

Advertising Activities for SICEs" and obtained the approval from the FSC.

Because current qualification examination for securities investment analyst are more difficult than other qualification examinations, in order to allow SICEs to obtain the qualification to perform securities investment analysis over media and consider the existence and business growth, the Association constantly investigates and reviews the current qualification examination system for securities investment analyst. Additionally, in view of the illegal operation activities on SICEs that harm not only the rights and interests of common investors, but even result in unfavorable development of securities and financial market, and severely affect the operational rights and interests of business dealers, for the purpose of helping them to solve difficulties encountered on business, the Association has already started to investigate comprehensively against the types and key consisting elements of illegal business operation, to provide the FSC and investigation organizations as reference for regulation amendment and illegal ban.

## Offshore funds business

In order to allow domestic investors to have a wider array of investment products and protection of their rights and interests, and to enable our national asset management business to be globalized, the FSC has issued "Regulations Governing Offshore Funds Distribution" on August 2<sup>nd</sup> 2005. As a result, SICEs may apply for offshore fund master agent or distributor status for the offering and distribution of funds. In the past, the SICEs may only provide consulting service on securities (including offshore funds), but the distribution was not allowed. Under the new regime, a master agent applicant should conclude and sign the master agreement.

Furthermore, the Association has issued "Guidelines Governing Items to be Contained in the Information Cooperation Agreement of Offshore Funds", "Directions Governing Handling of Operating Bonds for Offshore Funds", "Key Points for Staff Training Plan of Offshore Funds", "Guidelines Governing Advertisement and Promotional Activities for Offshore Funds", "Guidelines Governing Items to be Contained in the Master Agent Agreement and Distributor Agreement", "Sample Investor Brochure on Offshore Funds" for SICEs to comply.

With respect to striving for the enlargement of offshore fund business, to enable offshore fund distribution platform to be globalized, the Association also requested the FSC relax the offshore funds investment limits and regulations on Hong Kong H stocks, Red Chip stocks and derivatives investments, meanwhile to enable the offshore fund business regulations comply with international trends. The Association has started the research and study on European Union UCITS III regulations and investigation on actual business operations to provide the FSC Financial Supervisory Commission as reference for future regulation establishment and amendment.

## Discretionary Investment Business

Up to the end of 2005, the contractual amount of the discretionary investment business is NT\$446,119 million, whereas the market share of SICEs in the discretionary investment market is about only 3%, and according to the statistics it shows that within investors structure, natural persons account for a substantial proportion, the number of natural person agreements and effective agreement amount both raised substantially compared to that of the previous year.

As of to date, the Association also issued the "Regulations Governing the Operation of Discretionary Investment Services by Securities Investment Consulting Enterprises and Securities Investment Trust Enterprises", the "Operation Regulations Governing Discretionary Investment Services", and amended the "Regulations of Key-points governing the Accounts under the Discretionary Investment service", "Guidelines for Review the Discretionary Investment Business", "Directions Governing Handling of Operating Bonds for Offshore Funds", the "Standards for Calculating Discretionary Investment Assets", the "Regulations Dealing with Disputes Arising from the Discretionary Investment Business", the "Matters to be Followed by Discretionary Investment Business Committee", and they have been approved and issued by the FSC.

With respect to striving for the enlargement of discretionary investment business, the Association has issued the "Regulations Governing The Operation Of Discretionary Investment Services" to adopt negative listing on the investment scope, open up margin transaction, investment percentage to be arranged in the agreement, relax the transaction rules on securities related