



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:

Assist the industry to capture business opportunities

1. Continued to lobby for the relaxation of the limitation on onshore funds

- ◆ Studied and collected international principle-based supervision for FSC as reference, and to assist the fund businesses to focus on business development and innovation under a more flexible supervision.
- ◆ In managing a securities investment trust fund in its investment or trade, the SITCA suggested FSC to allow the analyses, decisions, execution records, and reviews of the securities investment trust enterprise or securities investment consulting enterprise utilizing fiduciary investment to be in electronic format, in compliance of article 4 and 6 of the Electronic Signatures Act.
- ◆ Promote the risk-management of SITEs fund-of-funds by utilizing futures and derivatives, and allow the pledging of securities as Margin Collateral by SITEs.
- ◆ Regarding the regulation on ratio of stock value to the Balance fund's net asset, after the continued efforts by SITCA, the FSC has agreed that SITEs would be able to apply for contractual amendments on a case-by-case basis.

- ◆ The FSC agreed to amend the "Calculation and announcement of the net asset value of each beneficiary unit" of securities investment trust agreement to include the minimum calculation unit rule without convening beneficiaries' meeting.
- ◆ Suggested to allow funds to invest in "participatory notes" and "foreign call (put) warrants subscription" before a formal proposal, and also the relaxation of the regulation on the rating of overseas bonds invested by onshore funds.
- ◆ Proposed to the FSC on the relaxation of the 40% fund net asset value investment limitation to the SITEs with concurrent futures trust business.
- ◆ Continued to solicit agreement from the FSC to rid onshore funds investing ETFs of the limitations of Article 10, Section 1, Subparagraph 11 under the Securities and Trust Investment Fund Management regulation.

2. Continued to advance the SICE business

- ◆ Proposed simplified procedures for SICE to apply for overseas operations, especially for the consulting services associated with foreign stock or bond transactions. The Association asked the FSC to refer to the practice of securities firms where it doesn't require a company to file applications, but only check qualifications of applicants. Similarly, the SICEs should be eligible to operate any consulting services in the FSC-approved foreign securities market without filing application first.

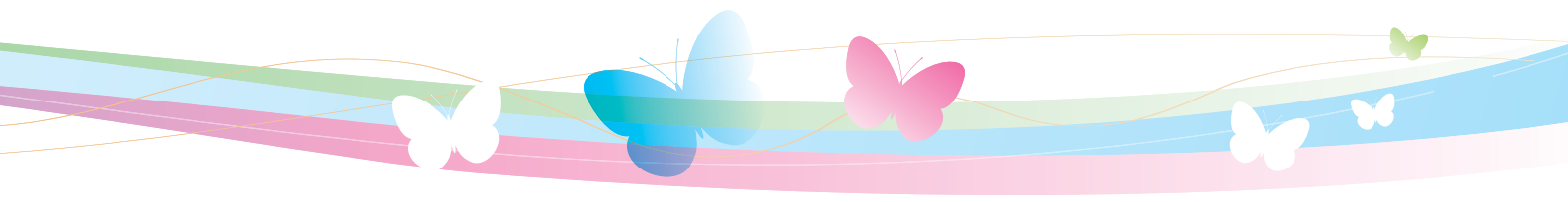
- ◆ Amended SITCA's "Securities Investment Consulting Mandate Contract Template" to enhance the fairness and justice of the template and to reduce unreasonable contractual request and disputes, contributing to the positive development of the industry.
- ◆ Continued to monitor and inform against illegal Securities Investment Consulting Enterprise as well as improving investor education in terms of identifying illegal SICE.

