into account the security, liquidity and risk diversification, as well as types of risk, such as market risk, credit risk, liquidity risk, operational risk, concentration risk or strategic risk.

Clause 6 The company shall invest and operate other businesses in good faith without doing anything or omitting to do anything which could result in the company having to pay money or other assets in excess of the payable amount or receive less money or fewer assets or benefits than the amount that is due.

#### Section 1

#### Investment

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#### Chapter 1

#### General Provisions

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Clause 7 The board of directors shall possess a good knowledge and understanding of the insurance business, the assets which the company invests in, and investment risks management, and shall have the following roles and responsibilities:

- (1) consider granting approval for;

- (a) investment policy framework; and
- (b) investment risk management process;

Consideration of approval under (1) shall also include any significant changes;

(2) establish control and monitoring process for an investment operation, an adequate internal control and audit system in order to ensure that the company's investment complies with the investment policy framework, investment manual, and provisions of applicable laws;

(3) revise the company's risk appetite and a process for identifying risks arising from the investment in both current and future financial instruments, on and off balance sheets;

(4) appoint an investment committee; and

(5) assign a unit which is independent of the investment unit to identify and assess investment risks.

Clause 8 The company shall appoint an investment committee consisting of no fewer than three members consisting of:

(1) a director or executive of the company; and

(2) a person with expertise and at least three years of experience in investment management, risk management, or securities analysis, who may be the company's executive director or a third party.

Clause 9 With respect to the company's investment, the investment committee has the following roles and responsibilities:

(1) prepare the investment policy framework and seek approval thereof from the board of directors;

(2) consider granting approval for the company's investment plan, which must be consistent with the investment policy framework and the enterprise risk management policy;

(3) ensure that the company's investment complies with the investment policy framework and the enterprise risk management policy, investment manual, and provisions of applicable laws;

(4) oversee good governance, transparency, and prevention of conflicts of interest concerning the company's investment transactions;

(5) ensure that operation systems, personnel and information supporting the company's investment will be adequate;

(6) manage investment assets in accordance with the investment policy framework approved by the board of directors; and

(7) inform the board of directors of the investment performance on a regular basis.

Clause 10 The company shall have a written investment policy framework which shall be consistent with the enterprise risk management policy, product design, insurance underwriting policy, the execution of reinsurance contracts, assets and liabilities management, capital and solvency, risk appetite, expected returns, and capability of systems and personnel in accommodating the investment, which shall contain at least the following details:

- (1) the scope and type of asset allocation;
- (2) the investment limit that each level of executive may approve;
- (3) conditions for creating encumbrances on investment assets;
- (4) conditions for securities lending or borrowing and repurchase or reverse repurchase agreements (if any);
- (5) policy on outsourcing investment to a third party, containing the qualifications and selection criteria of the juristic persons, rules requiring that juristic persons must follow the company's well-defined investment policy framework, and the procedures for monitoring and assessing the performance of outsourced parties hired by the company and reporting their performance to senior management and the board of directors of the company; and
- (6) in the case that the company enters into derivatives contracts or invest in structured notes, the company must establish the policy or objectives for entering into derivatives contracts or investing in structured notes (policy on the use of derivatives).

The company shall revise its investment policy framework at least annually, and submit it to the Office within 90 days from the end of the calendar year and 30 days from the date on which the board of directors approves significant changes thereto, as the case may be.

Clause 11 The company shall have a written investment risk management process, which shall be deemed a part of the enterprise risk management policy under the notification regarding the rules, procedures and conditions for determining minimum standards of risk management of life insurance companies, and which shall be consistent with the investment policy framework, type of investment assets, asset valuation, and assets and liabilities matching, so that the company is able to assess, manage, control, and monitor the risks arising from investment activities such as market risk, credit risk, liquidity risk, operational risk, concentration risk, or strategic risk. The process shall at least contain the following details:

- (1) the organizational structure which promotes effective risk management with a risk management unit that is independent of an investment unit;
- (2) identification of risks arising from investment, types of risk the company may face, and risk appetite, taking into account the company's financial stability and preparedness in managing and accommodating such risks;
- (3) method for measuring and evaluating risks that can comprehensively and promptly reflect all risks arising from each type of investment;



(4) risk control guidelines and procedures: the company may set up a policy to avoid those risks with no risk management system or which cannot be managed efficiently or to use hedging tools. The guidelines shall be compatible with the nature of the company's investment, capability of operation systems, personnel, and databases; and

(5) risk reporting and monitoring: the company shall assign a person in charge of risk management to monitor investment risks and report the results to senior management and the board of directors of the company at least once a year.

The company's investment risk management process shall be revised regularly and such revision shall be submitted to the Office within 30 days from the date on which the board of directors approves significant changes thereto.

Clause 12 The company shall have a written investment plan, which must be consistent with the investment policy framework and the enterprise risk management policy and must at least contain the following details:

(1) limits for the allocation of assets which take into account investment diversification in each type of assets, security issuer, counter party, type of business, industry or country of investment, currency, liquidity, and investment period;

(2) the policy on the selection of individual securities;

(3) in the case of lending, vehicles hire-purchasing, availing of bills of exchange and issuing of letter of guarantee as performance bond for projects, except policy loans, the company shall establish a lending policy which covers the following rules and processes:

(a) a criteria for a credit approval, credit limit and the lending period that are appropriate for counterparty risks and the type of collateral;

(b) an analysis of lending, vehicles hire-purchasing, availing of bills of exchange and issuing of letter of guarantee as performance bond for projects;

(c) a collateral valuation;

(d) borrower review and examination of financial position and repayment status, and use of funds in accordance with the lending objective after approving the loan, vehicle hire-purchase, availing of bills of exchange and issuing of letter of guarantee, as the case may be.

The company may establish rules and procedures for staff loans that are different from the rules specified in (a), (b), (c), or (d), as the case may be.

(4) In the case that the company enters into a derivatives contract and invest in a structured note, the company must establish derivative and structured note plan which is consistent with the policy or the objective of derivatives or the investment in structured notes. Such plan may be categorized by type as appropriate, such as type of transaction, type of variable or underlying asset, or type of counterparty.

The company shall revise the investment plan under the first paragraph at least once a year and submit it to the Office within 90 days from the end of the calendar year and 30 days from the date on which the board of directors approves significant changes thereto, as the case may be.

Clause 13 The company shall establish an internal control and audit system on investment, which shall at least contain the following details:

- (1) establishing a written investment manual to ensure prudent operation and consistency with the company's investment policy framework and the provisions of applicable laws;
- (2) audit of the compliance with the investment manual, carried out by an independent unit in accordance with the rules, procedures and frequency determined by the company; and
- (3) assessment and reporting of audit results to the board of directors.

Clause 14 The company must have a written investment manual that shall contain details of the investment process from start to finish, the segregation of duty for checks and balances, and authority for approving investment. Such procedures shall at least contain the following details:

- (1) steps and procedures for seeking approval for an investment;
- (2) details for the consideration of the structure, risk of assets, and the company's ability to accommodate such risk;
- (3) investment steps and result reporting;
- (4) steps for managing investment risks; and
- (5) a record of reasons for investment and investment evidence and document storage.

