

Chairman's message



"To assist in upgrading the industry to the scope of asset management; and to integrate with international practice to position as the expert of asset management in Asia" are the two major goals I set for the Association

to achieve when I assumed the chairmanship at the Securities Investment Trust and Consulting Association of the ROC (SITCA) in 2006. The Association will continue to implement these missions in the years ahead.

In 2006, the SITCA placed a strong emphasis on helping members to grasp business opportunities from the emerging pension management market. We not only organized overseas trips to learn from other countries for their experiences, but also try to develop discretionary investment management (DIM) performance evaluation system. These are the crucial steps for us to meet the opening of the pension management business.

As for the goal of "to integrate with international practice to position as the expert of asset management in Asia" we believe that to ease the restrictions on mainland China investment is a vital component in this endeavor because Taiwan can't afford to overlook the importance of the mainland market on its way to become an asset management hub in Asia; especially, we are faced with increasingly tougher challenges amid the drastic changes of the global market. The SITCA has worked out several plans to move toward this goal such as seeking closer integration with UCITS III, pushing for relaxed policies on mainland China investments, reinforcing the risk management mechanism, advocating free choices of individual retirement plans, raising the overall industrial image, and so on.

To call for market liberalization in reaction to UCITS III

In order to establish a fair and highly efficient regulatory environment in Taiwan and to make it compatible to major international fund standards, the SITCA in April formed the UCITS taskforce to address the differences between UCITS III and Taiwan's current fund management regulations. After several rounds of discussions among members of

the UCITS taskforce and other related committees, the SITCA drafted a proposal with a list of recommendations on capital utilization, corporate governance, and information disclosure. It submitted the proposal on Jan. 4, 2007 to the supervisory agency as its reference concerning how to ease Taiwan's assets management regulations. The SITCA will continue to push for market liberalization and international integration for the securities investment trust industry (SITE) and securities investment consulting (SICE) industry in Taiwan.

To strengthen risk management mechanism for healthy industrial development

Risk management is a vital component in Taiwan's effort to connect itself with the UCITS standards. As such, one of SITCA's major tasks for 2007 is to help members strengthen their risk management systems. The SITCA has established a risk management taskforce for this endeavor. One of its most important goals is to develop a risk management mechanism and work out "SITE risk management regulations" to provide clear definitions of risk management principles and guidelines for the reference of members.

To relax restrictions on mainland China investments

Statistics provided by the central bank shows that Taiwan's overseas securities investments reached a new high of NT\$5.08 trillion in 2006, translating into an annual growth of 23%. Meanwhile, the total holdings of overseas assets by Taiwanese investors reached NT\$21.2 trillion and an annual growth of 11.5% in 2006, indicating the overwhelming wealth of Taiwanese people. Comparing with the slow growth of the local securities investment trust industry, we can say that Taiwan's booming fund market over the past year should be mainly attributed to the offshore fund investment. Local companies were actually struggling from a stagnant market.

In light of fair competition principles, the government should refer to the rules on offshore funds either raised through public or private placement and ease the restrictions on China investments by Taiwan-issued mutual fund or DIM fund managers by raising the maximum ratio of their China equity investment to their net assets value to 0.4%, and that for H-stocks and China-issued stocks traded in Hong Kong to 10%. Meanwhile, the government should also scrap the restrictions on the private placement funds from making investments on China-issued stocks. All these moves will help lo-

cal fund managers strengthen their operations as internationally competitive fund managers in the Asian assets management market.

To promote individual retirement plans

The SITCA, through studying foreign pension management systems, found most foreign developed nations have adopted individual retirement plans such as the United States 401 (k), Hong Kong (MPF), Singapore (CPF), and Australia (Superannuation). A number of developing countries also adopted the same plans. The SITCA in 2007 will continue to push for a policy for employees to choose individual retirement plans on their own. We will refer to the practices of other countries and lobby the Legislative Yuan to pass related bills. The SITCA will in the meantime work with professionals and related organizations to launch public awareness campaigns to help the public better understand how to select individual pension plans properly.

To continue strengthen self-discipline mechanism to upgrade industry image

In its continued effort and determination to reinforce the self-discipline rules, the SITCA's Discipline Committee has performed its duties well and won the recognition of the regulatory agencies. The Discipline Committee therefore is entrusted with even more responsibilities and reinforces its self-discipline mechanism. In order to make sure that the securities investment trust and consulting regulations are fairly applicable to all investment trust and consulting firms, the SITCA in 2007 will draft "Guidelines for Conducting Advertisement and Promotional Activities by SITEs & SICEs". The guidelines are intended to complement current laws and regulations governing the industry to assure better protection for investors.

Securities investment trust and consulting firms are faced with new challenges and opportunities in the market. At this critical juncture, the SITCA will work harder to improve administrative efficiency and make substantial achievements, and will communicate with different groups to seek more business opportunities for members. Meanwhile, the SITCA and its members will continue to emphasize on self-discipline to raise the overall image of the industry to win the trust and confidence of investors.

Association Activities in 2006

The SITCA, thanks to the supports and efforts of board directors, supervisors, committee members, and staffs, completed various projects to help member companies expand business, boost industrial development, and promote international exchange in 2006. Meanwhile, the Association continued to strengthen its member services and organized various activities to build up closer relationships among members and the regulator.

Business Expansion of Members

To link pension plans with assets management

- The Association co-sponsored a conference on "International Pension Systems and Development Trends" with the Asia Assets Management on May 5, inviting international experts to introduce the pension systems, development trends, and new products in foreign countries.
- The Association co-organized a seminar on "Pension System Forum – Australia Experiences Sharing" with the Investment and Financial Services Association (IFSA) of Australia on June 30, inviting Australian experts to introduce the Australian Superannuating pension system and share their experiences and viewpoints with participants at the seminar.
- For a better understanding on Singapore's pension system, the Association arranged a trip for board directors and supervisors to visit the state nation on Nov. 15-18. During the trip, they called on Singapore's supervisory officials and representatives of related institutions to share experiences and viewpoints with each other.
- The Association proposed a recommendation to the Conference on Sustaining Taiwan's Economic Development organized by the Council for Economic Planning and Development (CEPD) in March, calling for adopting self-managed account into our pension system.. In addition, the SITCA also took part in various related activities to express its stance and suggestions on this issue.

To promote the regular saving plan for mutual funds

- The SITCA co-operated with the Economic Daily News to organized a workshop entitled "Smart investment now makes you free from worries about Retirement" on April 14. During the workshop, SITCA Secretary General Vicky Hsiao and Professor Jennifer Wang of National Chengchi University's Department of Risk Management & Insurance shared their viewpoints on pension management and the tips

for accumulating wealth through the monthly saving plan (RSP) for mutual funds.

- The Association designed a special area of "Toolbox for Mutual Fund Investors" on its website in April, providing all kinds of tips for mutual fund investment as well as the formula for calculating the returns on mutual fund investment, applicable to both regular saving plans and single lump-sum investment.
- The SITCA and Smart magazine co-organized three seminars on the "Magic Tricks for Wealth Accumulation" in Taipei, Taichung, and Kaohsiung, respectively. The three seminars were lectured by SITCA Secretary General Vicky Hsiao and other renowned assets management experts. Over 1,000 persons attended the seminars.
- With an attempt to encourage investors to share their mutual fund investment experiences with other people, the Association launched a campaign to invite articles from the public on the topic "Personal tips for the RSP investment" and posted the awarded articles on the "Toolbox for the Mutual Fund Investors" of the Association's website.
- The Association held a total of 14 seminars on the "Magic Tricks for Wealth Accumulation" for individual companies in an effort to help them build up correct attitudes toward mutual fund investment and to disseminate the knowledge about the mutual fund RSP to the public.
- The Association received interviews by several mass media to talk about various topics on mutual fund investment such as the "Smart Investor" program of the UFO Network, the "Decoding Mutual Funds" program of the China Economic News Channel, the special page of Fubon Assets Management on the United Evening News, the 30 Management magazine, the Money Weekly, the Global View Monthly, and so on.
- The population on the mutual fund RSP in Taiwan grew by 32.15 in 2006 and the total invested amount rose at an even faster pace of 47.42% in the same year.

Privately placed funds exempt from the minimum income tax

- Under the new basic taxable income regulations effective since 2006, the profits generated through transactions of privately placed funds are subject to the minimum personal income tax. The unfair double taxing on fund investors will hinder the long-term healthy development of the securities investment trust industry in Taiwan. In this regard, the Association

will continue to reinforce its self-discipline rules as a means to prevent major shareholders of public companies from converting their income of stock or cash dividends into the non-taxable capital gains. Meanwhile, it will plead to the Finance Ministry officials and legislators for exempting the profits generated through transactions of privately placed funds from the minimum income tax.

