

**Model Guidelines for Insurance Enterprises' Anti-Money
Laundering and Counter Terrorism Financing Policies and
Procedures, and Related Regulations : FAQ for the General Public**

Acknowledged by the Financial Supervisory Commission per letter No. Jin-Guan-Bao-Zong-Zi-10704901520 dated February 6, 2018

Q1 : What does “establish business relationship” mean?

A1 : “Establishing business relationship” refers to a person that requests an insurance company to provide insurance or financial services and establish relationship that can continue for a duration, or a person that first approaches an insurance company as a potential customer and expects such a relationship may continue for a duration.

Q2 : What types of document or information need to be provided when you establish business relationship with an insurance company?

A2 :

- (1) Full name;
- (2) Date of birth;
- (3) Permanent or residential address;
- (4) Official identification number (e.g. ID card No., residence certificate No., passport No., etc.);
- (5) Nationality; and
- (6) The purpose of residence or transaction of a foreign person (such as tourism, work, etc.)

Q3 : Continuing from Q2, what types of document or information need to be provided when you are a legal person, organization or the trustee of a trust?

A3 :

The customer must provide at least the following documents or information :

- (1) Name, legal form (e.g. company limited by shares, partnership, sole proprietorship, etc.) and proof of existence;
- (2) Articles of association or similar power documents;

- (3) Beneficial owners (e.g. name, date of birth, nationality, identification number, etc.); in addition, an insurance company may ask the customer to provide shareholders list or capital contribution certificate to understand the ownership and control structure of the customer or the trust;
- (4) Information of natural persons of the senior management (e.g. name, date of birth, nationality, etc.);
- (5) Official identification number (e.g. business identification number, tax identification number, registration number, etc.);
- (6) The address of the registered office of a legal person, an organization or a trustee, and if different, the address of its principal place of business; and
- (7) The purpose of the business relationship of an offshore legal person, an organization or a trustee.

Q4 : Under what situations would an insurance company decline to establish business relationship or carry out any transaction with the customer?

A4 :

- (1) The customer is suspected of using an anonymity, a fake name, a nominee, a shell firm, or a shell corporation or entity.
- (2) The customer refuses to provide relevant documentations required for the purpose of customer due diligence except that an insurance company may verify the customer's identify by using reliable, independent source of information.
- (3) In the case that the customer purchases insurance, files an insurance claim, changes an insurance contract or carries out a transaction through an agent, it is difficult to verify that the agent is so authorized and the identity of the agent.
- (4) The customer uses counterfeit or altered identification documents.
- (5) Identification documents presented are all photocopies except for the business that permits the use of photocopies or image files of identification documents with other alternative measures under applicable regulations.
- (6) Documents provided by the customer are suspicious or unclear, or the customer refuses to provide other supporting documents, or the documents provided cannot be authenticated.

- (7) The customer procrastinates in providing identification documents in an unusual manner.
- (8) The party with whom an insurance company establishes business relationship is an individual, a legal person or an organization sanctioned under the Counter-Terrorism Financing Act, or is a terrorist or terrorist group identified or investigated by a foreign government or an international organization, except for payments made under Subparagraphs 2~4, Paragraph 1, Article 6 of the Terrorism Financing Prevention Act..
- (9) Other unusual circumstances exist in the process of establishing business relationship or conducting transaction and the customer fails to provide reasonable explanations.

Q5 : What is the “beneficial owner” of a legal person?

A5 :

The “beneficial owner” of a legal person is a natural person who ultimately has a controlling ownership interest in the legal person. An insurance company should obtain in sequence the following information to identify the beneficial owner(s) of customer :

- (1) Natural person(s) owning directly and/or indirectly more than 25 percent of the legal person’s shares or capital.
- (2) Where no natural person exerting control through ownership interests as described above is identified, the insurance company should understand whether there are natural person(s) exercising control of the customer through other means.

Where no natural person exerting control through ownership interests as described in (1) and (2) above is identified, the insurance company should identify the identity of natural persons of the senior management in a legal person, an organization or a trustee (e.g. board members, supervisors, members of the council, chief executive officer, chief financial officer, representatives, managers, partners, authorized signatories, or any natural person holding an equivalent position).

Q6 : The new regulations on anti-money laundering and countering the financing of terrorism stipulate that when the customer is a legal person, the customer's beneficial owner(s) must be confirmed. What is the definition of "legal person"?