The company shall complete the investment manual under the first paragraph within 90 days from the end of the calendar year in which this notification comes into force and shall submit it to the Office within 30 days from the date of completion. The company's investment manual shall be revised on a regular basis, and shall be submitted to the Office within 30 days from the date on which any significant change is made.

Clause 15 Components of the investment unit

- (1) The company shall establish a unit responsible for the company's investment with the availability of personnel, operation systems and data, that are adequate for and consistent with the nature and complexity of the company's investment. The company shall also make available tools for risk management for the purpose of evaluating and monitoring risks on a regular basis, such as value at risk or position limit, and shall establish appropriate measures for risk management such as determination of stop loss. Its operating results shall be regularly reported to the investment committee.

(2) The company shall assign a person with investment expertise, and possesses the following experience and qualifications, to be in charge of the investment unit:

(a) the person must have passed the course designated by the Registrar as the course to be taken by a person in charge of the investment unit of an insurance company; and

(b) the person shall not possess the following prohibited characteristics:

1) being a bankrupt; or

2) having been sentenced to imprisonment upon final judgment for offenses relating to property committed dishonestly.

(c) the person shall possess any one of the following qualifications:

1) having passed the Chartered Financial Analyst (CFA) or Certified Investment and Securities Analyst Program (CISA), level 1 or above, or other equivalent courses as approved by the Registrar, and possessing experience in investment management, investment risk management or investment analysis for an aggregate period of no fewer than three years;

2) holding a master's degree or above in finance, business administration, economics, or other fields relating to investment management, and possessing experience in investment management, investment risk management, or investment analysis for an aggregate period of no fewer than three years;

3) holding a bachelor's degree or above in finance, business administration, economics, or other fields relating to investment management, and possessing experience in investment management, investment risk management or investment analysis for no fewer than seven years in total;

4) being a Charter holder (level 3) under the Chartered Financial Analyst Program (CFA) or holding a certificate (level 3) on Certified Investment and Securities Analysts Program (CISA) or other equivalent courses as approved by the Registrar; or

5) being listed in the register of persons qualified as fund managers as prescribed by the Office of the Securities and Exchange Commission and possessing experience in investment management, investment risk management or investment analysis for at least one year from the registration date.

Within two years from the effective date of this notification, the company shall appoint a person with the qualifications under (2) to be in charge of the investment unit.

The company shall submit a list of persons in charge of the investment unit together with the details of their qualifications to the Office within 30 days from the date of appointment of the persons with qualifications required to be responsible for the investment unit.

Clause 16 In the case that the person in charge of the investment unit does not possess the characteristics under clause 15, the company shall take one of the following actions:

- (1) the company shall hire or assign a juristic person with expertise in investment, subject to clause 19, *mutatis mutandis*; or
- (2) the company may only invest in the following assets:
  - (a) deposits with a financial institution;
  - (b) debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, the Bank of Thailand, the Ministry of Finance or the Financial Institution Development Fund;
  - (c) debt instrument issued, drawn, certified, avaled or guaranteed by a financial institution or a debt instrument issued by a limited company, organization or state enterprise with issue or issuer rating not lower than investment grade;
  - (d) investment units of a fund with the investment policy in (a), (b) and (c);
  - (e) policy loan;
  - (f) staff loan; or
  - (g) other assets as prescribed by the Registrar.

Clause 17 Throughout the period of investment, the company shall assess the fair value of instruments or investment value in accordance with the notification of the Insurance Commission concerning valuation of assets and liabilities of life insurance companies, and shall maintain capital to cover the risks which may arise from investment as required by law.

Clause 18 With respect to investment hereunder, if they are securities denominated in foreign currency with definite cash flow such as debt instruments issued in foreign currency, the company must implement full hedging against foreign exchange risks and inform the Registrar of the details of hedging in the report on operating results and financial position submitted to the Registrar periodically.

Clause 19 The company may hire or assign a third-party juristic person to invest on behalf of the company in accordance with the following rules, procedures and conditions:

- (1) the third party shall have knowledge and expertise in investment, and the availability of the operation systems and personnel;
- (2) the company shall specify the qualifications and selection criteria for a third party undertaking investment on behalf of the company under the investment policy framework and shall specify appropriate risk management; and

(3) the company shall seek approval from the Registrar in writing; and the Registrar may include any conditions in such approval.

The engagement or assignment of a third-party juristic person holding a private fund management license issued by the Office of the Securities and Exchange Commission to establish a private fund to invest on behalf of the company shall be deemed to have been approved by the Registrar and the company shall notify the Registrar of such engagement or assignment in writing within 30 days from the date of engagement or assignment.

Clause 20 The company may not provide loans, vehicle hire-purchase, or guarantees to the following persons, including buying, endorsing, certifying or availing bills issued or drawn by such persons, except for staff and policy loans:

- (1) a director;
- (2) a natural person or juristic person holding more than 20 percent of the company's total shares sold;
- (3) a person related to persons under (1) or (2), in accordance with the notification of the Insurance Commission regarding persons related to directors of life insurance companies.

The company may apply to the Registrar for permission to lend to persons under the first paragraph only in necessary cases and such action shall not affect the financial position and stability of the company. The company shall obtain consent from the company's board of directors and disclose the details of the loans to the public.

Clause 21 With respect to investment in a debt instrument where the issuer of the debt instrument or the debt instrument itself must be credit rated in accordance with this notification, if subsequently the credit rating of the issuer of the debt instrument or the debt instrument becomes lower than investment grade, the company must divest the debt instrument at the first available opportunity.

Clause 22 Consideration of credit rating of assets under this notification shall be in accordance with the following rules.

- (1) If the issuer is a juristic person registered in Thailand, a credit rating issued by a credit rating agency in Thailand shall be applied. If such credit rating is not available, a credit rating issued by a credit rating agency abroad shall be applied.
- (2) If the issuer is a juristic person registered abroad, credit rating issued by a foreign credit rating agency shall be applied. If a foreign credit rating is not available, a credit rating issued by a credit rating agency in Thailand shall be applied.
- (3) If the issue rating is available, such rating shall apply.
- (4) If no issue rating is available for securities or assets, one of the following ratings shall apply:

(a) issuer rating of the issuer or counterparty. If the issuer or counterparty is a bank established by a specific law, the rating shall include a support credit rating assessed by the credit rating agency based on the likelihood of the bank receiving financial support from the government in necessary cases;

(b) issuer rating of the certifier, acceptor of aval, endorser, or guarantor, provided that the certification, avaling, endorsement or guarantee of such person must be perpetual, and be for the total amount in the case of aval, with recourse without canceling or limiting the liability of the endorser in the case of endorsement, or unconditionally guarantee the principal and interest in full amount in the case of guarantee; or

(c) if there is more than one credit rating available, the second best rating shall apply.