3. Continued to advance the discretionary investment business

- ◆ The SITCA is researching to amend the Regulations Governing the Conduct of Discretionary Investment Business and related contractual templates in cooperation with the deregulation of the discretionary investment business (Trust Relationship) of the SITE, SICE and securities firms with the FSC.
- ◆ Promoted the relaxation of the discretionary investment business of SITEs and SICEs to entrust overseas groups to provide a centralized dealing service, and place orders with domestic execution brokers.
- ◆ The SITCA is drafting "Guidelines for Use of Omnibus Trading Accounts for Securities Trading by SITE and by SICE Conducting Discretionary Investment Business" for the approval of the FSC.
- ◆ In order to assist discretionary investment businesses to obtain business from foreign investment institution and China QDII, the SITCA propose to the FSC to simplify the current legal structure, collected the foreign regulations, and draft an amendment for the Regulations Governing the Conduct of Discretionary Investment Business.

4. Strengthened offshore fund business advancement

- ◆ In 2008, the offering and sale of ETFs have been deregulated. In February 2009, the FSC has announced the application form and documents for Master Agents. So far, 3 ETFs have made an application, with 2 ETFs granted approval.
- ◆ Regarding to "Income Basic Tax Act", income, which is derived from sources outside the Republic of China were added to the individual's basic income in 2009. The SITCA set up a division working with Taxation Agency, Ministry of Finance, hoping to effectively minimize the impact on offshore funds.
- ◆ In response to the CSSF Circular 08/387 issued by Luxembourg that excluded Taiwan in its Equivalent List, the SITCA set up a division to minimize its effect on offshore fund business. After mediation by the FSC, the Luxembourg authorities plan to cancel the list.
- ◆ For talent development and asset management services, the Master Agent should attach documentation regarding the status of the execution of the personnel training plan for Master Agent and Offshore Fund Management Institution when applying for offshore fund offering. The documentation would be compiled into a report by the inspectors, and randomly inspected by the FSC or the SITCA.



- ◆ In order to enhance the transparency and review of offshore funds and protect investors' rights, besides demanding the Master Agent to make prudent offshore fund selection by evaluating the liquidity risk, volatility risk, it is also required to include the following information in "Investor Brochure on offshore Funds" for investors, such as subscription information、investment risk disclosure、fund size and investments updated on a quarterly.

5. Actively promoted the private fund business

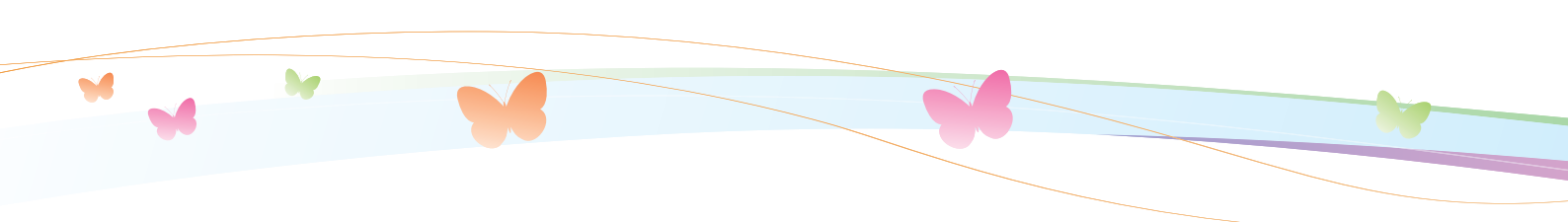
- ◆ As the private funds have been charged securities exchange tax for trading on TWSE and OTC market, the SITCA continued to propose amendments to the 「Income Basic Tax Act」 for exempting the profits generated through transactions of private funds from the mini-mum income tax. The unfair double taxing on private fund investors will be relieved.
- ◆ Motivated the SITEs to enhance private fund risk management, self-regulation so as to work toward further deregulation and product diversification.
- ◆ To reinforce the supervision of offshore fund business, the SITCA suggested the FSC to de-limit certain conditions to maintain the differentiation between public and private funds.