A6 : "Legal person" is defined in accordance with Article 2 of the Civil Code or a juridical entity established in accordance with other laws.

Q7 : When would an insurance company conduct customer due diligence?

A7 :

An insurance company should conduct customer due diligence when :

- (1) Establishing business relationships with a customer.
- (2) Making cash receipt or payment in a single transaction (including all transactions recorded on a cash deposit or withdrawal slip for accounting purpose) of NTD500,000 or more (including the foreign currency equivalent thereof).
- (3) There is a suspicion of money laundering or terrorist financing.
- (4) There are doubts about the veracity or adequacy of previously obtained customer identification data.

**Model Guidelines for Insurance Enterprises' Anti-Money
Laundering and Counter Terrorism Financing Policies and
Procedures, and Related Regulations : FAQ for the Insurance
Enterprises**

Q1 : What is the definition of an enterprise owned by the R.O.C government (government-owned or state-owned enterprise)?

A1 :

- (1) The definition of government-owned enterprise may be determined in accordance with Article 3 of the Statute of Privatization of Government-Owned Enterprises.
- (2) An insurance company can refer to the list of government-owned enterprises posted on the website of the National Development Council and the list of state-owned enterprises provided in the National Development Council Financial Data Manual published by the Central Bank. However an insurance company should pay attention to the updates of those data. For enterprises not on the aforementioned lists, an insurance company can determine in reference to the definition under Article 3 of the Statute of Privatization of Government-Owned Enterprises.

Q2 : What are the definitions of “establish business relationship”, “customer” and “related parties of a transaction”?

A2 :

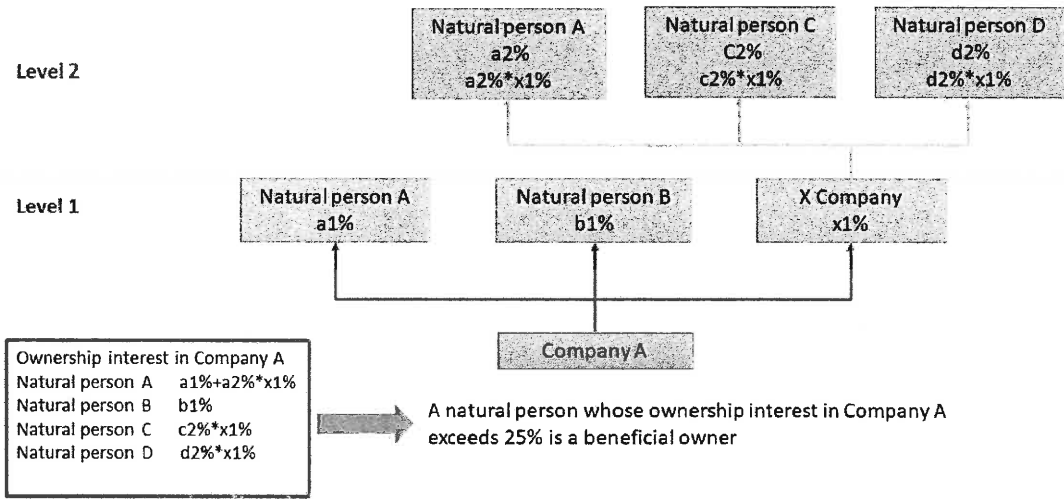
- (1) “Establishing business relationship” refers to a person that requests an insurance company to provide insurance or financial services and establish relationship that can continue for a duration, or a person that first approaches an insurance company as a potential customer and expects such a relationship may continue for a duration.
- (2) “Customer” means a person that establishes business relationship with an insurance company (including a natural person, a legal person, an organization, or a trust), such as insurance applicant and mortgage borrower.
- (3) “Related parties of a transaction” refer to any third party other than an insurance company’s customers, who is involved in a transaction, such as the insured,

beneficiary, credit card payment/automated account transfer authorizer, beneficial owner or senior management of a legal person customer.

Q3: In the first step of identifying beneficial owner(s), how to calculate a person's ownership interest in the customer to see whether it exceeds 25%?

A3 :

In determining whether the ownership interest exceeds 25%, both direct and indirect ownership interest should be taken into account as illustrated below.



Note : A legal person shareholder (e.g. X Company in the diagram above) needs not be included in the calculation if its ownership interest in the legal person customer (Company A above) is under 25% and the insurance company has taken reasonable measures to understand that its ownership interest will not affect the determination of beneficial owner(s) of the customer.