R&D projects in association with other institutions

- The Association entrusted the Lexcel Partner of Lexgroup to conduct a research project on the “Feasibility for Taiwan’s SITEs to register their offshore funds with Luxembourg, Ireland, or HK (or issue offshore funds in these areas) for easier access to introduce their offshore funds to the investors in EU, HK, and Australia.” The research project will help clarify the legal issues concerning cross-border sales of mutual funds and will also work out a full package of solutions to help members expand their business into this field.
- The Association commissioned Professor Kang of National Chengchi University to do a research project on the feasibility of cooperation among mutual fund companies in the two sides of the Taiwan Straits and work out a full package of solutions for this matter. The project will provide analysis on the current development of the mutual fund markets across the Taiwan Straits as reference to members to help them well cope with the changing markets across the Straits.
- In an effort to assure fair application of the same regulations to all investment trust and consulting firms and to prevent unfair market competition due to different treatment of the same regulations on different groups of companies, the SITCA commissioned the Giant Era International Law Office to conduct a research project to examine the different applications of the same regulations to the banks, securities firms, insurance firms, SITEs, and SICEs. It will make good reference to the government agencies when they review and revise the existing financial laws and regulations for overall healthy development of Taiwan’s financial industry.
- The Association recommended the Financial Supervisory Commission (FSC) to ease the restrictions on joint discretionary accounts stated in Article 22, Paragraph 2 of the “Operation Regulations Governing SITEs and SICEs Engaging in DIM,” and entrusted the Lotus Inter-

national Law Office to conduct a research project on the possibility of DIM business through a multi-client joint assignment. The research report, after being reviewed by the Association’s Legal Affairs Committee, was forwarded to the FSC for its reference on Oct. 27.

- The SITCA, pursuant to Article 21 of the “Regulations Governing the Public Offering of Securities Investment Trust Funds by SITEs,” revised Article 11 of the Association’s the SITCA Rules Governing the Public Offering, Issuance, and Sale of Securities Investment Trust Funds and Their Subscription or Redemption concerning the required items to be stated in the contract signed by SITE mandates a fund sales institution to conduct fund sales business. Meanwhile, in order to meet the demand of member companies in practice, the Association commissioned Lexcel Partners to draft a model contract to contain all the “required items” in accordance with the revised regulations as reference of members.

DIM performance evaluation

- The Association has been working with the National Chungcheng University for developing an evaluation system for the DIM service since 2006. The DIM performance evaluation committee members met every month to review working schedule and make adjustment. After one year’s efforts, the committee has worked out the programs for making monthly and quarterly performance evaluation charts. During the second phase starting from 2007, the committee is expected to complete the program for making annual performance evaluation chart and to add the benchmark index into the evaluation system as a means to prepare for the opening of the DIM business associated with the government’s four major funds and the massive pension management market in the future.

To ease the tests for securities investment analysts

- In order to raise the credibility and passing ratio of the securities investment analysts’ tests, the Association has repeatedly met the regulator and certification institutions to discuss this issue. It then recommended the Securities and Futures Bureau to ease the qualification requirements and certification tests for Securities Investment Trust & Consulting Professional by adjusting the securities investment analyst certification testing system to arrange

tests on each subject separately. The passing score for each subject is 60 and the grading will be effective for two years.

To compare UCITS III and Taiwan's regulations

- The European Union (EU), as the origin of the world's mutual fund industry, has seen a rapid growth of its mutual fund market in recent years. Besides the appreciating Euros, the growing market is also attributed to the promulgation of the UCITS III and the EU's long-term efforts for removing the barriers in the way of the development of European mutual fund market. After years of coordination among EU countries, the UCITS has been revised several times and finally earned the recognition of the global investors. In Taiwan, over 90% of the offshore funds domicile at the EU countries. In order to develop efficient and fair regulatory environment in Taiwan and make Taiwan's legal system integrated with the major international standards, the Association formed a UCITS taskforce in April to examine the differences between Taiwan's legal system and the UCITS III from the aspect of industrial development and practices of market players. After several rounds of discussion among members of the taskforce and other related committees, the Association finally completed its report with recommendations on investment operation, fund management, and information disclosure concerning both short-term and long-term market development. The Association forwarded the report to the regulator for its reference in January 2007.

Investor education and information publicity

- In accordance with Article 19 of the "Regulations Governing the Public Offering of Securities Investment Trust Funds by Securities Investment Trust Enterprises" published by the SFC in December 2006, the SITEs may appoint SICEs, securities brokerage houses, banks, trust companies, life insurance companies, and other SFC-designated institutions as the sales agents for distributing domestic funds. Meanwhile, the SFC agreed that Taiwan Post Co. might also act as sales agent for the domestic mutual funds.
- As part of its efforts to promote investor education, the Association published a total of 21 articles to discuss major issues of the mutual fund market on the Commercial Times and

Economic Daily News. The topics under discussion included the "Revitalized bond fund market," "Suppressing illegal SICEs," "Mutual funds as a tool for assets management," "Pension plans," "Investments on offshore funds," and so on.

- The Association compiled two guidebooks of "To Understand Mutual Funds" and "To Understand Offshore Fund" and printed 2,000 copies for each to be disseminated to investors.
- The Association made two educational films entitled "How to identify illegal SICEs" and "Doing Business With Illegal SICEs, no protection" which were broadcasted at the financial and economic channels of the cable TV companies and six non-cable TV companies during April-October, 2006.
- The Association made several posters about illegal SICEs to be posted at the business locations of members, securities brokerage houses, and other related institutions.

Industrial Development

To develop SICEs and promote industrial image

- The activities of illegal securities investment consulting companies have threatened the interests and rights of others with rightful licenses the legal market players. The current securities investment trust and consulting regulations follow a broad definition of the SICEs and the lack of a clear-cut definition often causes troubles for law enforcement. To assure fair legal treatment for all market players, the Association recommended the regulator to revise the related regulations for providing a fair regulatory environment and develop a multi-governing system for market players, self-discipline institutions, and the government to share the responsibilities for cracking down illegal behaviors.
- In light of the illegal operation activities on SICEs the harm not only the rights and interests of common investors, but threatened the survivals of members, the Association undertook a research project to fully investigate the types and key consisting elements of illegal SICE operation. It also held public hearings and press conferences to provide the FSC and investigation organizations as reference for regulation amendment and illegal ban.
- For effective control over the quality of the TV stock market analysis so as to prevent illegal securities investment consulting firms from hindering the healthy market development, the

Association conducted a research project entitled "Analysis on the Current TV Stock Market Programs and the Means to Tackle Illegal Market Behaviors" in a hope to foster social consensus on this issue, promote TV program quality, and provide investors with correct consulting services to assure a healthy development of SICEs in Taiwan.

To continue reinforcing self-discipline mechanism

- In an effort to help member companies correct unsuitable operations and advertising activities, the Association continued to keep dialogue with its members and offered several new courses on securities investment trust and consulting regulations and case analysis in addition to the routine legal training programs. Meanwhile, it published several articles and guidance such as the rules on mutual funds and offshore funds in 2006 and expects to complete the SICE self-discipline guidance in 2007. All these endeavors are intended to strengthen members' awareness on the self-discipline rules and help them prevent from violating the regulations.
- The Association's Disciplinary Committee, in accordance with the self-discipline rules, reviewed 120 cases about the rule-violation behaviors of member companies in 2006. The committee is set up to motivate members to discipline themselves and assure healthy market development. In 2006, the Association received a total of 68 investors' complaints for disputes between investors and members, 52 of the 68 cases have been settled peacefully.
- Regarding the overlapping regulations stated in the Association's "Guidelines for Conducting Advertisements and Promotional Activities by Offshore Funds" and "Guidelines for Conducting Advertisements and Promotional Activities by SITEs" as well as the similarity in the principles of these regulations and the Association's "Guidelines for Conducting Advertisements and Promotional Activities by SICEs," the Association integrated three sets of regulations into one entitled "Guidelines for Conducting Advertisements and Promotional Activities by members" which covers separate sections on the advertisements and other sales promotion activities for SITEs, SICEs, offshore funds, DIM services, and others. It will provide clearer and simplified self-discipline guidance for members to follow.

To upgrade the member services

To develop online employee reporting and evaluation system for SITEs

- The SITCA, after it obtained the electronic certificate from the Ministry of Economic Affairs (MOEA), started a new online service on September 1 for its members to file the documents of their new executives or business representatives through the Internet, a move to streamline the procedure for members to report their new employees to the Association. Members won't have to prepare hardcopies of such documents. The Association will review the electronic files and make the approved documents available on the Internet for members to print by themselves at any time. The streamlined procedure not only shortened the time and procedure for members to report their new employees to the Association, but also helped members and the Association save considerable postage for mailing the hardcopies.

To computerize database of disciplined members and employees

- The Association developed a computerized program to keep the records of the members and their employees who have been disciplined by the FSC or the Association. It keeps complete data and has a strong archive searching system through which users can easily search for data by category of companies, persons, cases, and so on. It also contains the records of the disencumbered directors and supervisors of members. The computerized program, formally launched on Nov. 1, greatly raises the efficiency in data management and makes it even user-friendlier for members.