6. Promoted cross-strait exchanges and opportunities

- ◆ Since the "Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors" was passed in April 2009, allowing mainland fund to invest in securities and funds in Taiwan, the SITCA continued to promote further deregulation on investment limit for China securities for offshore funds as well as allowing SITEs to issue ETFs tracking China securities.
- ◆ Regarding the obstacles faced by the SITEs and SICEs in consulting QDII products in mainland China, the SITCA proposes to amend the "Regulations Governing Securities Investment and Futures Trading in Taiwan by Mainland Area Investors" besides signing "MOU and EOL with Overseas Regulators of Oversea Wealth Management on behalf of Clients" with the China Banking Regulatory Commission.
- ◆ Planned to utilize OBU structure as a platform attracting overseas investors to invest and develop Taiwan as the Asia-Pacific wealth management center for the Central Bank's reference.
- ◆ Planned to propose the inclusion of SITE and SICE industry in the agenda of ECFA for the reference of the FSC and Chung-Hua Institution for Economic Research.

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

- ◆ Proposed to include the SITE and SICE working experience under "Futures relat-



ed work experience” in the Futures Trading Analyst qualification. The Chinese National Futures Association resolved on November 11th, 2009 to include any specific work experience about futures as “Futures related work experience”.

- ◆ In response to the APG suggestions, the SITCA have amended “Guidelines for Anti-Money Laundering Noticeable Items for Securities Investment Trust Business and Security Investment Consulting Business”.
- ◆ The SITCA proceeded to establish an anti-money laundering mechanism for SITE’s internal control and incorporated it into the draft of “Guideline for Soft-dollar” for approval.
- ◆ The SITCA, proposed to increase the 10 % limit of the amount of foreign currency held to the net asset value of the SITEs and SICEs in the appointed foreign exchange banks. Currently, it has been increased to 30%.
- ◆ The FSC approved the SITEs to adjust the management and custodial fee of Domestic Bond Fund - Quasi Money Market Fund without convening beneficiaries’ meeting. The SITEs should commission a law office to make comments from legal aspect and changed the Trust Agreement in original limit.
- ◆ Continued to propose the relaxation of fund managers’ qualification requirement to manage the same type funds. The 1-year similar fund or asset management experiences including on behalf of other fund managers should be included in the requirement.

Proactively promote international exchange, and improve industry competitiveness

1. Hosted the 14th Asia Oceania Regional Meeting

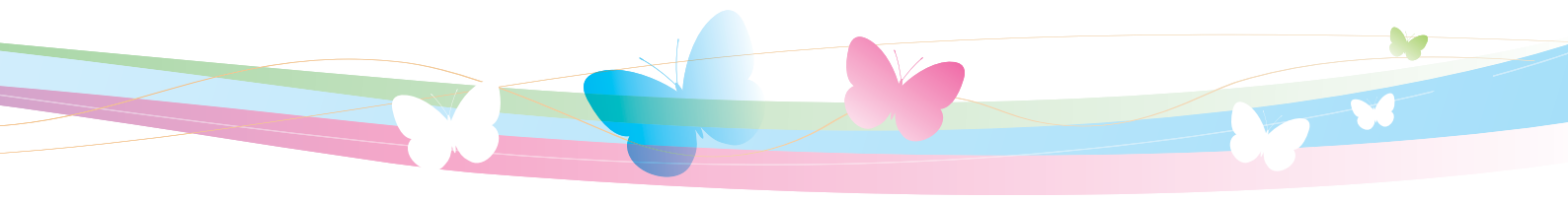
- ◆ The SITCA hosted the 14th AORM from 13th to 17th of April. A total of 23 participants attended the meeting, including Japan, Korea, Hong Kong, Philippines, Thailand, Malaysia, Singapore, India, Australia, Bangladesh and Taiwan. The meeting focused on each country’s industry development as well as the challenges and opportunities brought about by the financial crisis.

