

Association and Business Activities

The SITCA aims to assist its members in implementing the business activities in accordance with government regulations, by-laws, and self-regulatory regulations. With the help of our Board Directors, Supervisors, and committee members, we accomplished the following during the course of the year:

Continue to expand and develop business activities

1. Proposed offshore fund business and strengthen information disclosure

- ▲ In 2008, the investment limit for China securities for offshore funds was increased to 10%. The limit for H Shares and Red Chip Stocks was lifted. The investment in derivatives products was also increased to 40% for enhancing the investment efficiency. Lastly, foreign equity ETFs was made available to domestic investors.
- ▲ In order to strengthen information disclosure, the timeliness and correctness of the offshore funds daily and monthly reports by the master agents will be improved, and offshore fund statistics shall be disclosed in detail on the SITCA website. Also, starting April 1, information about de-registered offshore funds will be added to the Fund Clearing platform.
- ▲ A study on the fairness of the review and approval process for both domestic and offshore funds was conducted in accordance with the instruction of the Financial Supervisory Commission

(FSC). In the distribution contract, a clause has been added to prevent an inappropriate offers of monetary benefits. Also, initial mutual understanding has been reached with the Trust industry to curb short-term trading of offshore funds as the first step of full implementation. The system is expected to be fully implemented in mid- 2009.

- ▲ The SITCA has revised “External Communication Guidelines for Securities Investment Trusts and Offshore Funds”, so that offshore funds gain a clearer understanding of external communication guideline in order to maintain their professional image.

2. Continued to advance the SICE business

- ▲ The SITCA has continued to study the TV appearances made by the Securities Investment Consulting Enterprise industry in securities analysis programs. The SITCA has aimed to prevent illegal activities by establishing guidelines with regards to the content industry providing securities analysis to investors via the internet. Both the “Procedures for Self-review and Filing Process for Securities Analysis Activities by SICEs over the Media” and the “Guideline for members and its sales departments involving in commercials and business activities” have now been implemented.



▲ Continued to monitor and inform against illegal Securities Investment Consulting Enterprise as well as improving investor education in terms of identifying illegal SICE.

▲ The SITCA is in the process of implementing an electronic filing system that allows members to file “New Additions and Changes to Television Programs for Securities Investment Consulting Enterprise”. The new system will help expedite the filing process and enhance reporting capabilities. The initial testing has been completed and will soon incorporate filings made by members via the internet into the system.

3. Continued to widen the scope of SITE business activities and strength internal control

▲ With the help of Chinese National Association of Industry and Commerce, the SITCA has successfully lobbied the FSC to include publicly offered funds as a qualified investment vehicle for structured products sold by the securities firms. As a result, the “GreTai Securities Market Rules Governing Over-the-Counter Trading of Financial Derivatives by Securities Firms” has been amended to reflect this change.

▲ In an effort toward the relaxation of financial regulation, the SITCA has collected and compiled data from the related companies and proposed 45 changes to the authority-in-charge. The main changes include repeal of the require-

ment for money-market funds to distribute its dividends, sanction for fund management investment decisions to be outsourced, extend of the range of qualified products linked to structured products, etc.

▲ In an effort to increase the level of business activities, the SITCA has continued to lobby the Mainland Affairs Council and other authorities-in-charge on a number of issues that include removing the investment restrictions of Hong Kong, Macau equities, Chinese equities, the re-investment by SITEs, among others. These issues have been taken into consideration and an open dialogue has begun on the feasibility of these issues.

▲ The SITCA researched the issue of establishing an anti-money laundering mechanism for SITE’s internal control and incorporated into the draft of “Guideline for Soft-dollar Transactions for SITE Counterparties Draft”.

▲ Established an accounting committee for the purpose of calculating risk exposures for securities-related products. SITCA is also in the process of drafting a trading risk calculation as part of the application forms of both publicly offered funds and privately placed funds.