Investment Management Institute (IMI) raises the quality of member's employees

- The IMI of Association offered 168 investment management-training courses in 2006, participated by 6,141 persons in total. Among them, 23 were for pre-job training, joined by 895 participants and the rest 145 for on-job training, joined by 5,246 participants.
- The subjects of the new training courses offered in 2006 included the "Financial Laws and Regulations in China," "Challenges and Opportunities of Taiwan's SITEs and SICEs amid Globalization," "Analysis on Minimum Income Tax Regulations and Reaction Mea-

tures,” and “Cross-straits Cooperation and Exchange for Mutual Fund Industry,” “Bond Market,” “Principles for Risk Management,” and others.

Karaoke competition among SITCA, TSA, and TFA

- To promote the interactions and friendships among the members of the SITCA, the Taiwan Securities Association (TSA), and the Taiwan Futures Association (TFA), the SITCA invited the other two associations to join its annual Karaoke singing competition for 2006. The three associations held internal singing competitions for their own members first and the winning teams would have chances to take part in the final competition among the three associations. The whole series of competition came to an end on August 12, joined by 17 teams of 179 singers in total.

2006 Golf Tournament

- The SITCA-hosted 2006 Golf Friendship Tournament was held on Oct. 28, participated by a total of 72 persons from the FSC FFB, and other securities-related institutions, in addition to the members of the Association itself.

Hiking activity for SITCA, TFA, and BFA

- The Association held a hiking activity on Oct. 14 in association with the TFA and the ROC Bill Finance Association. The hiking route was from the Taipei Zoo in Mucha to the Chinan Temple. A total of 530 participated the event.

International Activities

2006 Asian Oceania Regional Meeting

- The 2006 Asian Oceania Regional Meeting was held in China in April, participated by 25 delegates from 12 countries around Asian and Oceanic regions such as Japan and Australia. The Association’s Cross-strait Affairs Committee Convener Thomas Tsao represented the Association to attend the meeting during which he briefed Taiwan’s mutual fund market development, key issues, and market outlook. Tsao also chaired a section on the UCITS III issues during which participants had broad discussions on the impact of the UCITS III on regulator, mutual fund companies, and investors in their respective countries. They also shared their experiences and opinions on how to deal with the impact of the new international stan-

dards.

Investment Company Institute

- The US-based Investment Company Institute (ICI) held its 48th annual conference in Washington D.C. on May 17-19, 2006. Under the theme of “Creating Shareholder Value,” participants actively discussed how the different pension plans would influence the practices of fund management companies. They also discussed if the current information disclosure system of mutual fund companies well match the demand of investors. The meeting will help mutual fund companies strengthen their services to create a win-win situation for both companies and investors.

Annual meeting of the International Investment Fund Conference

- The 20th International Investment Fund Conference was held in Istanbul, Turkey in November, participated by 62 delegates from 32 countries. Major topics for discussion at this meeting included: the impact of aging society on assets management industry; how to adjust fund supervision system for better protection of mutual fund companies and investors amid the changing market; how to have better understanding of investors’ behaviors as the reference for developing efficient teamwork to provide investors with better services. The meeting offered good opportunities for Taiwanese fund managers to have better understanding on the current development of the assets management markets in the U.S., Europe, Australia, and other advanced countries. The meeting also created a platform for delegates from different countries to share experiences and viewpoints and build up closer relationship among them.

Visit of SAC delegation

- The Securities Association of China (SAC) organized a delegation to visit the SITCA in October. The delegation was composed of eight members, led by SAC Vice Chairman Xiangping Huang. They were received by SITCA Chairman Frank Tu, Cross-border Affairs Committee Deputy Convener David Lee, and several directors and supervisor. During their trip in Taiwan, they also called on several members and the Taiwan Securities Association (TSA) and attended the forum entitled “2006 Cross-border Cooperation of Mutual Fund Industry” held in Westin Taipei on Oct. 23. The forum,

participated by over 100 persons, provided the first hand information about mainland market and the opportunities for local participants to share viewpoints with the SAC delegates from China.

Visit of Australian IFSA delegation

- The Investment and Financial Services Association (IFSA) of Australia organized a seven-member delegation to visit the SITCA in June, led by IFSA Vice Chairman Jeremy Duffield. During their trip in Taiwan, they were accompanied by the Association's former chairman Henry Lin and Secretary General Vicky Hsiao to call on officials of Ministry of Finance and Financial Supervisory Commission (FSC). Besides, they co-hosted a pension management seminar with the SITCA at China Culture University on June 30 to introduce Australian pension system as well as share their experiences and viewpoints with local fund managers.

Market Analysis

Development of SITE and SICE Industry

Booming overseas investment

The 2006 was a year featured by several hot topics. In movies, Ang Lee won the Oscar Award as the Best Director for 2006, an event to implant new ingredients to the American-dominated movie culture. In sports, Chien-Ming Wang hit a new record of 19 consecutive wins for the New York Yankees in the Major League Baseball. In the realm of assets management, the booming offshore fund investment became the most noticeable market trend in Taiwan.

Taiwanese investors' zeal on offshore funds is partly fueled up by the expanding interest rate differentials between domestic and foreign markets and the relatively weak performance of Taiwan stock market in 2006. The four government-managed funds and most insurance companies have gradually beefed up their holdings of offshore funds in a hope to raise the overall performance of their investments. The statistics of the Central Bank showed an annual net outflow of US\$44.1 billion, or roughly NT\$1.44 trillion, in the international balance of payment for 2006, mainly as a result of the record high annual overseas investments by Taiwanese people. One thing favorable to the securities investment trust and consulting industry under the heating overseas investment trend is that it aroused the interest of local investors on the SITE-issued international funds for making investments on foreign equities.

As for the securities investment trust industry in Taiwan, the SITEs issued a total of 63 new funds in 2006. Among them, most were of the three categories of the international funds for making investments on foreign equities, Fund of funds (over 60% were fixed-income Fund of funds), and the securitized funds (including the real estate securitization and the financial securitization). The three categories accounted for over a 80% of the total market value of all the new funds issued in 2006, and five of them have seen over NT\$10 billion in fund's market value.

As for the offshore funds, the SITCA and Taiwan Depositary & Clearing Corporation jointly launched the "Fund Clear" following the announcement of the "Regulations Governing Offshore Funds" in August 2005. It provides a centralized and open platform for offshore fund information publishing and inquiry. Meanwhile, the SITCA also published summaries of important offshore fund news on its own

website. Since the operation of the offshore fund master agents in August 2006, the government has approved 32 offshore fund master agents, 54 offshore fund operators, and 711 offshore funds as of the end of 2006. The monthly offshore fund sales kept steady growth. The Taiwanese investment on offshore funds exceeded NT\$1.3 trillion in 2006.

The Council for Labor Affairs (CLA) announced in February 2007 that it would appropriate another NT\$26 billion, or around US\$800 million, from the labor pension fund raised under the old pension system to entrust to four assets management companies for making investments on foreign equities. It signals three important trends among both institutional and individual investors in Taiwan:

1. Investors, with increasing assets management education and experience, are inclined to diversify their investments to foreign markets.
2. The channels for making offshore investment grow along with the assets management market in Taiwan.
3. Investors become increasingly conscious for balanced assets allocation.

All these trends suggest increasing opportunities for closer cooperation between SITEs and foreign partners in the areas of assets allocation and risk control. The cross-border cooperation will bring in foreign experiences to help local SITEs strengthen their capabilities for managing both domestic and globalized assets management service networks. It has very positive effect on the long-term development of Taiwan's securities investment trust industry.

Stable growth of DIM and private placement funds

The domestic market of private placement funds (the funds raised through private placement) did not grow as fast as expected. As of the end of 2006, the SITEs have issued 165 private placement funds at a total market value of NT\$52.3 billion, mildly up from the 132 funds worth NT\$43.7 billion one year earlier. The slight growth should be mainly attributed to the implementation of two new regulations since the beginning of 2006. One is the "Income Basic Tax Act" under which the incomes generated through transactions of private placement funds is subject to the minimum income tax. The other is the regulation announced by the Financial Supervisory Commission (SFC) to prohibit the SITE from using its private placement funds to

help certain people evade income tax or for other purposes which might will violate the principles of honesty and reliability for professional assets management.

The minimum income tax, however, won't seriously affect the development of the private placement fund market in Taiwan, especially in light of the trend of product diversification for meeting different demands of different groups of investors. To gain an edge in this niche, the SITEs should try to make their private placement funds even more creatively-designed and profitable to help investors make higher returns on investments.

As for the discretionary investment management (DIM) business, the total contracted amount topped NT\$610 billion at the end of 2006, up 26% from one year earlier. In terms of investor structure, as shown in official statistics, individual investors outpaced institutional investors in terms of the new contracts signed in 2006. Actually, individual investors recorded growth in both new contract number and investment amount in 2006.