Q4 : In the first step of identifying beneficial owner(s), what kind of information should be obtained from a legal person customer to determine whether they are natural persons who own more than 25% interest in the customer?

A4 :

- (1) In principle the customer should be asked to provide shareholders list, capital contribution certificate or other documents the insurance company deems sufficient to show customer's equity or capital contribution status.
- (2) If the shareholder of a legal person customer is also a legal person (referred to as "legal person shareholder" below), an insurance company can consider the following approaches or take other reasonable measures for the identification of beneficial owner(s) :
 - a. The insurance company can obtain the shareholders list and capital contribution certificate of that legal person shareholder or other acceptable documents until it could ultimately determine whether there is any natural person who owns more than 25% of the legal person customer's shares or capital (see Q3 for ways to determine whether a natural person owns more than 25% ownership interest in a legal person customer).
 - b. If necessary, the insurance company can ask the customer to issue an undertaking (which contains company name, place of incorporation, basic data of authorized representative, data of natural persons with more than 25% ownership interest in the company, whether there are natural persons who exercise control over the customer through other means and their data or the data of natural persons who hold the position of senior management).

Q5 : In the first step of identifying beneficial owner(s), what to do if no beneficial owner with more than 25% ownership interest in the customer is identified?

A5 : When the customer is a legal person but no natural person with controlling ownership interest in the customer is identified (meaning no natural persons owning more than 25% of the customer's shares or capital), the insurance company should inquire the identities of natural persons who exercise control over the customer through other means or take reasonable measures to confirm the identities of natural persons of the senior management (e.g. board members, supervisors, members of the council, chief executive officer, chief financial officer, representatives, managers, partners, authorized signatories or persons holding a comparable position).

Q6 : If a beneficial owner is identified, what kind of personal data on the beneficial owner should be obtained from the customer?

A6 :

- (1) Data to identify the identity of the natural person who ultimately has a controlling ownership interest in the customer (such as name, date of birth, nationality, and identification number, etc.) (This is an example).
- (2) The aforementioned data may be verified against ID card, passport or other reliable documents or source data (original document is not necessarily required). Or the insurance company may, according to its internal operating procedure, ask the legal person customer and its authorized representative to provide a statement that specifies the data of the beneficiary owner(s). However part of the data in the statement should be able to be verified based on the certificate of incorporation, company's annual report or other reliable documents or source data.

Q7 : What to do if a customer cannot provide data on its beneficial owner(s)?

A7 : If a customer is unable to provide related information, the insurance company should not establish new business relationship with the customer.

Q8 : When an existing customer purchases a new policy, is it necessary to re-identify customer's beneficial owner(s)?

A8 :

- (1) An insurance company should check regularly whether customer data and data on the identity of identified beneficial owner(s) are sufficient and make sure those data are kept up-to-date, particularly for high-risk customers. An insurance company should verify customer identity again if it has any doubt about customer data.
- (2) Thus if an insurance company has performed the identification and verification of beneficial owner(s) and does not think it is necessary to update customer data yet or does not have doubt about existing customer data, it is not required to check the data of beneficial owner(s) again when the customer purchases a new policy or enters a new business relationship.

Q9 : How to identify beneficial owner(s) when the customer is a juridical foundation or juridical association?

A9 :

- (1) When the customer is a legal person but no natural person with controlling ownership interest in the customer is identified (meaning no natural persons owning more than 25% of the customer's shares or capital), the insurance company should inquire the identities of natural persons who exercise control over the customer through other means or take reasonable measures to confirm the identities of persons who hold the position of senior management (e.g. director, supervisor, president, general manager, chief financial officer, authorized representative, manager, partner, authorized signatories or persons of equivalent positions).
- (2) If a customer is a juridical foundation or juridical association and does not have shareholders or investors, the insurance company should, in sequence, identify natural persons who exercise control over the customer (e.g. authorized manager or authorized signatory determined based on customer's articles of association or other documents) or natural persons of the senior management.

Q10 : When the customer is a legal person, organization or trustee of a trust, is it that the requirement of obtaining the articles of association or similar power documents that regulate and bind the customer or the trust needs not apply if the customer falls within the scope of exclusion under Item 3 or 4, Subparagraph 7, Article 4 of the Model Guidelines for Life Insurance Enterprises' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures, Item 3 or 4, Subparagraph 6, Article 4 of the Model Guidelines for Non-Life Insurance Enterprises' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures, Item 3 or 4, Subparagraph 6, Article 4 of the Model Guidelines for Insurance Agent Companies' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures or Item 3 or 4, Subparagraph 7, Article 2 of the Model Guidelines for Insurance Broker

Companies' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures?