4. Continued to lobby for the relaxation of other business activities

- ▲ The SITCA arranged a panel discussion with the Chairman, the Vice-Chairman from the FSC and SITCA Board Directors, consultants, and committee heads to discuss the issues relating to cross-strait relationship, taxation, fully fiduciary discretionary investment, pension funds, etc.
- ▲ Lobbied for the relaxation of investment and trading limits for discretionary investment, i.e. the investment limits in securities related products shall be stipulated in the contract. The SITCA also proposed the consolidation of discretionary investment business and managed futures business for a larger business growth.
- ▲ Lobbied for the relaxation on the application of SITE and SICE's own funds, e.g. remove the foreign currency limit and lower the minimum paid-in capital to allow for more flexibility with funds.
- ▲ Researched possible amendments of Guidelines Governing the concurrent business of SITE and SICE or other Businesses and Prevention of Conflict of Interests as well as Code of Conducts for SITE management and SICE workers.
- ▲ Drafted self-regulating guidelines in response to the new policy set forth by the Taiwan Stock Exchange, which allows SITE and SICE to trade marketable securities through omnibus accounts.

Continuing efforts to advance industry development

1. Signing Memorandum of Understanding (MOU) with Ireland

- ▲ As part of the "Expansion of Range of Services for Securities and Futures Institutions", the SITCA has requested the FSC to sign the MOU with Irish financial regulator. The goal is that funds offered by Taiwan's SITEs can be incorporated as part of the investment targets for Ireland's UCITS funds and that the domestic SITEs and SICEs can accept mandates from Irish UCITS funds.

2. Completed the research study on The Markets in Financial Instruments Directive (MiFID)

- ▲ The SITCA completed the research on whether cross-border multilateral trading facilities under the MiFID fall within the definition of "foreign securities exchanges" stipulated in the FSC regulations.

3. Participated in the study of capital market consolidation as part of government policy-making process

- ▲ In accordance with the instruction by the FSC, the SITCA shall work together with the FSC, Taiwan Securities Exchange, Taiwan Futures Exchange, GreTai Securities Market, Chinese Taiwan Securities Association, and other agencies in conjunction with the Tsar & Tsai Law Firm in drafting the "Taiwan



Capital Market Integration Act". The new act aims to consolidate the Securities Law, Future Trade Law, Securities Investment Trust and Consulting Act, the Bills Finance Management Law, among other legal regulations into a single "Taiwan Capital Market Integration Act", which can in turn regulate the business activities currently under the jurisdiction of the four aforementioned laws.

At the same time, the capital market regulatory system is to be devised based on its various functions. Financial investment products are to be re-defined via negative list systems in order to strengthen investor protection mechanisms and systemize corporate governance. The ultimate goal is to improve the current capital market regulatory system.

4. Researched and studied on the development of Taiwan becoming the Asia Pacific center for asset management and fund operation services

▲ To facilitate the governmental policy of promoting Taiwan as the center for asset management, which would attract the repatriation of capital from Taiwanese businesses and set-up of foreign businesses, the SITCA has worked with TDCC in the project of "The Evaluation of Taiwan's Future Development as Asia-Pacific Asset Management

Center" which is to be chaired by Dr. Shean-Bii Chiu from the National Taiwan University's College of Management and legally supported by Lexcel Partners.

▲ To achieve the policy goal, we shall first evaluate strengths, weakness, objective conditions, and development opportunities of Taiwan and then compare with those of Hong Kong, Singapore, or Shanghai. In the report, we shall combine visions and demands from the industry players to clearly position and identify the characteristics and functional role-play of Taiwan to promote it as on Asia-Pacific financial center in addition to the definition of content and scope of Taiwan asset management. We propose policy incentives and the practical solutions to attract international financial institutions to set up their fund operation centers in Taiwan and hope that said policy incentive may serve as the basis for drafting the so-called "Asset Management Center Development Act" and related measures.

Enhance professional image

1. Organized the Chinese New Year Press Conference on the issue of market overview and research information sharing

▲ The SITCA hosted the Chinese New Year Press Conference on February 6th and conducted the "2008 Survey of SITE and SICE image and the investment at-

titudes". The survey was designed to better understand the average investor's level of understanding toward mutual funds as well as their investment knowledge, abilities, attitudes, and tendencies. The survey was conducted at the end of 2007 and its categories included "Financial institutions' brand image and products", "Fund investment tendencies", "Securities Investment Consulting's range of service and satisfaction level toward SICE advisors", "Awareness of the SITCA," among others. The survey provided valuable data for the authority-in-charge, the SITCA member's companies as well as securities-related agencies. The results are to be used toward shaping the industry for future trends and challenges. The results were published at the 2008 Spring Press Conference.