To boost industrial development

Obtaining a UCITS III-level standards and strengthening risk control mechanism are two key issues to bolster the development of Taiwan's securities investment trust industry. Currently, over a 90% of the offshore funds approved to be traded in Taiwan are issued by the EU countries. In other words, Taiwan's offshore fund market is dominated by funds issued with UCITS III standards which will thus impose increasing influence on Taiwan's investors, SITEs, and domestic funds. In order to provide a fair and efficient regulatory environment in Taiwan and to make Taiwan's securities investment trust regulations well match the UCITS III standards, the SITCA formed a UCITS taskforce in April to address the differences between UCITS III and Taiwan's current fund management regulations. After several rounds of discussions among members of the UCITS taskforce and other related committees, the SITCA drafted a proposal with recommendations on investment operation, corporate governance, and information disclosure. It submitted the proposal in January 2007 to the supervisory agency as its reference concerning how to ease Taiwan's assets management regulations.

Recognizing the importance of making Taiwan's mutual fund supervisory system closely linked with the UCITS III standards and strengthening the risk control mechanism to the development of Taiwan's securities investment trust industry,

the SITCA established a "Risk Control Taskforce" which, in the short term, will refer to foreign experiences for working out the "Risk control rules for SITE in practice" as the principles and guidelines for members to follow. Rule enforcement, however, requires professional expertise such as the development of modulated operational model, programming, parameter-setting, and many others detailed techniques. The STIEs, however, have to work out solutions for all these matters by themselves based on their corporate strategies, product assortment, and other conditions of their own. The detailed issues, after all, are the key factors to determine if a member company can successfully practice its risk control mechanism.

In regard of market demand and investor protection, to develop an efficient risk control mechanism is not only the worldwide trend, but also a vital key to win investors' confidence. From the aspect of market supervision, the SITEs should first strengthen its practice of corporate governance and rule compliance before they require easing of market restrictions and opening of new business. How to assure efficient risk control is a vital issue for every member. As long as the SITEs develop efficient risk control mechanism, they will be ready to require the government to open the hedge fund market and ease the restrictions on derivatives transaction by domestic funds.

The Legislative Yuan passed the third reading of the bill about the structure of the labor pension supervisory committee in March 2007, paving the legal ground for management of the pension and retirement fund raised under the new pension system. Previously, due to lack of proper governing regulations, the labor pension fund of NT\$140 billion raised under the old new pension system could be only kept at bank's time deposit accounts. Now, it will be gradually released to fund managers for discretionary investment management. How to make balanced assets allocation, how to choose right fund managers, and how to define a proper investment returns will be the critical issues not only concerning the labor pension supervisory committee, but also all the industry players and laborers.

市場現況分析

投信投顧業市場發展現況

國人掀起海外投資風潮

回顧95年的話題，在影壇有李安導演勇奪奧斯卡最佳導演獎項，為一向以美國為主的電影文化事業注入新的元素；在體壇，有王建民勇奪大聯盟19勝的戰績，撐起洋基在球壇的一片天；而在投資舞台方面、最受矚目的，應該就是國人的海外投資風潮。

近年來因為國內外利差、台股表現不佳等因素，國人逐漸熱衷海外投資；四大基金、保險公司等機構法人為了提高資金收益，也紛紛提高海外投資額度。根據央行2月底公佈的去年（95年）國際收支資料，因海外投資熱絡，國人對外證券投資呈現淨流出超過441億美元，折合新台幣約1.44兆元，在對外證券投資方面創下了新高紀錄。而海外投資與投信投顧產業相關的部份，就是投信發行投資海外的境內基金以及境外基金。

國內投信基金方面，95年共成立63支新基金，其中

投資海外的基金主要在跨國投資股票、組合基金（六成以上是固定收益組合基金）以及資產證券化（包含不動產證券化及金融資產證券化）等3大類，此3類基金集資規模即佔了新基金規模的近8成，其中有5檔基金之規模超過百億。

境外基金方面，隨著境外基金管理辦法在94年8月訂定確定，本會與集保結算所合作共同推出「境外基金資訊觀測站」，使過往分散零落的市場資訊開始有一個公開並集中的申報查詢平台，在公會網站也會摘要公佈境外基金業務動態，從95年8月境外基金總代理正式實施以來，截至95年底，共核准32家總代理人、54家境外基金機構、711檔境外基金。境外基金在台銷售金額逐月成長，到95年底，國人投資海外基金的金額已經超過1.3兆台幣。

境外基金業務統計

Statistics of Offshore Funds

資料日期：95年12月31日

Date: Dec. 31, 2006

分類 Classification	細項 Detail		國內投資人持有金額 (新台幣：元) Amount of Domestic Investors Holding (NTD)
依受益人型態 Type of Beneficiary	自然人 Individual Beneficiaries		111,962,811,542
	法人 Institutional Beneficiaries	非綜合帳戶 Non-Omnibus Accounts	69,603,003,474
		綜合帳戶 Omnibus Accounts	1,182,083,677,314
依基金類型 Type of Fund	股票型 Equity		799,322,806,275
	債券型 Bond		512,342,382,253
	平衡型 Balance		37,000,199,601
	貨幣型 Money Market		9,376,096,033
	其他 Other		5,608,008,169
依投資地區 Investment Area	全球型 Global		540,397,603,746
	單一國家型 Single Country		322,647,470,845
	區域型 Regional	美洲 America	38,055,248,420
		歐洲 Europe	265,397,883,824
		亞洲 Asia	114,829,592,945
		新興市場 Emerging Markets	82,321,692,548
		其他 Other	0
依計價幣別 Base Currency	美元 USD		947,647,746,505
	歐元 EUR		291,201,975,316
	日圓 JPY		110,768,480,412
	其他 Other		14,031,290,096

再加上勞委會於96年2月公告，將於年中釋出舊制勞退基金新台幣260餘億元（約8億美元），委託四家資產管理公司投資海外股市，這些情形，顯示國內投資人，不論是機構法人及個別自然人，有以下現象：

1. 隨著理財教育及投資經驗成長，投資理財有國際化的趨勢。
2. 資產管理市場發展快速，境外投資的產品及管道越來越多元。
3. 資產配置觀念逐漸落實。

以上這些趨勢，對投信來說，意味著在日後進行管理資產的配置及風險控管方面，與國外業者的合作空間將會越來越大；在與國外先進合作，引進國際經驗的同時，可以協助投信累積經驗、提昇投信經營本土、佈局全球的資產管理能力，對促進投信產業健全發展而言，有非常正面的影響。

全權委託投資業務與私募基金業務均微幅成長

國內投信私募基金業務發展未如預期，截至95年12月底，總計有165檔私募基金發行，基金總規模達523億新台幣，與前一年同期的132檔及基金總規模437億新台幣比較微幅成長。其中主要歸因於95年1月1日起正式實施的「所得基本稅額條例」，即「最低稅負制」，規定私募基金之交易所需納入稅基以及金管會規定國

內投信所發行私募基金事業運用私募基金不得協助特定人為規避稅負或重大影響投信事業誠實信用及專業投資管理原則之操作。

不過就目前私募基金產品的發展已趨向多元化來看，即使適用最低稅負制，仍能夠達成不同屬性投資人之理財目標，未來投信公司若要搶佔這塊市場，必需要在商品設計上或創造報酬上更有原創性及獲利性，使投資人能享受更大的投資報酬，才能贏得商機。

全權委託投資業務部份，截至95年底契約金額為6千62億元，與94年相較成長約26%。依據統計，投資人結構中，在契約數方面自然人散戶仍佔較高比例，其自然人契約數量以及有效契約金額均較去年有所成長。

促進產業再發展

與歐盟UCITS規範接軌、強化風險管理機制將是國內資產管理業進一步發展的重要支柱。目前在台銷售的境外基金中有9成以上是註冊於歐盟的基金，根據UCITS III規範成立的歐盟基金已經成為在台的主流境外基金商品。歐盟對基金的規範，無疑對國內投資人、國內基金及投信業者都很深遠的影響，為了建立效率及公平的法規環境，並且跟國際主要基金規範接軌，公會於95年4月間組成UCITS小組，進行國內規範與UCITS III的對照檢討，歷經小組及委員會多次討論後，在96年1月向主管機關從資金運用、管理公司及資訊揭露等方面提出多項建議。

全權委託投資業務統計 Statistics of Discretionary Investment

資料日期：95年12月31日
Date: Dec. 31, 2006

分類 Classification	有效契約金額 (新台幣：元) Amount (NTD)	有效契約件數 Contract
投信公司 SITE Discretionary Investment Business Statistics	545,795,683,531	301
投顧公司 SICE Discretionary Investment Business Statistics	9,830,647,153	273
兼營投顧業務 (委任) Side Business as SICE Discretionary Investment Business Statistics (Mandate Contractual Relationship)	0	0
兼營投顧業務 (信託) All SICE Discretionary Investment Business Statistics (Trust Rela- tionship)	50,641,137,657	148
總計Total	606,267,468,341	722

投信投顧業各項業務統計表

Statistics of SITE and SICE Industry

單位：新台幣十億元 (Unit:NT\$billion)

