

- VI. To compliment the Financial Supervisory Commission's (FSC) "Regulations governing the Management of SITEs and SICEs Engaging in DIM", the Association reconfirmed that the SICEs shall possess two-year track record and the capacity to run the DIM business, thereby amending the "Key-points governing Business Bonds for DIM Business", the "Organization Rules for DIM Business Committee", the "Regulations for Handling DIM Business Disputes", and the "Key-points for Reviewing DIM Business".
- VII. The Securities Dealer Association (SDA) suggested that the securities firms engaging in DIM business might be allowed to provide custody service, and the Association and Trust Association provided their opinions to the SDA for reference.
- VIII. To promote the DIM business, the Association retained law firm to initiate the project through studying and researching the possibility of DIM business through a multi-client joint assignment.
- IX. The Association has jointly researched with the Trust Association for amending the "Operation Guidelines for Trust Business Conducting DIM Business" and "Regulations for Handling DIM Business Disputes".
- X. To implement the regulatory policy that the DIM performance evaluation be fully implemented for investors' reference and manager selection, on November 22 and 24, the Association invited Professor Shih from the Finance Department of the Central University to make presentations in the seminar entitled "DIM Business Internet Filing".

Research and study the applicable laws and regulations of SITEs and SICEs

To provide the SITEs and SICEs with a comprehensive legal framework, the Association proposed many initiatives to the regulator in 2005:

- I. To respond to 2005 Asia Pacific Anti-money Laundering Organization Evaluation Work, the Association amended the "Noticeable Items for Anti-Money Laundering by SITEs and SICEs".
- II. The regulator approved the "Fund IPO Review Checklist for SITEs" submitted by the Association.
- III. The Association amended the "Noticeable Items for SITEs Investing in Derivatives", whereby the investment restrictions in foreign securities related products are to be relaxed and increased to a percentage that is in line with those funds raised and invested domestically.
- IV. The FSC approved the Association's proposal

that other than HK OTC market, the securities investment trust funds raised domestically and invested overseas and DIM assets shall be allowed to invest in the OTC markets in UK, Japan, and Korea.

- V. The Association proposed to the regulator that the securities investment trust funds that are raised domestically, subsequently raised with further capitals, and denominated in NT dollar and invested overseas shall be allowed to accept subscriptions with foreign currencies. The Association further proposed that a multi-currency redemption should be allowed as well.
- VI. The regulator agreed the Association's proposal that the securities investment trust funds that are raised domestically and invested overseas shall be allowed to invest in high-yield bonds similar to that of offshore funds.
- VII. The Association proposed to the regulator that in light of the fact that domestic SITEs have adequate counter-measures in place against the liquidity risks, there should be no need to learn from the Korean regulator in establishing the so-called "Investment Stability Funds" so as to reduce the operation costs for the industry.
- VIII. The FSC agreed the Association's proposal that if the funds invested in foreign securities/markets reaching certain percentage of the portfolio and said markets happen to be the holidays and the exchanges are off, the SITEs shall cease to calculate the NAV and suspend the transactions accordingly. The percentage shall be decided by the Board of Directors for each SITE.
- IX. The Association proposed to the regulator that by referring to the systems in HK, the U.S., and Japan, a SITE may entrust the custody service to another subsidiary under the same financial group if certain conditions are to be met. The regulator replied that by referring to the regulations in the U.S. and Korea, fund management is to be independent from fund custody so that if a SITE and a bank/institution belong to and are under the same financial holding company, said institution shall be provide custody service to the SITE.
- X. The FSC instructed the Association to study the fund distribution through TV home shopping channels and relevant advertisement rules and regulations. The Association wrote to the FSC that this type of distribution should be put on hold and the FSC then informed the National Business Association about the Association's opinions.
- XI. To compliment Article 15 of the Act, the Association proposed that while raising funds from the investors, by law, the SITEs shall deliver prospectus to the investors. The Association sug-