2. Produced the guideline for advertising activities

▲ In an effort to improve self-regulation for its member companies so that the SICE industry can maintain and even enhance their image, 500 booklets that outlined the advertising guidelines were produced in an educational campaign. As part of the educational campaign, the SITCA also hosted a series of seminars and related training sessions to ensure that the message was thoroughly carried out.

Improve members' asset management abilities and industry competitiveness

1. Organized international symposiums with international finance companies

▲ On September 10th, the SITCA organized the "Financial Derivatives Application and Challenges" with 3A Asia Limited. The goal was to help our members in the area of financial derivatives in four areas: design, development, application, and risk management.

▲ On October 23rd, the SITCA organized the "Financial Derivatives Symposium" with GAM Hong Kong International for the purpose of highlighting hedge funds in terms of its industry trends, investment strategy, and risk management mechanism.

2. Organized advanced classes on asset management in Hong Kong

▲ The SITCA organized a 4-day trip to Hong Kong for its members on May 20~23 for the purpose of exchanging ideas with international asset management companies in Hong Kong. The itinerary included a visit to the Securities and Futures Commission, where the members learned about Hong Kong's asset management industry and its current regulations. The group also visited several well-known asset management companies with the purpose of learning about the logic and strategy behind product design.



Assist the members in capturing the opportunities in Labor Retirement market

1. Project for establishing the Labor-Choice Product Platform under the New Labor Pension Scheme

▲ The SITCA has continued its efforts on the opening up of investment vehicle options under the new Labor Pension Fund scheme. The SITCA has actively participated in the White Papers Committee for the Labor Pension Funds Reform, which was formed by the Pension Fund Association. The committee has worked on investment options, particularly the selection standards for the investment companies, regulatory agencies, and the range of accepted investment vehicles, etc.

2. Organized the “International Retirement Market and Product Development Symposium”

▲ In order to help members better understand the retirement planning and international trends and development for pension fund markets so that they are ready to seize such opportunities. On December 18th, the SITCA organized the “Applications and Challenges for the New Labor Retirement Investment Option Mechanism” with HSBC Global Asset Management and Allianz Global Investors.

Improve communication among members and elevate service quality

1. Organized the “SITE and SICE Badminton Tournament”

▲ On May 24th, the annual SITE and SICE Badminton tournament was held at the National Taiwan University of Education. The tournament continued to be well-received and 107 badminton players participated in the tournament. The crowd was treated to some high-caliber badminton.

2. Organized the “SITE and SICE Golf Tournament”

▲ On November 22nd, the annual SITE and SICE Golf Tournament was held at the Ta Shee Golf and Country Club. 47 members participated in this year's tournament, which was a great way for the members to meet one another and to promote a healthy lifestyle.

3. Held Continuing education for industry members

▲ The SITCA conducted a total of 294 training sessions while total number of attendees reached 15,277. Of which, 24 sessions were held for pre-job training for 1,348 attendees. The remaining 270 were on-the-job training sessions, which attracted 13,929 attendees.

▲ New training sessions included: “Analysis of alternative minimum tax (including offshore earnings)”, “Risk management for executives”, “Building per-

sonal brand starts with putting yourself in the customer's shoes", "Financial derivatives products and related risk management", "Innovation in financial securities", "WTO framework", "Investment strategies using financial engineering", "New labor insurance regulations and national pension system", "Consequences of CDO and subprime mortgage crisis", "Lessons of fund governance from Canada's IRC (Independent Review Committee)", "Opportunities and challenges in the Greater China region for the Taiwan fund industry".

Strengthen investor education

1. Held Pension Funds seminars in Northern, Central, and Southern Taiwan

▲ In May, the SITCA co-worked with the Taiwan Depository & Clearing Corporation (TDCC) for the "Managing Pension Funds" series of seminars throughout the Northern, Central, and Southern Taiwan. The SITCA's Secretary-General, Vicki Hsiao, anchored the seminars while Mr. Lin Bing-Hung from TDCC was the guest speaker for the "Fund Clear - a new platform for offshore funds information". Over 500 people attended the 3 seminars.