Clause 23 The company shall not create encumbrances over any investment assets except in the following cases:

(1) pledging the investment assets as collateral with the court or using them as collateral for the issuance of a letter of guarantee by a financial institution to be pledged with the court as collateral in order to request stay of execution of a court judgment ordering the company to pay claims under an insurance contract or reinsurance contract. In this regard, the company shall promptly notify the Registrar in writing and shall submit relevant documents and evidence;

(2) executing securities borrowing and lending transactions under Chapter 4, Part 9;

(3) executing repurchase and reverse repurchase transactions under Chapter 4, Part 10; or

(4) any other cases as approved by the Registrar in writing. The Registrar may also specify any conditions in the approval.

Clause 24 If the company's investment is not in accordance with the investment policy framework and the investment manual or is inconsistent with the capability of the operation systems and personnel, or financial position of the company, the Registrar may order the company to clarify reasons and facts related thereto. If it is deemed appropriate, the Registrar may specify any conditions for the company to follow or order the company to suspend such investment until the company is able to comply with the requirements.

## Chapter 2

### Types of Assets

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Clause 25 The company may invest in or hold assets, or become a counterparty as follows:

(1) deposits with a financial institution under Chapter 4, Part 1;

(2) debt instruments under Chapter 4, Part 2;

(3) hybrid instruments under Chapter 4, Part 3;

(4) equity instruments under Chapter 4, Part 4;

- (5) investment units under Chapter 4, Part 5;
- (6) derivatives under Chapter 4, Part 6;
- (7) structured notes under Chapter 4, Part 7;
- (8) lending or vehicle hire-purchase, avaling of bills, and issuance of a letter of guarantee as performance bond for projects under Chapter 4, Part 8;
- (9) executing securities borrowing and lending transactions under Chapter 4, Part 9; or
- (10) executing repurchase and reverse repurchase transactions under Chapter 4, Part 10;

Chapter 3  
Specification of Investment Limit

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Part 1  
General Conditions

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Clause 26 Calculation of the company's investment limit shall be based on the appraisal value.

Part 2  
Issuer or Counterparty Limit

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Clause 27 Calculation of issuer or counterparty limit shall include value of investment in the securities which each counterparty issues, certifies, avals, endorses or guarantees, deposit in excess of the amount protected under the law governing deposit protection, loans, vehicle hire-purchase loans, obligations created by avaling bills and issuing letters of guarantee, claims arising from execution of derivatives in excess of the value of collateral from the counterparty, structured notes, and other claims and obligations arising from investment, except for investment in investment units, policy loans and staff loans, that the company has against a particular counterparty, not exceeding the limit as specified by type of issuer or counterparty, as follows:

- (1) the Thai government, Bank of Thailand, Ministry of Finance, and Financial Institution Development Fund: no limit;
- (2) each financial institution: not exceeding 30 percent of the company's investment assets;
- (3) organizations or state enterprises established by a specific law, limited companies under securitization projects which use the entire fund in a government project, limited companies listed on domestic and international exchanges, limited companies under the process of free float allocation under the regulation of the Stock Exchange of Thailand or limited companies with an issue rating not lower than investment grade: not exceeding 15 percent of the company's investment assets each;

(4) a limited company issuing debt instruments with an issue rating not lower than investment grade: not exceeding 15 percent of the company's investment assets for each company and in the case of investment other than debt instruments, the proportion for each company shall not exceed 5 percent of the company's investment assets;

(5) international organization: not exceeding 15 percent of the company's investment assets for each organization; and

(6) other counterparty: not exceeding 5 percent of the company's investment assets per party.

The provision in the first paragraph shall not be applicable to a subscription of newly issued shares or other equity instruments for the purpose of increasing capital of the limited company in a proportion held by the company and the following conditions shall apply:

(1) from the date on which the company receives the subscription letter, the company shall not make any investment which will cause the investment limit to be incompliant with this notification after subscribing for newly issued shares of a limited company;

(2) after subscribing for the newly issued shares, the investment limit in such shares shall be calculated with other investment assets. If it causes the investment limit to exceed the limit hereunder, the company may not make any further investment in such type of investment.

### Part 3

#### Product Limit

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Clause 28 Calculation of the investment limit in investment units of a mutual fund shall include the value of the assets or index held by such mutual fund as of the date of calculation in proportion to the value of investment units which the company invests in, as specified in the latest fund annual report or the fund fact sheet, in a product limit of the same type of assets or index invested in or held by the company (look-through approach), in accordance with the proportion specified in this Chapter.

Clause 29 The company may invest in domestic debt instruments issued, drawn, certified, avaled or guaranteed by a financial institution, or debt instruments issued by a limited company, an organization, or a state enterprise that are not guaranteed by the Ministry of Finance, discount bills of exchange avaled by the company, hybrid instruments issued by a limited company and structured notes, in an aggregate proportion not exceeding 60 percent of the company's investment assets.

Clause 30 The company may invest in domestic and foreign equity in an aggregate amount not exceeding 30 percent of the company's investment assets.



The provision in the first paragraph shall not apply to the subscription of newly issued shares or other equity instruments for the purpose of increasing capital of the limited company in a proportion held by the company and the conditions in paragraph two of clause 27 shall apply.

Clause 31 The company may invest in investment units of a property fund, trust certificates of a REIT, and investment units of an infrastructure fund established in Thailand in an aggregate proportion not exceeding 20 percent of the company's investment assets.

Clause 32 The company may enter into a derivatives contract for the purpose of hedging risks from the insurance business or assets in which the company invested, and the sum of the net position shall not exceed the exposure of the company.

Clause 33 The company may provide lending or vehicle hire-purchasing, in the aggregate amount not exceeding 20 percent of the company's investment assets. Such proportion does not include policy loans and staff loans.

Clause 34 The company may aval bills and issue a letter of guarantee as performance bond for projects in an aggregate proportion not exceeding 5 percent of the company's investment assets.

Clause 35 The company may provide staff loans in an aggregate proportion not exceeding 5 percent of the company's investment assets.

Clause 36 The company may deposit money with foreign banks, invest in foreign debt instruments, foreign equity instruments, investment units of funds established abroad and trust certificates of trusts established abroad in an aggregate proportion not exceeding 15 percent of the company's investment assets. The aggregate limit in investment units of property funds and trust certificates of a REIT established abroad shall not exceed 5 percent of the company's investment assets.

Clause 37 The company may invest in the following assets in the aggregate proportion not exceeding 5 percent of the company's investment assets:

- (1) subordinated debt instruments which specify that the holder receive repayment in the amount subordinated to general creditors;
- (2) structured notes except for principal-protected structured notes under clause 44 (3);
- (3) equity instruments not listed on the domestic exchange or not in the process of free float allocation in accordance with the regulations of the Stock Exchange of Thailand or not listed on any foreign exchanges;

(4) investment units of commodity funds and assets or indexes held by the company through investment units of mutual funds with the policy to invest in assets or indexes in which the company can directly invest, as well as some commodity assets or indexes such as gold; and

(5) investment units of mutual funds under clause 49 or clause 50 that the company cannot decompose or for which there is not adequate information on the investment proportion of the mutual fund.

#### Part 4

#### Issuer Limit

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Clause 38 The company may invest in debt instruments issued, drawn, certified, avaled, or guaranteed by a financial institution or issued by a limited company, an organization or state enterprise not guaranteed by the Ministry of Finance, or structured notes, in the proportion of not exceeding 15 percent of the company's investment assets per issuer. In the case that the issuer or guarantor is a foreign juristic person, the proportion shall not exceed 5 percent of the company's investment assets for each issuer.