資料日期：96年2月1日
Date: Feb. 1, 2007

	各項業務統計 Business Statistics							
項目 Item	共同基金 Mutual Funds		私募基金 Private Funds		全權委託 Discretionary Investments		境外基金 Offshore Funds	
年/月 Year/month	基金數 Number of Funds	淨資產 總額 Fund Size	基金數 Number of Funds	淨資產 總額 Fund Size	契約數 Number of Contracts	淨資產 總額 Fund Size	基金數 Number of Funds	淨資產 總額 Fund Size
2003	417	2,666.85	-	-	450	332.95	740	-
2004	466	2,481.26	-	-	547	426.52	733	-
2005	502	1,963.11	132	43.71	563	483.82	855	-
2006/1	503	1,971.43	139	44.90	636	509.50	852	-
2006/2	496	1,934.62	140	45.47	649	509.72	840	-
2006/3	497	1,939.31	141	46.02	640	517.42	843	-
2006/4	494	1,958.57	146	47.15	659	520.67	841	-
2006/5	504	1,961.77	148	48.76	677	547.65	822	-
2006/6	506	1,950.17	156	49.41	713	578.46	830	-
2006/7	502	1,958.34	161	52.44	727	597.63	613	1,107.96
2006/8	501	1,951.91	165	53.93	735	597.81	641	1,132.71
2006/9	508	1,932.88	168	54.59	744	602.07	671	1,159.77
2006/10	508	1,949.26	165	54.43	756	612.74	677	1,224.25
2006/11	508	1,964.00	167	55.47	745	616.99	703	1,289.83
2006/12	508	1,976.60	165	52.35	722	606.26	711	1,363.65

基金分類統計

Statistics of Mutual Funds by Types

資料日期：95年12月31日

Date: Dec. 31, 2006

基金類型 Types of Mutual Fund	基金數量 Number of Funds	基金規模 (新台幣：元) Fund Size (NTD)	受益權單位數 Number of Units	受益人數 Number of Investors	市場占有率 Market share %
封閉式股票型 (投資國內) Closed-End Funds	1	5,489,870,977	500,000,000.00	9,285	0.28%
開放式股票型 (投資國內) Open-Ended Funds	176	239,498,077,579	14,184,783,609.21	789,046	12.18%
股票型 (國外募集投資國內) Domestic Equity Funds (Foreign Capital)	2	10,783,262,728	29,174,918.80	2	0.55%
國際股票型 Int'l Equity Funds	79	231,813,236,877	18,405,216,556.82	392,381	11.79%
債券股票平衡型 Balanced Funds	82	100,784,728,931	8,429,727,870.41	93,672	5.13%
債券型 (投資國內)-現行 Domestic Bond Funds-Current	2	46,185,943,105	3,185,560,868.76	2,969	56.19%
債券型 (投資國內)-固定收益型 Domestic Bond Funds-Fixed Income	6	10,887,592,795	844,773,441.88	1,212	
債券型 (投資國內)-類貨幣市場型 Domestic Bond Funds-Quasi Money Market Fund	69	1,044,347,375,127	74,410,346,797.96	67,581	
債券型 (投資國外) Int'l Bond Funds	13	19,267,770,901	1,868,141,876.73	6,580	0.98%
組合理 Fund of Funds	61	155,477,682,847	14,249,511,321.67	72,460	7.91%
指數股票型 Exchange-Traded Funds	3	40,660,846,926	747,000,000.00	9,967	2.07%
保本型 Principal Guaranteed Funds	3	3,504,519,483	201,469,149.86	2,949	0.18%
貨幣市場 Money Market Fund	2	10,846,151,923	748,103,327.47	1,799	0.55%
指數型 Index Funds	1	425,978,990	31,748,115.90	648	0.02%
資產證券化型 Securitized	8	46,550,507,337	4,024,612,991.30	13,664	2.37%
總計 Total	508	1,966,523,546,526	141,860,170,846.77	1,464,215	100.00%

歷年共同基金發行概況

Mutual Fund Issuance Over the Years

淨資產總額(單位：億元)
Fund Size(100 mil. NTD)

資料日期：95年12月31日
Date: Dec. 31, 2006

年度 Year	開放型基金 Open-Ended Fund				封閉型基金 Closed-End Fund				指數股票型 Exchange-Traded Funds				貨幣市場型 Money Market fund				各年度年底淨資產總額 Total Mutual Funds	
	投資國內有價證券 Domestic Equity Funds		投資國外有價證券 International Equity Funds		投資國內有價證券 Domestic Equity Funds		投資國外有價證券 International Equity Funds		投資國內有價證券 Domestic Equity Funds		投資國外有價證券 International Equity Funds		投資國內有價證券 Global Equity Funds		投資國外有價證券 International Equity Funds			
	在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan		在國內募集 Raised in Taiwan			
	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size	基金數 Number of funds	淨資產總額 Fund Size		
1985	1	35.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	1	35.00
1986	4	75.00	1	17.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	5	92.00
1987	4	130.00	4	74.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	8	204.00
1988	4	116.00	4	49.00	3	34.00	0	0.00	4	221.00	0	0.00	0	0.00	0	0.00	15	420.00
1989	4	177.00	7	132.00	4	20.00	0	0.00	4	385.00	0	0.00	0	0.00	0	0.00	19	714.00
1990	4	113.00	8	104.00	4	11.00	0	0.00	6	315.00	0	0.00	0	0.00	0	0.00	22	543.00
1991	6	172.00	8	94.00	4	9.00	0	0.00	9	496.00	0	0.00	0	0.00	0	0.00	27	771.00
1992	6	153.00	8	81.00	4	7.00	0	0.00	10	495.00	0	0.00	0	0.00	0	0.00	28	736.00
1993	6	414.00	10	140.00	4	10.00	0	0.00	20	1,311.00	0	0.00	0	0.00	0	0.00	40	1,875.00
1994	7	564.78	34	568.42	4	9.37	0	0.00	21	1,352.70	0	0.00	0	0.00	0	0.00	66	2,495.27
1995	9	526.12	56	1,035.94	8	58.68	1	10.57	17	846.49	1	40.42	0	0.00	0	0.00	92	2,518.22
1996	9	720.18	81	2,766.45	10	39.05	3	31.95	21	1,157.07	1	34.49	0	0.00	0	0.00	125	4,749.19
1997	9	487.47	108	3,704.47	13	177.08	5	147.39	21	1,053.16	0	0.00	0	0.00	0	0.00	156	5,569.57
1998	9	302.45	152	6,126.38	15	266.85	7	149.93	17	614.01	0	0.00	0	0.00	0	0.00	200	7,459.62
1999	9	436.80	196	9,026.92	15	535.54	7	215.56	9	375.62	0	0.00	0	0.00	0	0.00	236	10,590.44
2000	9	196.02	252	9,853.33	19	384.95	16	385.90	5	146.95	0	0.00	0	0.00	0	0.00	301	10,967.15
2001	9	208.46	277	16,812.69	19	258.00	16	333.82	5	163.13	0	0.00	0	0.00	0	0.00	326	17,776.10
2002	8	131.83	300	20,907.91	24	315.82	27	387.07	3	69.01	0	0.00	0	0.00	0	0.00	362	21,811.64
2003	6	139.45	332	24,681.97	32	530.83	43	839.72	3	82.24	0	0.00	1	394.28	0	0.00	417	26,668.49
2004	3	76.58	362	22,860.60	35	424.45	62	947.51	3	83.42	0	0.00	1	420.01	0	0.00	466	24,812.57
2005	2	95.01	369	16,461.48	38	784.22	91	1,871.05	1	52.98	0	0.00	1	366.43	0	0.00	502	19,631.17
2006	2	107.83	328	14,1939.53	46	1,463.41	126	3,384.49	1	54.90	0	0.00	3	406.61	1	74.45	508	19,665.23