2. Improved the content for the "Fund Management Treasure Chest" and "Pension Fund Treasure Chest"

- ▲ The "Fund management Treasure Chest" has been updated and enhanced to better serve investors. Further, fund disclosure has also been improved to elevate the level of transparency. A screening function was also added, so that investors could screen funds based on investment returns or other criteria.
- ▲ In an effort to raise investor awareness and utilization rates for the SITCA website, the SITCA has made regular updates and enhanced the content of the "Pension Fund Treasure Chest". The Treasure Chest provides useful information on both foreign and domestic pension funds systems and advocates the importance of retirement planning, as well as the regular dollar-cost-averaging methods of investing.

3. Provided accurate investment information and available channels on offshore funds

- ▲ For the purpose of providing accurate investment information and available channels on offshore funds, the SITCA has invested in paid keyword searches for portals so that investors will first see disclaimers and the designated site will appear first on the list of search results. This action will lead investors to find legitimate sales channels.



4. Enhanced short-term fund trading and anti-money laundering

▲ On November 24th, 2006, The FSC announced changes made to the “Rules Governing Securities Investment Trust Enterprises”. Article 22-1, item 4 was added to regulate the fees associated with short-term trading. In response to the change, the SITCA will amend the “Guidelines for Securities Investment Trust Enterprise Subscription and Redemption”. The changes to the Rules reflect SITCA’s recommendation that short-term trading is defined as 7 days or shorter trading period and that such fee should be no higher than 2%. It is our belief that this change has positive long-term impacts as it protects both the interest of the funds and the rights of long-term investors.

▲ As part of SITCA’s effort to educate investors on the issue of fund short-term trading and anti-money laundering policies, a special section was set up on SITCA’s website, which details the related regulations, regarding short-term trading, Q&A, as well as links to the related websites. This platform serves as a bridge for communication between SITCA and its members, while allowing investors to find relevant information easily. Further, it serves as an effective tool when combating anti-money laundering.

Continue to show the industry’s presence in the international scene

1. Official visit from the Hong Kong Investment Funds Association

▲ In January, the SITCA accompanied HKIFA’s Managing Director Sally Wong to visit the SFC, Labor Pension Fund Supervisory Committee of Investment, as well as other agencies to exchange ideas on the topics of offshore funds agencies, investments by the Labor Pension Funds, etc.

2. Attendance of the 13th Asia Oceania Regional Meeting

▲ The SITCA attended the AORM in April, which covered a wide range of topics such as pension fund management trends, investor protection, Japan’s financial products trading law, Korea’s investment services and capital market law. The SITCA then compiled a report which was sent to the authority-in-charge and also made available on the website.

3. Attendance of the Investment Company Institute (ICI) Annual Conference

▲ The SITCA attended the ICI annual conference in May. In the conference, various countries discussed and exchanged ideas regarding the changes in the investment environment, ETF development, and innovation in mutual funds, etc.

4. Attendance of the Investment Management Forum

▲ Attended the Investment Management Forum, which was hosted by the European Fund and Asset Management Association (EFAMA) on September 24 ~ 26, 2008, in Geneva, Switzerland. SITCA was represented by our consultant, Lee Shyan Yuan for the 90-min “Investment Management in Greater China” session along with representatives from Taiwan, Hong Kong, Shenzhen, and Shanghai. Afterwards, the SITCA visited the fund industry association and regulators in both Ireland and Luxembourg.

5. Attendance of the 22nd International Investment Funds Association Annual Conference

▲ The SITCA attended the 22nd International Investment Funds Association Annual Conference in October of 2008. In the conference, participants exchanged ideas in the areas of fund industry development, financial regulation, changes in accounting practices, and risk management, etc. After the conference, the SITCA compiled a comprehensive report, which was made available on the SITCA website and sent to the regulators-in-charge.

6. Official visit from Securities Association of China (SAC)

▲ A delegation from the SAC, led by its Vice Chairman, Chen Ziqiang came to Taiwan for a 7-day visit. The 11-person delegation was headed by the Association’s consultant, Vice Chairman, and the Head of the Member’s Department. The SITCA was represented by the Chairman of the Board of Directors, Francis Tu, Cross-strait Committee Head, Liu Zong Sheng, Directors, and industry representatives. Together representatives from both sides visited member companies and hosted the “Cross-strait Asset Management Industry Symposium” in an effort to advance mutual benefits.