A10 : Item 3 or 4, Subparagraph 7, Article 4 of Model Guidelines for Life Insurance Enterprises' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures, Item 3 or 4, Subparagraph 6, Article 4 of the Model Guidelines for Non-Life Insurance Enterprises' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures, Item 3 or 4, Subparagraph 6, Article 4 of the Model Guidelines for Insurance Agent Companies' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures or Item 3 or 4, Subparagraph 7, Article 2 of the Model Guidelines for Insurance Broker Companies' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures stipulate exemptions from the identification of beneficial owner(s) from different aspects (i.e. customers and products). Thus as long as a customer falls within any scope of exclusion, the requirement of obtaining the articles of association or similar power documents that regulate and bind the customer or the trust needs not apply.

Q11 : When a legal person customer purchases property insurance, accidental insurance, health insurance or an insurance product that has no cash value, is it necessary to identify the beneficial owner(s) of the customer?

A11 : In light insurance products that has no cash value pose lower money laundering risks, the provisions of identifying and verifying the identity of beneficial owner(s) need not apply when a customer purchases property insurance, accident insurance, health insurance or an insurance product that has no cash value.

Q12 : When the customer is a legal person, appropriate measures shall be adopted for the customer who has issued bearer shares to ensure its beneficial owner(s) are kept up-to-date. What are the “appropriate measures”?

A12 : In combination with the operation in Q6 that when the insurance company asks a legal person customer and its authorized representative to provide a statement that specifies the data of the beneficiary owner(s), the company can simultaneously ask the customer to provide a statement on whether it has issued bearer shares and whether its beneficial owner information is kept up-to-date, and that the customer will notify the insurance company when there is change thereto.

Q13 : For existing customers who have been dormant for a while, if customer data on file do not cover all data needed for risk assessment, can the insurance company wait until the customer approaches the company for policy related matters or purchasing a new policy to perform customer due diligence and risk assessment?

A13 : For existing policyholders whose data are inadequate or who have been dormant for a while, if data needed for performing complete risk assessment on those customers are not available, the insurance company can use reasonable default data to substitute unavailable data for assessment purpose and obtain relevant data in a timely manner on the basis of materiality and risk.

Q14 : What is the scope of “foreign branches and subsidiaries” that must adopt anti-money laundering and countering the financing of terrorism (AML/CFT) measures consistent with the requirements of home country where its head office (or parent company) is located?

A14 :

The foreign branches and subsidiaries of an insurance enterprises include branches and subsidiaries that are subject to the local AML/CFT regulations for insurance sector, which, based on the business nature of the branch or subsidiary, exclude the following : (however an insurance company should still adopt measures to manage AML/CFT related matters of those excluded entities) :

(1) Overseas representative offices that do not engage in business activities;

- (2) The real estate investment subsidiaries (SPV) established for the purpose of investing in overseas real estate in accordance with the Regulations Governing Foreign Investments by Insurance Companies.
- (3) Co-reinsurance companies established in accordance with the Regulations Governing Foreign Investments by Insurance Companies : Such co-reinsurance companies conduct reinsurance business together with other reinsurers. They do not have their own legal person customers that their principal business management is carried out with the assistance of head office in Taiwan. Thus such foreign branches/subsidiaries are also excluded.

Q15 : What is the scope of “domestic business units”?

A15 : Domestic business units will be set by individual companies in consideration of their business size and risks based on the three lines of defense for internal control.

Q16 : The branch company of a foreign insurer in Taiwan is not required to set up an independent AML/CFT compliance unit, but shall appoint a chief compliance officer and be staffed with an adequate number of personnel. Are those AML/CFT personnel required to meet the qualifications and education requirements set forth respectively in Subparagraph 2 and Subparagraph 4, Point 17 of the Model Guidelines for Life Insurance Enterprises' Anti-Money Laundering and Countering Terrorism Financing Policies and Procedures?

A16 : Relevant provisions also apply to the AML/CFT personnel of the branch companies of foreign insurers to make sure they are equipped with the professional knowledge needed for their jobs.

Q17: Paragraph 4, Point 6 of the Guidelines for Insurance Companies Regarding Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention Programs requires insurance companies to conduct review on high-risk customers at least once every year. Is it necessary to ask such customers to provide relevant information again when conducting such periodic review?