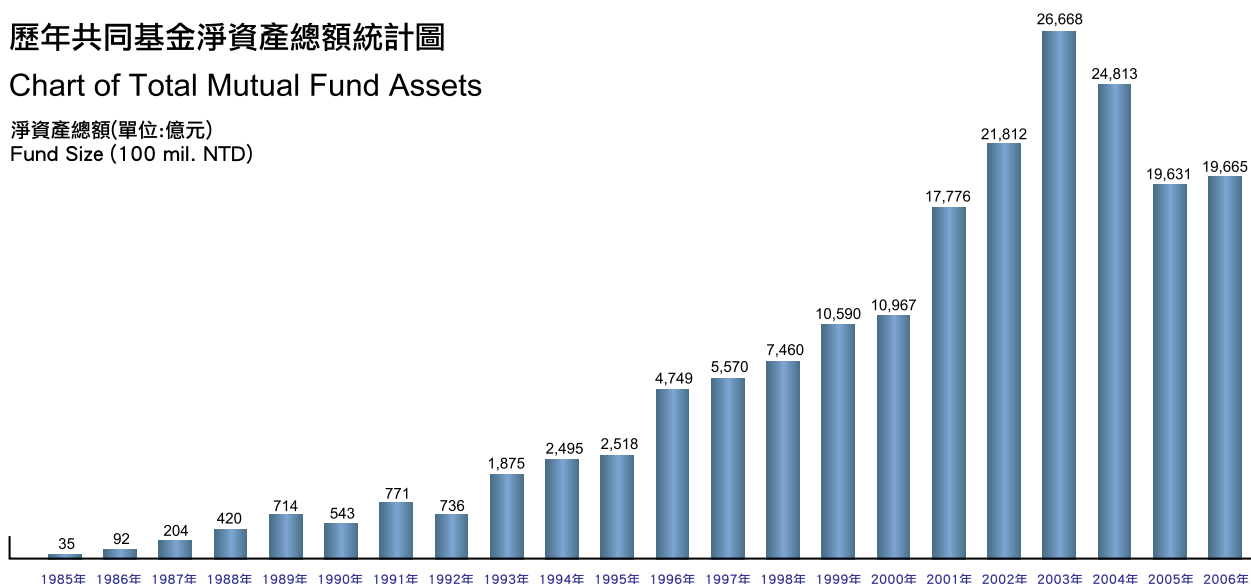
歷年共同基金淨資產總值統計圖

Historical Statistics of Fund AUM

歷年共同基金淨資產總額統計圖

Chart of Total Mutual Fund Assets

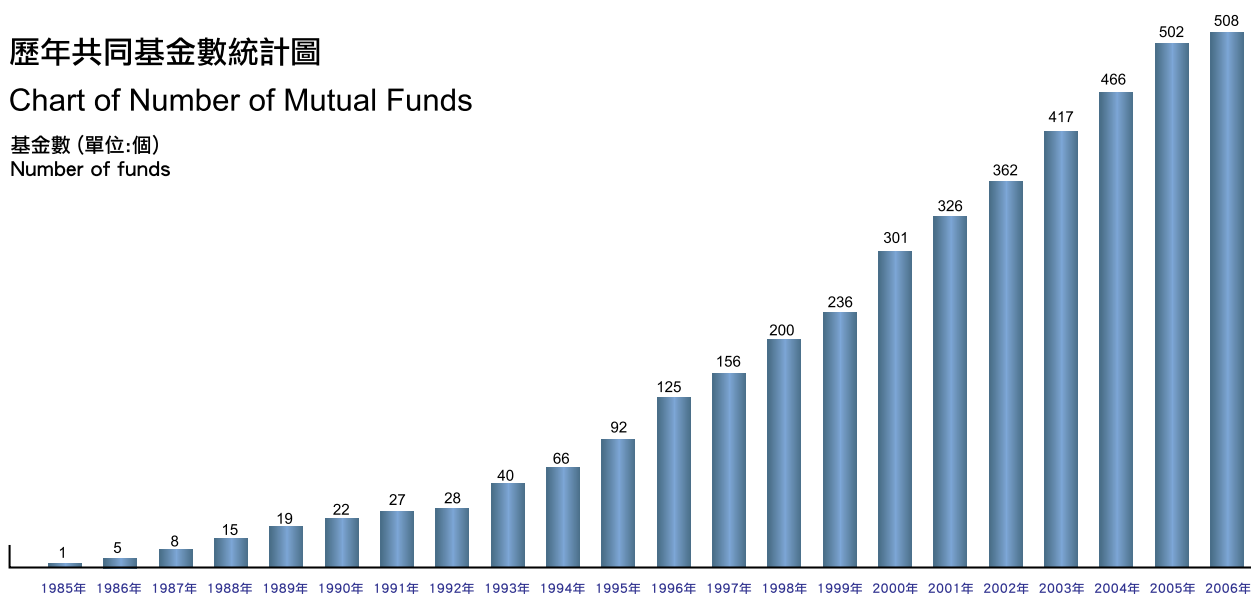
淨資產總額(單位:億元)
Fund Size (100 mil. NTD)



歷年共同基金數統計圖

Chart of Number of Mutual Funds

基金數 (單位:個)
Number of funds



歷年會員家數統計

Statistics of Membership

台北市證券投資信託暨顧問商業同業公會

Securities Investment Trust and Advisory Association of Taipei, R.O.C.

年度 Year	證券投資信託公司 SITES	證券投資顧問公司 SICES	會員總數 Membership	成長數 Growth Number
1990	4	52	56	—
1991	4	62	66	10
1992	15	52	67	1
1993	15	54	59	2
1994	15	53	68	-1
1995	17	56	73	5
1996	19	79	98	25
1997	25	109	134	36
1998.10.08	29	106	135	1

中華民國證券投資信託暨顧問商業同業公會

Securities Investment Trust and Consulting Association of the R.O.C.

年度 Year	證券投資信託公司 SITES	證券投資顧問 公司 SICES	他 業			會員總數 Membership	成長數 Growth Number
			信託業 Trust Co.	證券商 Securities Co.	期貨商 Futures Co.		
1998	29	117	—	—	—	146	—
1999	35	164	—	—	—	199	53
2000	38	199	—	—	—	237	38
2001	41	206	—	—	—	247	10
2002	44	208	—	—	—	252	9
2003	43	209	2	—	—	254	2
2004	45	216	12	—	—	273	19
2005	45	210	20	—	1	276	3
2006	41	168	24	5	1	239	-37

投信投顧人力素質分析

Work Force Composition of SITE and SICE

從業人員平均年齡統計 Work force

	年齡 Age							
	20歲以下 Age below 20	21-25歲 Age of 21-25	26-30歲 Age of 26-30	31-35歲 Age of 31-35	36-40歲 Age of 36-40	41-45歲 Age of 41-45	46-50歲 Age of 46-50	51歲以上 Age over of 51
投信業比例 SITE %	0.0%	2.1%	19.6%	37.2%	25.6%	11.7%	2.8%	1.2%
投顧業比例 SICE %	0.0%	2.5%	16.9%	27.8%	25.8%	15.4%	6.5%	5.1%

從業人員服務證券金融年資統計 Seniority

	年資 Year					
	1年以下 Below 1 year	1-3年 Between 1-3 years	3-5年 Between 3-5 years	5-7年 Between 5-7 years	7-10年 Between 7-10 years	10年以上 Over 10 years
投信業比例 SITE %	6.8%	14.2%	11.9%	12.8%	23.1%	31.3%
投顧業比例 SICE %	30.4%	14.4%	10.8%	9.9%	14.6%	19.8%

從業人員平均學歷統計 Education

	學歷 Education					
	博士 Ph. D.	碩士 Master Degree	大學 Bachelor Degree	專科 Associate Degree	高中 High School Diploma	其他 Others
投信業比例 SITE %	0.03%	27.6%	47.3%	21.3%	3.7%	0.0%
投顧業比例 SICE %	0.1%	23.6%	47.5%	20.6%	8.0%	0.3%

從業人員平均證照統計 License

人次	證照 License							
	證券投資 分析人員 Security Analyst	證券投信投 顧業務員 SITE & SICE Business Professional	證券商高 級業務員 Senior Broker	證券商業 務員 Junior Broker	期貨交易 分析人 Futures Analyst	期貨商業 務員 Futures Broker	信託業業 務人員 Trust Business Professionals	投信投顧法規 SITE & SICE Regulatory Examination
投信業 總計 SITE	24	1353	686	111	0	124	171	121
投顧業 總計 SICE	100	1037	1355	182	5	136	186	124

The Outlook

Challenges and opportunities under new labor pension system

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The new pension system took effect in July 2005, whereas the fund at individual pension accounts has accumulated NT\$110 billion at the end of 2006. Previously, such a huge amount of fund could be only held at bank's time deposits. Since the Legislative Yuan passed the third reading of the bill about the structure of the labor pension supervisory committee in March 2007, the Labor Pension Supervisory Committee will be soon formally established to take charge of investment operation and assets allocation of the labor pension fund.

The committee, upon its establishment, will also take over the NT\$400 billion of the labor retirement fund raised under the old scheme, in addition to the over NT\$110 billion at individual pension accounts. In other words, the committee will manage a total fund of over NT\$500 billion shortly after its formal operation. Regarding the lack of professional fund managers among the committee members, it's very likely for the committee to outsource the pension fund to private assets management companies. Initially, it may follow a more conservative approach to assure lower risk and guaranteed returns ratio. As such, the percentage of its stock investments may be lower than the average international level. Also, it's expected to allocate a portion of the fund for offshore investments as a means to disperse risk and to take advantage of the higher interest rates in foreign countries.

When the committee starts to function, it may face mounting demand of laborers for the freedom to decide investment portfolio for their own pension. Under the defined-contribution (DC) pension system, employers appropriate 6% of each employee's monthly salary into his or her pension account and the final amount of an employee's pension upon his or her retirement is closely linked with the returns ratio of the investment of the fund at his or her pension account. A simple trial calculation indicates that the final amount of the pension for a retired employee after 30 years of work will be equivalent to 12% of his salary income given an investment returns ratio of 3%, or the former figure may rise to 26% when the latter is raised to 6%.