Investment in hybrid instruments issued by the same limited company shall be included in the investment limit under the first paragraph.

Clause 39 The company may invest in equity instruments of each issuer under the following conditions:

(1) equity instruments of a limited company listed on a local or foreign exchange or of a limited company in the process of initial public offering (IPO) in the proportion not exceeding 15 percent of the company's investment assets per issuer; and

(2) other equity instruments apart from (1), not exceeding 5 percent of the company's investment assets per issuer.

The provision in the first paragraph shall not apply to the subscription of newly issued shares or other equity instruments for the purpose of increasing capital of the limited company in a proportion held by the company and the conditions in paragraph two of clause 27 shall apply.

Clause 40 The company may invest in investment units of each mutual fund in the proportion not exceeding 5 percent of the company's investment assets, except for investment units of property funds, trust certificates of REITs and investment units of infrastructure funds incorporated in Thailand, in which case the investment proportion shall not exceed 10 percent of the company's investment assets per fund or trust.

Clause 41 The company may provide lending, vehicle hire-purchasing, avaling bills and issuing letters of guarantee as performance bond for projects to any particular person, the total investment limit shall not exceeding 5 percent of the company's investment assets, except for policy loans and staff loans.

Chapter 4

Investment Requirements and Rules

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Part 1

Deposits with a Financial Institution

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Clause 42 With respect to domestic deposits, the company shall deposit money with a bank established by a specific law or a financial institution with a credit rating not lower than investment grade.

Clause 43 In the case of overseas deposits, the company shall deposit money with a foreign bank under the following conditions:

- (1) such foreign bank must receive a credit rating not lower than investment grade; and
- (2) the deposit with the foreign bank shall be on a short term basis and the bank must be located in a country in which the company invests or holds foreign assets. Such deposit must be for the purpose of settlement, facilitation or prevention of problems in the company's operation abroad.

Part 2

Debt Instruments

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Clause 44 The company may invest in domestic debt instruments under the following conditions:

(1) with regard to debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance, or Financial Institution Development Fund, the company may invest with no limit;

(2) with regard to debt instruments issued, drawn, certified, avaled or guaranteed by a financial institution, or debt instruments issued by a limited company, an organization, or a state enterprise, the company may invest under the following conditions:

(a) be the debt instrument with issue rating, issuer rating or guarantor rating not lower than investment grade, except for debt instruments issued, drawn, certified, avaled, or guaranteed by a bank established by a specific law, debt instruments issued by an organization or a state enterprise established by a specific law or debt instruments avaled by the company;

(b) in the case of promissory notes or bills of exchange, there shall not be any limitation of liability; and

(3) the company may invest in principal-protected structured notes under clause 52, Chapter 4, part 7.

Debt instruments under (1) and (2) offered for sale abroad shall be considered domestic debt instruments which the company can invest in, subject to the conditions in (1) and (2).

Certifying, availing or guaranteeing under (1) and (2) shall be permanent, and be for the total amount in the case of aval, with recourse without canceling or limiting the liability of the endorser in the case of endorsement, or unconditionally guarantee the principal and interest in full amount in the case of guarantee.

Clause 45      The company may invest in foreign debt instruments under the following conditions:

- (1)      unsubordinated debt instrument issued or guaranteed by a foreign government, foreign government organization or agency, or an international organization, with an issue rating, issuer rating or guarantor rating no lower than investment grade;
- (2)      unsubordinated debt instrument issued by a juristic person established under a foreign law or a state enterprise under a foreign law, with an issue rating no lower than investment grade; and
- (3)      debt instruments under clause (1) and (2) shall be debt instruments, the data for which the company can access in English via the internet.

### Part 3

#### Hybrid Instruments

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Clause 46      The company may invest in hybrid instruments under the following conditions:

- (1)      the hybrid instruments must be issued by a limited company with an issue rating no lower than investment grade;
- (2)      the hybrid instruments are registered with the Thai Bond Market Association; and
- (3)      the value of the hybrid instruments is appropriate as specified by the Thai Bond Market Association or there is a person who indicates to the public that they are able to offer a bid price and purchase the hybrid instruments at such price, in accordance with the quantity and procedures specified by the Thai Bond Market Association at all times with a copy of the price submitted to the Thai Bond Market Association throughout the term of such securities. In the case of an initial offering, such instruments shall be purchased by no fewer than three institutional investors.

### Part 4

#### Equity Instruments

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Clause 47      The company may invest in domestic equity instruments issued by a limited company under the following conditions:

- (1)      not exceeding 10 percent of the total number of equity instruments of such limited company, except for holding of equity instruments for operation of other businesses;

(2) in the case of equity instruments not listed on any local and foreign exchanges, not generally traded on secondary markets or not accepted by the Securities and Exchange Commission to list on the domestic exchange, and the issuer is under the process of free float allocation in accordance with the regulation of the Stock Exchange of Thailand, the company shall seek prior written approval from the Registrar who may also prescribe any conditions to be complied with.

Clause 48 The company may invest in equity instruments issued by a juristic person established under a foreign law, subject to the following conditions:

(1) the company may invest in equity instruments in the amount not exceeding 10 percent of the total equity instruments issued by each issuer;

(2) in the case of equity instruments listed on foreign exchanges, they must be traded on an exchange under the supervision of a securities and exchange regulatory authority which is an ordinary member of the International Organization of Securities Commissions (IOSCO), or which are traded on an exchange which is a member of the World Federation of Exchanges (WFE), or in the process of initial public offering approved by the regulatory body in such jurisdiction, and the company must be able to access data regarding such equity instruments in English via the internet;

(3) In the case of other equity instruments apart from those in (2), the company may only invest in equity instruments issued by the following juristic persons, subject to written approval of the Registrar who may also prescribe any conditions to be complied with:

(a) a juristic person established under a foreign law which has been granted a license to undertake the insurance business from the regulatory body of such jurisdiction, or whose core business is a holding company of the aforementioned licensed insurance company;

(b) a juristic person established under a foreign law operating business in support of the insurance business;

(c) a juristic person established under an agreement between nations within the Association of Southeast Asian Nations (ASEAN) or the Economic and Social Commission for Asia and the Pacific (ESCAP) to operate the reinsurance business.

#### Part 5

#### Investment Units

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Clause 49 The company may invest in investment units of a mutual fund established in Thailand under the following conditions.

(1) The investment units shall be investment units of funds which invest in the same type and category of assets or indexes which the company may invest in or hold, investment units of property funds, trust certificates of REITs, investment units of infrastructure funds, or investment units of commodity funds.

(2) In the case of investment units of a property fund, a REIT, or an infrastructure fund, they must be listed on the domestic exchange, with the fund value of no less than Baht 1.5 billion.

Clause 50 The company may invest in investment units of mutual funds established abroad under the following conditions.

(1) The investment unit must be that of a mutual fund under the supervision of a securities and exchange regulatory agency that is an ordinary member of the International Organizations of Securities Commission (IOSCO) or investment units of a foreign mutual fund traded on an exchange that is a member of the World Federation of Exchanges (WFE), or in the process of initial public offering, subject to authorization of the regulatory body in such jurisdiction.