A17 : The purpose of periodic customer review is to re-examine the customers to make sure customer information is kept up-to-date. It is not meant to ask customers to provide all over again documents needed for identity verification and customer due diligence. When conducting periodic review, an insurance company can request documents or information from customers it deems necessary in accordance with its internal risk policies and review methods.

Q18 : What is the frequency an insurance company should set for periodic assessment of overall ML/TF risks set forth under Point 8 of the Guidelines for Insurance Companies Regarding Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention Programs?

A18 : The frequency should be set by the insurance company based on its risk-based risk assessment policy.

Q19 : Paragraph 4, Point 6 of the Guidelines for Insurance Companies Regarding Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention Programs requires insurance companies to conduct customer due diligence on high-risk customers at least once every year. How often should periodic review be conducted for medium and low-risk customers?

A19 : The frequency should be set by the insurance company based on its risk-based risk assessment policy.

Q20 : Paragraph 4, Point 6 of the Guidelines for Insurance Companies Regarding Assessment of Money Laundering and Terrorism Financing Risks and Adoption of Prevention Programs requires insurance companies to conduct review on high-risk customers at least once every year. Is the review still necessary if a high-risk customer has been dormant for a while?

A20 : In reference of foreign legislations, insurance companies should clearly define “dormant customer” in their procedures, and when relevant controls are in place, insurance companies need not conduct review of dormant high-risk customers.

Q21 : Which AML/CFT internal rules should an insurance company establish? Which should be reported to the Financial Supervisory Commission (FSC)?

A21 :

(1) Rules to be established :

An insurance company should establish the following :

- A. Policies, procedures and controls for assessing AML/CFT risks.
- B. An AML/CFT program, which should contain the following policies, procedures and controls :
 - a. Verification of customer identity;
 - b. Names of customers and related parties of transactions and watch list filtering;
 - c. Ongoing monitoring of transactions;
 - d. Record keeping;
 - e. Reporting of currency transactions above a certain amount;
 - f. Reporting of suspicious ML/TF transactions and reporting in accordance with the Counter-Terrorism Financing Act;
 - g. Appointment of a compliance officer at the management level to take charge of AML/CFT compliance matters;
 - h. Employee screening and hiring procedures;
 - i. Ongoing employee training program;
 - j. An independent audit function to test the effectiveness of AML/CFT system; and
 - k. Other matters required by the AML/CFT regulations and the competent authorities

(2) Reports to be filed with the FSC (except for documents mentioned in the following provisions, insurance companies need not report their detailed rules to the FSC) :

- A. An insurance company should produce an AML/CFT risk assessment report and submit the completed or updated report to the FSC for recordation.
- B. An insurance company should establish internal directions/guidelines and

report them to the FSC.

- C. An insurance company should establish money laundering and terrorism financing risk assessment and prevention policy and report the policy together with the aforementioned directions/guidelines to the FSC.

Q22 : Which unit is responsible for reporting the company's statement on internal AML/CFT control jointly issued by the chairman, president, chief auditor and chief AML/CFT compliance officer to the board of directors and posting the statement on the website designated by the competent authority?

A22 : An insurance company should urge its internal units to conduct self-inspection. Its internal audit unit will then review the self-inspection reports of respective units. Those reports, together with internal control deficiencies discovered by the internal audit unit and improvement actions taken, will be used by the chairman, president, chief auditor and chief AML/CFT compliance officer as basis for evaluating the effectiveness of the company's overall AML/CFT internal control system and for the issue of the statement on internal AML/CFT control.

The internal audit unit of the insurance company can submit the company's statement on internal controls together with its statement on internal AML/CFT control to the board of directors and post the statements on a designated website.

Q23 : If the chief AML/CFT compliance officer, personnel of dedicated AML/CFT unit or the AML/CFT supervisor of a domestic business unit who obtained his/her qualification after appointment/assignment by attending courses offered by institutions recognized by the competent authority, can the completion of such courses be used to offset the requirement of attending not less than 12 hours of training every year after appointment/assignment for the year?

A23 : In consideration of the overlap of time, the hours of courses taken by the chief AML/CFT compliance officer, personnel of dedicated AML/CFT unit or the AML/CFT supervisor of a domestic business unit offered by institutions

recognized by the competent authority after his/her appointment/assignment may be used to offset the required hours of on-the-job training set out in Subparagraph 4, point 8 of the Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Insurance Sector for the year.