Laborers vary from each other in age, financial condition, and risk tolerance, so it's impossible to have the same investment portfolio to fit every laborer. Thus, the labor pension supervisory committee

will soon have a major duty to provide several or dozens of risk/returns combination alternatives for laborers to choose. Regarding the different levels of assets management knowledge and different cost concerns of laborers, it will be a much more practical approach for the labor pension supervisory committee to increase the investment alternatives for laborers to choose by approving several investment portfolios proposed by private assets management companies in addition to those provided by the commission itself.

While people have the freedom to decide the investment portfolio for their pension fund, they will become increasingly conscious about assets management. Regarding that the labor pension and labor insurance can be at most equivalent to 30-40% of salary income, most employees are aware of the need to save money by their own in addition to the mandatory savings for labor pension and labor insurance. It will thus constitute another considerable power to drive the development of Taiwan's assets management market. The people with higher wealth management capability should be willing to transfer a portion of their bank deposits, which now top NT\$20 trillion in total, to the assets management market and that will create many more business opportunities to the assets management operators.

All the potential business opportunities associated with the new pension system discussed above will gradually emerge on the market within five years. These new opportunities, however, won't appear by themselves. How to combine the wisdom and efforts of government officials, scholars, assets management operators, and labor union leaders to make revisions to the existing labor retirement and pension regulations and how to enhance assets management education for laborers will be the two key issues to determine the success of the new pension system aimed at providing diversified investment alternatives to laborers. Assets management operators are encouraged to actively participate the reform on Taiwan's pension system by making feedbacks to the society on one hand and well prepare themselves for the emerging business opportunities on the other hand. As such, we will expect a triple-win for laborers, the society, and the assets managers with the coming pension system.

Future Tasks

The SITCA, thanks to the collaboration of members and other market players of the industry, made a fruitful year of 2006 under an environment full of challenges. In law implementation, the SITCA, during the legitimate grace period, successfully converted the traditional offshore fund sales system to the current one featured with the operations of offshore fund master agents, marking an important milestone for the development of Taiwan's offshore fund market. In the aspect of business promotion and investor education, the population on the RSP grew 32.1% in 2006, with an even faster annual growth of 47.42% in total invested amount. As for the development of market regulatory system, the SITCA completed a full comparison between Taiwan's securities investment trust regulations and the UCITS III standards as well as made a list of recommendations concerning investment operation, assets management, and information disclosure as reference to the regulator. Looking ahead, the SITCA, under the principle for pursuing continued advancement, will go on to promote individual retirement plans in Taiwan and to enhance its services to win greater satisfaction of members as a means to make the environment favorable for the business expansion of members. Under these goals, the SITCA proposed several major work plans for 2007 as follows:

To promote individual retirement plans

In view of the pension management practices in foreign countries such as the United States (401k), Hong Kong (MPF), and Australia (Superannuation), it's not difficult to realize that individual retirement plans will not only help reduce the government's financial burden, but will also provide the opportunities for investment-conscious laborers to pursue higher returns for the funds at their own pension accounts. It will help boost the development of the assets management market in Taiwan and create a triple-wins for the government, laborers, and assets management companies. As such, the SITCA will actively refer to the successful foreign experiences for proposing revisions to the relevant regulations as well as provide information publicity and investor education in its endeavor to promote individual retirement plans in Taiwan.

1. Introduction of successful foreign pension systems

With the development of foreign pension systems, we are likely to see an aging society for most countries in the future. It will become a heavy financial burden for the government to provide sufficient protection for the retired life of all the laborers. The traditional centralized government-

managed pension system, which generates limited investment returns, won't be enough to meet the growing demand in the future. It's the reason why most advanced countries have followed the individual retirement plans under which the individual laborers have freedom to decide the investment portfolio of their pension fund based on their different conditions and financial need. In order to promote individual retirement plans in Taiwan, the SITCA will take initiatives to introduce the pension management systems in foreign countries such as the United States (401k), Hong Kong (MPF), Singapore (CPF), and Australia (Superannuation) as reference to the regulator. It will help accelerate the development of such a new system in Taiwan at much lower social cost and within a much-shortened period of time.

2. Regulation revisions for development of individual retirement plans

While introducing the successful foreign experiences to Taiwan, the SITCA will also hold conferences to discuss the related topics, call on regulator such as the Council for Labor Affairs (CLA), the Labor Pension Supervisory Committee, and the Legislative Yuan as well as actively exchange viewpoints on this matter with other government officials, scholars, and market players in a hope to collect everybody's efforts and wisdom to work out practical solutions to this issue.

3. Information publicity and investor education

It's always a primary and an inevitable duty for the SITCA to disseminate correct assets management knowledge to the public. The SITCA, in addition to the efforts for introducing foreign pension systems and working out practical solutions, has also proposed a full package of public education activities such as collaborating with mass media, the Pension Fund Association, and the CLA in holding a series lectures on this issue around the island, publishing handbooks, launching a special "Pension Management Area" on its website, and so on. These activities will not only help promote individual retirement plans, but will also disseminate correct assets management knowledge to the public.

To enhance member services

Another major task of the SITCA in 2007 is to enhance its services to win greater satisfaction from its members. Under this goal, it will continue to help promote the services of SITEs and SICEs, reinforce self-discipline rules, and promote the overall industrial image. These efforts will also

help members win investors' understanding and confidence on their services. In the New Year, the SITCA will continue to streamline its new computerized member's employee registration and inquiry system and provide a new service to make initial evaluation on new offshore fund applications filed by members. Meanwhile, in a bid to activate interaction among members as well as build up a closer relationship between the SITCA and members, the SITCA conducted a comprehensive survey on members for collecting their opinions and comments as its valuable reference concerning how to adjust the Association's work plans for 2007.

1. Computerized employee registration and inquiry system

The SITCA proposed a large-scale upgrading for its member's employee registration and inquiry system to streamline the procedure for members to register with the SITCA for their new employment or search for employee data; to simplify the computer operations for making new entries or data revisions; to strengthen the archive functions for members to search for membership information; to add marquees and hot bars on web pages to provide users with noticeable information or instructions; to launch an online registration and automatic reply mechanism for its training courses; to continue to strengthen the online document-filing system for the SICEs; to provide important information about international market regulations on its website, and many others.

2. Initial audit for new offshore fund application

With an attempt to shorten the working days of the regulator for reviewing the new offshore fund applications, the SITCA started a new service for making initial audit for the new offshore fund applications filed by members in a bid to help the regulator save nearly 50% of the time for reviewing the applications.

財務報告

Financial Statements

收支決算表 Income Statement

中華民國95年1月1日至12月31日

For the year ended December 31, 2006

科 目	Descriptions	金額 Amount	百分比(%)
收 入	Revenues		
入會費收入	Revenues from membership dues	36,000	0.04%
常年會費	Revenues from annual dues	9,723,340	11.36%
事業費收入	Revenues from member's business	68,060,950	79.51%
委託收入	Income of trust projects	609,407	0.71%
專案計劃收入	Revenues from project	5,771,503	6.74%
利息收入	Revenues from interests	859,892	0.14%
雜項收入	Other revenues	541,247	0.63%
收入合計	Total Revenues	85,602,339	100.00%
支 出	Expenses		
人事費	Personnel expenses	33,809,616	50.84%
辦公費	Administration expenses	5,339,987	8.03%
業務費	Operating expenses	17,329,613	26.06%
購置費	Purchasing fees	850,583	1.28%
繳納團體會費	Membership fees	1,541,000	2.32%
社會服務費	Employee welfare	100,000	0.15%
雜項支出	Miscellaneous expenses	5,756	1.58%
稅捐	Tax	529,408	0.80%
提撥基金	Appropriation for funds	7,000,000	10.53%
支出合計	Total Expenses	66,505,963	100.00%
本期餘絀(稅前)	Pre-tax Net Surplus	19,096,376.00	
所得稅費用	Income tax		
本期餘絀(稅後)	After-tax Net Surplus	19,096,376.00	

Introduction of the Association

History

The Association was reorganized on October 8, 1998 and previously known as Securities Investment Trust & Advisory Association of Taipei, R.O.C., which was set up in January of 1990. To strengthen services for its members, well perform its functions as self-regulatory organization, meet the requirements for securities market development, and support the administrative operations entrusted by the government agencies in charge, the Association obtained the permission to set up from the Ministry of the Interior affairs on November 6, 1998.

Missions

The missions of the Association are to promote national economy, coordinate the relationships between the members, and advance their common interests.

1. To cope with nation's economic development and promote the functions of local securities market.
2. To conduct investigation, statistics, consultation, and research and development of the operations of members.
3. To uphold the fairness and integrity of SITE, SICE, discretionary investment management, offshore funds business and protect the investors.
4. To prevent any untruthful, fraudulent, deceiving, or misleading business conducts in the market.
5. To research, propose, promote, and facilitate policies and guidelines to the government on behalf of the industry.
6. To conduct field inspection on members' compliance with applicable laws and regulations.
7. To report to the competent authority in charge and coordinate members to deal with other members in financial trouble or issues concerning investors' rights and interests.
8. To supervise and manage assets and property of members in insolvency proceedings.
9. To enforce members' self-discipline and code-of-conduct matters of operations improvement, liaison and coordination.
10. To mediate the disputes between members or those between members and the investors.
11. To conduct pre-job training and on-job training, as well as operations training.
12. To manage the advertisements, exhibitions and certifications for members.
13. To rectify member's misconducts and violations of self-regulations.