(2) The investment units shall be investment units of a mutual fund that invests in the same type and category of assets or indexes which the company may invest in or hold, a property fund, a REIT or a commodity fund.

(3) The investment units must be those of a foreign retail fund.

(4) The investment units must not be investment units of a hedge fund.

(5) In the case of a property fund, REIT or infrastructure fund, it shall be listed on a foreign exchange with the fund value of no less than Baht 1.5 billion;

(6) In the case of commodity funds, such funds shall invest in the same type and category of goods or commodity indexes which a domestic commodity fund can invest in.

#### Part 6

#### Derivatives

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Clause 51 A company may enter into a derivatives contract under the following conditions.

(1) For a non-plain vanilla derivatives contract, the company must obtain written approval from the Registrar in accordance with the conditions prescribed by the Registrar.

(2) The derivatives contract is executed for the purpose of hedging risks arising from insurance business or investment assets. Such derivatives contract shall be linked to the asset or index in accordance with the company's risk exposure and the value of the derivatives contract must not exceed the company's risk exposure.

(3) The derivatives contract must not cause the company's investment asset management to deviate from the company's investment policy framework.

(4) The derivatives contract must be executed at Thailand Futures Exchange Public Company Limited, or other derivatives exchanges as prescribed by the Registrar. In a case of over-the-counter contracts, the counterparty must be a domestic commercial bank with a credit rating no lower than investment grade.

(5) The derivatives contract shall have one or more of the following underlying assets or variables:

(a) securities;

(b) reference interest rate;

(c) foreign currency exchange rate;

(d) issue or issuer rating of debt instruments;

(e) financial index with the following characteristics:

1) be calculated from the reference variables specified under (a), (b), (c), or

(d);

2) be developed by a credible institution;

3) be widely accepted in domestic or international financial market;

4) be published on a daily basis through up-to-date media;

5) be calculated by the method which is clearly specified and the sources of variables and factors used in the calculation are specified. The factors and variables used in such calculation shall be able to move freely in accordance with the market conditions and no person shall have any influence on the movement of the variables, factors or financial index.

The company shall document details on the qualifications of the financial index and keep the document at the company for inspection by the Office or submit it to the Office upon request.

(f) other underlying assets or variables as prescribed by the Registrar.

(6) With respect to the derivative settlements, such assets must be assets that the company can invest in or hold, whether the company is the person entitled to receive or to deliver such assets, except in the case of a default of the counterparty, in which case the company may sell the assets at the first available opportunity.

(7) The company shall implement an adequate liquidity management plan throughout the term of the derivatives contract until its maturity date.

- (8) The company may not be the option writer.
- (9) The company's entry into a derivatives contract shall not enable the company to avoid compliance with any terms concerning investment limit, valuation and capital calculation.
- (10) The derivatives contract executed must be a standard contract specified by the International Swaps and Derivatives Association (ISDA) or another form of contract using business standards.
- (11) In the case of the over-the-counter contracts, the company shall specify the following terms:
- (a) the counterparty or a third party appointed by the counterparty shall calculate and inform the company of the fair value of the derivatives contract on the last business day of each month and the company shall be notified of such fair value on that day or the first business day practicable;
  - (b) in the case of any event which significantly affects the value of the derivatives contract, the counterparty shall immediately calculate and inform the company of the fair value of the derivatives contract; and
  - (c) the counterparty agrees to close position upon the company's request.

#### Part 7

#### Structured Notes

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Clause 52 The company may invest in structured notes, subject to the following conditions.

- (1) Investment in such instrument must not cause the company's investment asset management to deviate from the company's investment policy framework.
- (2) In the case of a physical settlement, such assets must be of a type which the company can invest in or possess, and shall not cause the company's investment limit to exceed the prescribed limit herein, except for the acceptance of repayment as a result of counterparty default, in which case the company may sell the assets at the first available opportunity.
- (3) The instrument shall be invested in for the purpose of hedging risks arising from insurance business or investment assets, or to enhance investment returns under the company's risk appetite.
- (4) The instrument must be issued by a domestic commercial bank with a issue or issuer rating not lower than investment grade.
- (5) The returns must be linked to one or more of the following underlying assets or variables:
- (a) securities;
  - (b) reference interest rate;
  - (c) foreign currency exchange rate;



- (d);
- (d) issue or issuer rating of debt instruments;
  - (e) gold;
  - (f) financial index with the following characteristics:
    - 1) be calculated from the reference variables specified under (a), (b), (c), or
    - 2) be developed by a credible institution;
    - 3) be widely accepted in domestic or international financial market;
    - 4) be published on a daily basis through up-to-date media;
    - 5) be calculated by the method which is clearly specified and the sources of variables and factors used in the calculation are specified. The factors and variables used in such calculation shall be able to move freely in accordance with the market conditions and no person shall have any influence on the movement of the variables, factors or financial index.

The company shall document details on the qualifications of the financial index and keep the document at the company for inspection by the Office or submit it to the Office upon request.

(g) other underlying assets or variables as prescribed by the Registrar.

(6) In the case of non principal-protected structured notes, the company shall receive a written approval from the Registrar who may also prescribe any conditions to be complied with.

#### Part 8

#### Lending, Vehicle Hire-purchasing, Avaling of Bills, and Issuing of Letters of Guarantee as Performance Bond for Projects

Clause 53 With respect to policy loans, the company may provide the loan in the amount not exceeding the cash surrender value as of the date of the loan.

Clause 54 The company may provide staff loans under the following conditions.

- (1) Total lending amount shall not exceed Baht 1 million for each borrower.
- (2) One or more employees working in the same company with a total salary higher than that of the borrower shall be the guarantor. One employee shall be the guarantor for one person at a time. The guarantor can also be a civil servant, a government officer or a state enterprise employee.
- (3) The repayment term for the principal and interest shall be specified in accordance with the company's lending policy or regulations concerning lending to staff, as the case may be.

Clause 55 With respect to a loan with mortgaged or pledged assets as collateral, the company may provide the loan under the following conditions.

(1) The mortgaged or pledged assets as collateral shall be any one of the following types of property:

(a) debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance, or Financial Institution Development Fund in accordance with clause 44 (1);

(b) debt instruments issued, drawn, certified, avaled, or guaranteed by a financial institution or a debt instrument issued by a limited company, organization, or state enterprise in accordance with clause 44 (2);

(c) equity instruments listed on the domestic exchange in accordance with clause 47;

(d) investment units of a mutual fund in accordance with clause 49; or

(e) immovable property located in Thailand.

(2) The company shall provide loans within the Kingdom in Thai Baht only.

(3) The repayment of principal together with interest must be made in installments no less than once a year, unless the company's lending policy specifies a grace period for the repayment of principal and interest and such period does not exceed one-fourth of the loan term.

(4) In the case that the borrower is a natural person, the loan for each person shall not exceed 90 percent of the appraisal value of the assets or the price of the housing estate project which the borrower mortgages or pledges with the company as collateral. In the case that the borrower is a juristic person, the loan for each juristic person shall not exceed 70 percent of the appraisal value of the assets which the borrower mortgages or pledges with the company as collateral.

(5) In the case of a mortgage of immovable property which is a building, non-life insurance must be taken out for such building and the company must be the beneficiary under the insurance policy throughout the term of the loan agreement.

(6) Lending with equity instruments listed on the domestic exchange or investment units of a mutual fund pledged with the company as collateral requires written approval from the Registrar who may also prescribe any conditions to be complied with.

Clause 56 The company may provide loans with a financial institution, a foreign bank or an international organization as the guarantor in accordance with the following conditions:

(1) such financial institution, foreign bank or international organization receives a credit rating no lower than investment grade; and

(2) the loan is provided in Thai Baht.

Clause 57 The company may provide vehicle hire purchase under the following conditions.

(1) The vehicle is considered a car under the law concerning cars or vehicles under the law on land transport.

(2) The hire purchaser shall be domiciled or reside in Thailand.

(3) The vehicle hire purchase for each individual shall not exceed 90 percent of the market price of the vehicle;

(4) Non-life insurance shall be taken out for the vehicle for hire purchase, with the company as the beneficiary under the insurance policy throughout the hire purchase period.

Clause 58 The company may avail bills or issue letters of guarantee as performance bond for projects to any person, under the following conditions.

(1) Any of the following assets is mortgaged or pledged as collateral:

(a) debt instruments issued, drawn, certified, availed, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance, or Financial Institution Development Fund in accordance with clause 44 (1);

(b) debt instruments issued, drawn, certified, availed, or guaranteed by a financial institution or a debt instrument issued by a limited company, organization, or state enterprise in accordance with clause 44 (2);

(c) equity instruments listed on the domestic exchange in accordance with clause 47;

(d) investment units of a mutual fund in accordance with clause 49; or

(e) real estate located in Thailand.

(2) The credit limit for availing of bills or issuance of letter of guarantee for each person shall not exceed 70 percent of the appraisal value of the assets mortgaged or pledged as collateral.

(3) Availing of bills or issuance of letters of guarantee as performance bond for projects with equity instruments listed on the domestic exchange or investment units of mutual funds pledged as collateral requires written approval of the Registrar who may also prescribe any conditions to be complied with.

## Part 9

### Securities Borrowing and Lending

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Clause 59 The company may execute securities borrowing and lending transactions under the following conditions.

(1) The counterparty must be persons licensed to undertake securities borrowing and lending business except in the case that the counterparty is Thailand Securities Depository Co., Ltd. or the Bank of Thailand.

(2) A borrowing and lending agreement shall be executed in writing, with the characteristics and essential particulars in accordance with the rules specified by the Office of the Securities and Exchange Commission, except for debt instruments lending to the Bank of Thailand, in which case the agreement shall be made in the form specified by the Bank of Thailand;

(3) Securities borrowed or lent shall be the securities within the securities depository system of the securities depository or securities for which the Bank of Thailand acts as the securities registrar;

(4) In the case where a counterparty is a custodian, if such counterparty wishes to borrow securities from the company or wishes to lend securities of the company to another person, such counterparty shall obtain consent in writing from the company;

(5) In the case of lending securities, the company shall cause the borrower to provide or request the following from the borrower as collateral:

- (a) cash;
  - (b) debt instruments issued, drawn, certified, avaled, or guaranteed by the Thai government, Bank of Thailand, Ministry of Finance or Financial Institution Development Fund in accordance with clause 44 (1);
  - (c) debt instruments issued, drawn, certified, avaled, or guaranteed by a financial institution or a debt instrument issued by a limited company, organization, or state enterprise in accordance with clause 44 (2); or
  - (d) other securities as prescribed by the Registrar.
- (6) With respect to the placement of collateral or call for the collateral from the securities borrower under (5), the company shall undertake the following actions:
- (a) the company shall take action to acquire title to the collateral or shall otherwise take action to enable the company to immediately enforce repayment from such collateral;
  - (b) the company shall not transfer or resell the collateral under (5) to which the company has title, except as enforcement of repayment under the agreement on the securities lending transaction; and
  - (c) the company shall ensure that value of the collateral at the end of each day is maintained at not less than 100 percent of the value of the securities lent.
- (7) The company shall include the securities lent and the securities deposited with the counterparty as collateral for the borrowing in the calculation of the company's investment limit in such securities.

#### Part 10

#### Repurchase and Reverse Repurchase Agreements

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Clause 60 The company may execute repurchase and reverse repurchase agreements under the following conditions.

- (1) The company may execute a transaction with the following counterparties:
  - (a) commercial banks;
  - (b) securities companies;
  - (c) insurance companies;
  - (d) Bank of Thailand;
  - (e) Financial Institution Development Fund;
  - (f) pension funds;
  - (g) provident funds;
  - (h) mutual funds;
  - (i) juristic persons established by a specified law;
  - (j) public sector, organization, or state enterprise; or

(k) limited company with a credit rating not lower than investment grade;

(2) It must be a repurchase and reverse repurchase agreements of debt instruments registered with the Thai Bond Market Association of the same type and category as the assets which the company may invest in or hold, or other instruments as prescribed by the Registrar.

(3) The agreement between the buyer and the seller must be in writing and in accordance with the standard agreement accepted by the Thai Bond Market Association, except for an agreement made with the Bank of Thailand which may also include attachments thereto. The transaction shall be executed only in Thai Baht with a term not exceeding one year.

(4) Value of securities shall be calculated in accordance with the market convention for repurchase and reverse repurchase agreements accepted by the Thai Bond Market Association.

(5) In the case of reverse repurchase agreements, the purchase price as of the first day of the agreement shall be lower than the value of the securities, with appropriate discount rate, reflecting the counterparty risk, agreement term, and securities involved in the transaction. While the agreement is in effect, the company shall maintain the value of securities at the end of each day at not less than the purchase price plus the benefits to be received from entering into the transaction from the start of the agreement until the date of calculation of the securities value multiplied by  $(1 + \text{discount rate for the securities})$ . If the value is not in accordance with the requirement, the company must demand that the counterparty transfer money or title to securities to the company so that the total value of securities under the transaction and the transferred asset meet the requirement by the business day following the date of such change in value of the securities, except when a minimum threshold is specified in which case the company is not required to demand that the counterparty transfer money or title to securities. In specifying such threshold, relevant risks must be taken into consideration.

(6) The company shall include the securities under a repurchase agreement in the calculation of the company's investment limit in such securities.

## Section 2

### Operation of Other Businesses

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#### Chapter 1

#### General Provisions

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Clause 61 The company must give the first priority to its financial security and operation of the insurance business, which is its core business, and take into account good governance and risk management principles. Therefore, operation of other businesses should be for the purpose of benefiting the operation of insurance business, or using resources and expertise of the company most efficiently without causing any significant risk to the company.

Clause 62 The company's board of directors has the following roles and responsibilities:

- (1) consider granting approval for:
  - (a) the policy for operation of other businesses; and
  - (b) a process for risk management arising from operation of other businesses.

Consideration of approval under (1) shall include consideration of significant changes.