14. To establish personnel data of members, representatives and employees, and conduct investigation and registration of members' activities.
15. To offer members the services of permit, amendment, and replacement and other license-related matters.
16. To conduct the activities of social charity for members.
17. To protect the legal rights and interests of members.
18. To offer the services entrusted by government agencies or other organizations and establishments.
19. To participate in social activities in compliance with "Business Group Laws".
20. To manage the matters regulated by relative laws and those suggested by members.

Organizations

General Assembly

The SITCA members are divided into four classes in accordance with their business revenues: A, B, C, and D with 6, 4, 2, 1 representatives appointed to form the General Assembly, which is the highest power of the Association. Up to December 2006, there were a total of 41 SITEs, 168 SICEs, and concurrent business of 30 SICE. Total membership is 239 with 411 member representatives.

Functions and responsibilities

- Elect and recall the members of Board of Directors and Supervisors.
- Enact and amend the rules of the Charter of the Association.
- Call for votes on the annual work schedules, budgets of expenditures, actual expenditures.
- Resolve on the matters proposed by the Board of Directors and Supervisors as well as member initiatives.
- Resolve on membership fees, annual fees, and business fees.
- Dispositions on member and their representatives other than those specified under Article 18, Section 2 of Association article of incorporation.
- Discharge of directors and supervisors.
- Disposition of property.
- Resolve and liquidate on the Association, the appointment of liquidation supervisor and other related matters.
- Resolve on other substantial matters concerning the rights and obligations of the members.

Board of Directors

The board is composed of 33 directors and ten of them are from of scholars and experts. The Board of Directors is the highest execution body for the SITCA. One Director shall be elected as the Chairman to represent the SITCA.

Functions and responsibilities

- Elect non-member directors and supervisors jointly with the Board of Supervisors.
- Elect and discharge the Chairman.
- Resolve on the voluntary resignation of Chairman and directors.
- Execute resolutions passed by General Assembly.
- Call for the meetings of General Assembly.
- Resolve on new membership, revocation, and representatives.
- Prepare and draft annual projects, budgets, and action plan.
- Review important proposals.
- Employ and discharge working staff and consultant.
- Enact and amend Association's rules and regulations.
- Enforce matters resolved by the Board of Supervisors.
- Acknowledge necessary emergency measures in the next the General Assembly if not able to convene an official General Assembly.
- Resolve on and dispose of members who fail to submit a timely membership fees.
- Perform legal matter or others required by article of incorporation.
- Others required by its duties.

Board of Supervisors

It is comprised of 11 supervisors, and 4 of them are experts and scholars. One Supervisor shall be elected as the Convener.

Functions and responsibilities

- Elect non-member directors and supervisors jointly with the Board of Directors.
- Elect and discharge Chairman of the Board of Supervisors.
- Supervise the implementation of resolutions of the Board of Directors.
- Supervise the implementation of association affairs by the Board of Directors.
- Review accounting reports of the Board of Directors.
- Audit the budgets and expenses of the Board of Directors.

- Submit supervisory reports to the General Assembly.
- Resolve on the voluntary resignation of supervisors.
- Others required by its supervisory duties.

Committees

To address specific issues that occur out of the Association's affairs and tasks entrusted by government agencies, the Association sets up 12 committees: for association affairs: Finance Committee, Investment Trust Committee, Investment Consulting Committee, Disciplines Committee, Legal Affairs Committee, Education and Training Committee, Public Relations Committee, Research and Development Committee, Cross-Strait Asset Management Business Exchange Committee Off-shore Fund Business Committee; for government entrust matters: Discretionary Investment Business Committee and Professional Qualification of SICE and SITE Committee.

Finance Committee

- Collect and manage membership fees, business fees, and other fees.
- Financial audit.
- Prepare Association's budgets.
- Prepare the annual project and working report.
- Other matters.

Investment Trust Committee

- Promote the development, liaison, coordination, improvement, and business expansion of investment trust-related issues.
- Improve investor service.
- Prepare the annual project, budgets, and working report.
- Other matters.

Investment Consulting Committee

- Promote the development, liaison, coordination, improvement, and business expansion of investment consulting.
- Improve investor service.
- Prepare annual project, budgets, and working reports.
- Other matters.

Disciplines Committee

- Draft professional ethical codes; oversee the supervision and enforcement of self-disciplinary matters for members.

- Regulate business ethics. Prepare annual project, budgets, and working reports.
- Commend and punish self-regulatory matters.
- Mediate business disputes between or among members; settle disputes between the investors and the members.
- Prepare annual project, budgets, and working reports.
- Other matters.

Legal Affairs Committee

- Collect, compile, study, and analyze the laws, directives, and rules of the business in the industries.
- Research and analyze new business initiatives.
- Study and propose to amend the laws and regulations concerning investment trust and investment consulting business.
- Study and issue operational rules for members.
- Prepare annual project, budgets, and working reports.
- Offer consultation and assistance to members and their investors in matters of contracts, laws, and regulations.
- Assist members in regulatory matters.

Education and Training Committee

- Research qualification exams for SITE and SICE business personnel.
- Pre-job and on-job training.
- Hold on-site visits, speeches, seminars, sports, and other entertainment activities.
- Publications.
- Promotion of asset management issues.
- Prepare annual project, budgets, and working reports.
- Other matters. Public Relations Committee
- Study, propose, and execute the public relation projects.
- Coordinate and release the news of Association's activities
- Prepare annual project, budgets, and working reports.
- Promote the social exchange between the Association members and international visits
- Other PR matters.

Research and Development Committee

- Hold seminars and conferences.
- Research and analyze regulatory and legal issues for global mutual fund industry.
- Prepare annual projects, budgets, and working reports.

- Research and develop new business by referring to foreign experience.
- Other matters

Cross-strait Asset Management Business Exchange Committee

- Collect and Study information of investment trust and securities consultation in the regions of the cross straits in terms of law, regulations, and industry current status and future development.
- Organize activities such as conference, symposium and business visit based on issues about securities and assets management in the two sides of the strait.
- Provide SITCA members with related information for developing business in Mainland China.
- Prepare the annual project, budgets, and working report.
- Other matters.

Offshore Fund Business Committee

- Promote the development, liaison, coordination, improvement, and business expansion of offshore fund business.
- Improve investor service.
- Prepare the annual project, budgets, and working report.
- Other matters

Discretionary Investment Business Committee

- Promote the development, liaison, coordination, improvement, and business expansion of discretionary investment management.
- Review the applications of discretionary investment business for members.
- Investors service
- Prepare the annual project, budgets, and working report.
- Other matters

Professional Qualifications of SICE and SITE Business Personnel Committee

- Recognize business personnel and securities analysts.
- Review the qualifications of securities analysts.
- Prepare the annual project, budgets, and working report.
- Other matters

Divisions for Association's Affair

The following six divisions are the major administrative and execution bodies for the Association. Headed by a secretary-general and a deputy secretary-general, they are: Industry Strategy and Research, Auditing, Education & Development, Industry Legal Research, Information, and Administration.

Industry Strategy and Research Division

1. Research and analyze new business initiatives and global trend.
2. Collect and analyze domestic and foreign industry trends and information.
3. Research and study global asset management related issues.
4. Manage and plan business development for members.
5. Manage international coordination, contact, and information exchanges.

Auditing Division

1. Perform the preliminary review of members' applications for discretionary investment management business
2. Audit members' business operation.
3. Review, and correct the deficiencies for member's report and submission.
4. Research members' financial matters and issues.
5. Research members' business issues and systems.

Education and Development Division

1. Hold the educational trainings for the SITE and SICE business personnel.
2. Execute promotional and educational activities through conferences, forums, lectures, or seminars.
3. Edit and publish the annual report and other investment-related articles.
4. Hold educational and promotional activities for asset management.
5. Manage PR matters.

Industry Legal and Research Divisions

1. Research relevant laws and regulations.
2. Manage relevant regulatory lobbies.
3. Research, study, and urge members to comply with self-regulatory matters.
4. Manage business disputes between members and investors.
5. Manage investors' complaints. Information Division.

Information Division

1. Collect and provide monthly fund information.
2. Plan, install, and maintain website.
3. Plan, install, and maintain database.
4. Purchase and maintain hardware and software.
5. Build and maintain Association's service system.

Administration Division

1. Manage the General Assembly, Board of Directors and Supervisors.
2. Manage membership applications, withdrawal, and fees.
3. Review the registration of members' responsible persons.
4. Review the registration of SITE and SICE business personnel.
5. Oversee human resource, financial, clerical, cashier, bookkeeping, procurement, and other administrative affairs.