(2) make available a process for monitoring operating results with respect to investment and an adequate internal control and audit system in order to ensure that the company's operation of other businesses will comply with the policy for operation of other businesses and provisions of applicable laws;

- (3) appoint a subcommittee or assign the investment committee to act as follows:
  - (a) oversee business operation to ensure compliance with the other businesses policy, the enterprise risk management policy and provisions of applicable laws, in order to prevent damage or obstacle to the company's ordinary course of business;
  - (b) oversee good governance, transparency and prevention of conflicts of interest concerning operation of other businesses of the company; and
  - (c) report the operating results to the board of directors on a regular basis.

Clause 63 The company must have a written other businesses policy which shall be consistent with the company's enterprise risk management policy, capability of operation system, personnel and resources of the company, the capital position and risk appetite. The other business policy shall at least consist of the following details:

- (1) scope and type of other businesses which the company will undertake;
- (2) a policy for each type of operation of other businesses;
- (3) specification of authority to approve and make decisions concerning operation of other businesses;
- (4) a strategy, a plan, and rules for operation of other businesses to be used as operation guidelines;
- (5) scope of duty and responsibility of executives and units in the operation of other businesses; and
- (6) service charges or fees charged to customers.

The company shall revise the other businesses policy under the first paragraph at least once a year and such revision shall be submitted to the Office annually within 90 days from the end of the calendar year and 30 days from the date on which the board of directors approves significant changes thereto, as the case may be.

Clause 64 The company shall establish a process for managing risks arising from the operation of other businesses in writing, which shall be deemed a part of the enterprise risk management policy under the notification regarding the rules, procedures and conditions for determining minimum standards of risk management of life insurance companies, and which shall be consistent with the other businesses policy so that the company is able to assess, manage, control, and monitor the risks arising from the operation of other business appropriately. The process shall at least contain the following details:

- (1) organizational structure which promotes efficient risk management with the risk management unit independent of the unit responsible for operation of other businesses;
- (2) identification of types of risk arising from operation of other businesses, types of risk which the company may have, and risk appetite by considering the company's financial security and preparedness in managing and accommodating such risks;
- (3) risk measurement and assessment method which can comprehensively and promptly reflect all risks arising from operation of each type of other business;
- (4) guidelines and methods for risk control consistent with the nature of operation of other businesses, and the company's availability of work system, personnel, and data system;
- (5) reporting and monitoring of risks: the company shall assign the person in charge of risk management to monitor risks arising from the operation of other businesses and report the results to senior management and the board of directors of the company at least once a year.

The company's risk management process for risks arising from the operation of other businesses shall be revised regularly and such revision shall be submitted to the Office within 30 days from the date on which the board of directors approves significant changes.

Clause 65 The company shall establish an internal control and audit system in relation to operation of other businesses, which shall at least contain the following details:

- (1) preparation of a written other businesses manual, to ensure strict operation and monitoring of operations to ensure consistency with the company's other businesses policy and the provisions of applicable laws;
- (2) audit of the compliance with the other businesses manual, carried out by an independent unit in accordance with the rules, procedures and frequency determined by the company; and
- (3) assessment and reporting of audit results to the board of directors.

Clause 66 The company must separately present revenue from operation of other businesses by type of business in accordance with the generally accepted accounting rules and standards.

Clause 67        The company must ensure strict compliance with accounting standards, laws or other relevant rules.

Clause 68        The company must not operate other businesses in order to avoid compliance with any requirements in relation to investment limit, valuation, and calculation of the company's capital and solvency, other applicable laws or rules, or for the benefit of specific persons or groups of persons, which may cause damage to the company.

Clause 69        In the case of operation of other businesses governed by a specific regulatory body, the company must comply with all relevant rules and requirements.

Clause 70        In the case that the company's operation of other businesses is not in accordance with the company's other businesses policy or is inconsistent with the availability of work system and personnel, and financial security of the company, the Registrar may order the company to provide relevant explanations and facts. If deemed appropriate, the Registrar may specify any conditions for the company to follow or order the company to suspend operation of such business until the company is able to rectify such noncompliance.

## Chapter 2

### Types of Other Businesses

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Clause 71        The company may operate other businesses as follows:

- (1)        operation of business relating to immovable property under Chapter 3, Part 1;
- (2)        operation of a business providing back office services to other persons under Chapter 3, Part 2;
- (3)        holding equity instruments for the purpose of operation of other businesses under Chapter 3, Part 3; or
- (4)        operation of securities business under Chapter 3, Part 4.

## Chapter 3

### Rules for Operation of Other Businesses

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#### Part 1

#### Operation of Business Concerning Immovable Property

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Clause 72        The company may operate business concerning immovable property as follows:

- (1)        renting immovable property;
- (2)        developing immovable property projects.



Clause 73      Immovable property which can be let by the company shall be any of the following property:

- (1)      immovable property used for operation of business under section 33 (9) (a) which has not been fully utilized, such as an office or a parking lot; or
- (2)      immovable property which must be sold by the company pursuant to section 34.

Clause 74      The company may let immovable property in clause 73 under the following conditions.

- (1)      Such rent is for the purpose of preventing economic loss or deterioration.
- (2)      A rent agreement must be made in writing.
- (3)      The rent agreement made must not obstruct the company's utilization or sale of the property.
- (4)      The rent term must not exceed the holding period of immovable property specified by law.
- (5)      Appropriate rent conditions, rent and the benefits must be specified in accordance with the market condition and normal commercial practice.
- (6)      The company may improve the property in clause 73 as necessary and the expenses for the improvement shall not exceed Baht 3 million per location, unless written approval has been obtained from the Registrar, who may also prescribe any conditions to be complied with.

Clause 75      Development of immovable property projects for sale or rent under clause 72 (2) shall be one of the following types of property:

- (1)      immovable property which the company is allowed to rent, buy or obtain for use in the operation of other business under section 33 (9) (b), on the condition that the main objective of such immovable property development project by the company is for lease; or
- (2)      immovable property to be disposed of under section 34 which the company is allowed to possess for the operation of other business under section 33 (9) (b) and the main objective of the project by the company may be for sale or rent.

Clause 76      The company may develop an immovable property project with respect to immovable property under clause 75 for sale or rent under the following conditions.

- (1)      The company shall develop immovable property projects for sale or rent in accordance with the rules, procedures, and conditions prescribed by the Registrar and subject to written approval from the Registrar. The Registrar may also specify any conditions to be followed.
- (2)      The types of immovable property projects for which the company can seek approval hereunder can be one of the following:

- (a) office building;
- (b) commercial building;
- (c) factory building;
- (d) warehouse;
- (e) residential building; or
- (f) other immovable property prescribed by the Registrar.

(4) The company is required to have the capital surplus of no less than the value of the project and the value of each project must not exceed 5 percent of the total assets of the company.

(5) The value of the immovable development project, when combined with the immovable property held under section 33 (9) (a) and the immovable property to be disposed of under section 34, shall not exceed 15 percent of the total assets of the company.

## Part 2

### Operation of Back Office Services Business for Third Parties

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Clause 77 The company may provide back office services to third parties under the following conditions.

(1) The company shall clearly set the scope and specify the details of the types of back office service provided for third parties in writing in the company's policy on the operation of other businesses. In the case of change in the type of service or policy, the company shall submit the updated version to the Office within 30 days from the date on which the board of directors approves the change.

(2) The company shall assess its potential and adequacy of resources so that the company may use the existing resources efficiently and reduce the cost, and ensure that the quantity of service activities does not exceed the company's role in the insurance business or the company's capability.

(3) The company shall procure an agreement specifying type of service, operation steps or procedures, scope of responsibility, fees or service fees charged to each other, and a security system for the storage of data and property of the company and the service user.

Clause 78 With respect to provision of the information technology service, the company shall have adequate data security systems to prevent leak of its data, and separate the information technology system for the service from its own system, unless the company is able to prove that its own information technology system is sufficiently secure and efficient.

Part 3

Holding Equity Instruments for the Purpose of Operating Other Businesses

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Clause 79 The company may hold equity instruments in the proportion of 10 percent or more of the total number of equity instruments sold of the juristic person established under a foreign law. Such juristic person shall hold a license to operate the insurance business or shall operate its core business of holding of shares in foreign insurance companies in member countries of the Association of South East Asian Nations (ASEAN), subject to written approval of the Registrar who may also prescribe any conditions to be complied with.

Clause 80 The company may hold equity instruments in the amount of 20 percent or more of the total equity instruments sold of a juristic person which possesses any of the following characteristics and operates any of the following businesses:

(1) a limited company established to operate a business that benefits the insurance business in general, subject to written approval from the Registrar who may also specify any conditions therein;

(2) a limited company licensed to be a non-life insurance broker only under the law governing non-life insurance, or established in order to obtain a license to operate a non-life insurance brokerage business only under the law governing non-life insurance, subject to written approval from the Registrar who may also specify any condition therein;

(3) a limited company established to operate a securities business of the fund management type under the rules, procedures, and conditions prescribed by the Registrar, subject to written approval from the Registrar who may also specify any conditions therein;

(4) a life insurance company under the law governing life insurance or a non-life insurance company under the law governing non-life insurance, with the objectives of rectifying financial position or business operation, subject to approval of the Commission. The company must also decrease its ratio of holding equity instruments not to exceed 10 percent of the total number of equity instruments sold, within five years from the date of purchase. The Commission may consider extending the period for another five years upon request of the company prior to the expiration of the term on reasonable grounds.

Clause 81 Holding of equity instruments of a juristic person for the operation of other businesses under clause 79 and 80 shall be in accordance with the following conditions:

(1) the total value of equity instruments held by the company for the operation of other businesses shall not exceed 15 percent of the company's total assets;

(2) the company shall have a stable financial position and an ability to provide financial support to the juristic person whose equity instruments are held by the company;

(3) the company must be able to regularly control, oversee and monitor the position and operation of such juristic person to ensure compliance with the policy and strategic plan specified by the company;

(4) in the case that the company holds equity instruments of a juristic person not listed on domestic and overseas exchanges, or an appropriate market price is not available, the company must specify clearly the guidelines and procedures used for assessing the fair value of such equity instruments in writing;

(5) the company shall inform the Office of any change which affects the financial position and operation of such juristic person or causes risks to significantly increase, especially in cases which may affect the company's position and reputation; and

(6) the company shall prepare information of the juristic person in which the company holds equity instruments for each juristic person as well as overall information such as financial statements and important financial information for inspection by the Office or submit the same to the Office when requested.

Clause 82 The company shall specify the company's risk management process for the juristic persons whose equity instruments are held by the company for the operation of other businesses, which shall be an integral part of the company's risk management process for risks arising from the operation of other businesses under clause 64, covering at least the following details:

(1) identification of types of risks significant to the holding of equity instruments for the operations of other businesses as a whole and on the basis of each juristic person;

(2) the method for measuring and assessing risks of holding equity instruments of juristic persons for the operations of other businesses; and

(3) the guidelines and procedures for controlling risks such as the determination of clear scope of decision-making authority of the authorized person.

#### Part 4

#### Operation of Securities Businesses

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Clause 83 The company may operate any of the following securities businesses under the law governing securities and exchange:

(1) to be a securities broker, securities trading business, and seller of securities that are investment units;

(2) to be an investment advisor;

(3) to be a custodian for private funds;

- (4) to be a selling agent of investment units;
- (5) to be a marketing representative for private funds; or
- (6) to operate the business of contacting customers or providing advice concerning services of securities companies or commercial banks in accordance with the law governing financial institution business.

Clause 84 With respect to operation of business concerning securities under clause 83, the company must comply with the rules, procedures, and conditions prescribed by the Registrar and shall obtain written approval from the Registrar who may specify any conditions therein. With respect to operation of business as a securities broker, securities trading and sale of securities that are investment units, the company shall calculate the capital required for covering risks of investment units or obligations under an underwriting agreement to be in line with the notification of the Insurance Commission regarding the rules, procedures and conditions for the calculation of the capital required of life insurance companies.

### Chapter 3

#### Transitional Provisions

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Clause 85 In the case of the company's investment which is in accordance with the notification of the Ministry of Commerce governing investment in other businesses of life insurance companies and the notification of the Insurance Commission regarding investment in other businesses of life insurance companies issued prior to the effective date of this notification, but not in accordance with the conditions prescribed herein, the company shall take the following actions:

- (1) in the case of investment in equity instruments of juristic persons whose nature and business is different from those specified in clause 79 and clause 80 in the proportion exceeding 10 percent of the total issued equity instruments of such juristic person, the company may continue holding such equity instruments but shall not subscribe for any newly issued shares of that juristic person until the proportion of investment in the equity instruments of such juristic person decreases to no more than 10 percent of the total issued equity instruments of such juristic person; and
- (2) with respect to other investment apart from (1), the company may continue such investment until the burden or term of such contract or agreement expires.

In the case that the company has previously received approval from the Registrar to invest in accordance with the notification of the Ministry of Commerce governing investment in other businesses of life insurance companies and the notification of the Insurance Commission regarding investment in other businesses of life insurance companies issued prior to the effective date of this notification and the company has not carried out such investment or has only made partial investment, the company may continue investing to the extent that such investment does not contravene this notification.

Clause 86 With respect to the operation of other businesses in accordance with the notification of the Ministry of Commerce governing investment in other businesses of life insurance companies and the notification of the Insurance Commission regarding investment in other businesses of life insurance companies issued prior to the effective date of this notification, but not in accordance with the conditions prescribed herein, for example, no preparation of the other businesses policy, process for management of risks arising from operation of other businesses, or an internal control and audit system for the operation of other businesses, the company shall take action to comply with this notification within 90 days from the end of the current calendar year.

Clause 87 A company that operates the business of managing provident funds in accordance with the notification of the Ministry of Commerce governing investment in other businesses of life insurance companies and the notification of the Insurance Commission regarding investment in other businesses of life insurance companies issued prior to the effective date of this notification may carry on such business and shall exercise due care to prevent any conflict of interest between the company's investment and the provident fund's investment.

Notified on 30 September 2013

Areepong Bhoocha-oom

Permanent Secretary, the Ministry of Finance

Chairman of the Insurance Commission