2. Hosted the cross-strait securities investment symposium

- ◆ In hopes to enhance the cross-strait exchange after the signing of MOU and pursue cooperative relationship, the SITCA held a “Cross-strait securities investment funds symposium” on September 24th, 2009 in Shanghai. The event aims to introduce the business relating to cross-strait securities investment funds, focusing on the development and trends of the fund industry, public relations and investor education, promotion and prospects of RSP, fund product innovation in Taiwan, and sale of funds in China banks.

3. Participated in finance conference and seminars

- ◆ The SITCA cooperated with the Taiwan Competitiveness Forum to host the forum on “How do the securities, futures and fund industry enter the China market”.



- ◆ Co-hosted the “Conference of Taiwan’s financial market, development and reform” with Foundation of Pacific Basin Financial Research and Development to discuss financial reform, cross-strait exchange, capital market supervision, and the challenges of securities, future and fund industry.

4. Organized symposiums with international financial institutions

- ◆ To assist the members to expand the fund industry and the opportunities presented by the growth of cross-strait businesses, the SITCA and Deacons in Hong Kong hosted a conference on “Internationalization through Taiwan” on the 26th of February. The goal was to introduce the framework of hedge funds and asset management business in Hong Kong.
- ◆ To assist the member in further understanding of Japanese pension fund and fund market development trends, the SITCA, MPI Japan and Pension Fund Association (ROC) jointly organized the “Conference of Japanese pension fund scheme and fund market development trends”.

Increase member interaction and promote a cooperative industry relationship

1. Hosted the SITE and SICE Badminton Tournament

- ◆ The SITCA hosted the annual “SITE and SICE badminton tournament” on the 20th of June at the National Taipei University of Education. The total participants increased this year to 114 badminton players. The games proceeded with exciting.

2. Hosted the ten-year anniversary of the SITCA

- ◆ To celebrate the ten-year anniversary of the SITCA, and also to improve member interaction, the “SITCA ten-year anniversary and BBQ” event was specially organized at Ching-Ching farm. There were close to 500 participants at the event, making it the grandest occasion ever. On the stage, karaoke event was organized and on the floor, clowns and magicians entertained the participants, and the event ended perfectly with many memorable moments.

3. Held continuing education for industry members

- ◆ A total of 152 sessions were held, with 7,892 total participants. Among the sessions, 11 were designed as pre-work training for SITE and SICE personnel with a total of 567 participants. Work training personnel had 141 training sessions with a total of 7,325 participants.
- ◆ New continuing education courses in 2009 include: SITE Executive seminar – Impact and countermeasures to the financial crisis, Alternative investment outlook, China – Tips on entering the great market, Client management technique during the financial crisis, China’s investment outlook and trends, ETF opportunities after the financial crisis, Macroeconomic analysis, Futures operation strategy and risk management, Client psychology and marketing opportunities, Analysis of the Income Basic Tax Act, Emerging markets and new investment trends, Outlook of



China securities and fund market, Investment trends and strategies for agricultural commodities, Regulation and internal control, and IFRS implementation and strategy.

Improve professional image and strengthen investor education

1. Held country-wide financial seminars

- ◆ From 19th to 22nd of May, the SITCA organized series of seminar, focusing on the theme of “DIY Personal Finance”. The event attracted the participation of 746 investors, where the SITCA Secretary-General, Vicki Hsiao delivered an well-received speech on personal finance and introduced the “Fund Management Treasure Chest” on SITCA website to assist investors to screen funds.

2. Hosted the Chinese New Year Press Conference

- ◆ The SITCA hosted the Chinese New Year press conference on January 7th, releasing the major works of SITCA in 2009 as well as the survey of “Retirement planning and lump sum fund investment behavior”. The information was released hoping the public could further understand the function of the SITCA, and at the same time, gain better understanding of the behavior in fund investment and retirement planning through the survey. The survey data would be provided to the FSC, SITCA members, and securities related organizations to be used toward shaping the industry for future trends.

Increase investor protection and enhance self-regulation in the industry

1. Planned to draft and amend SITE and SICE self-regulatory guidelines

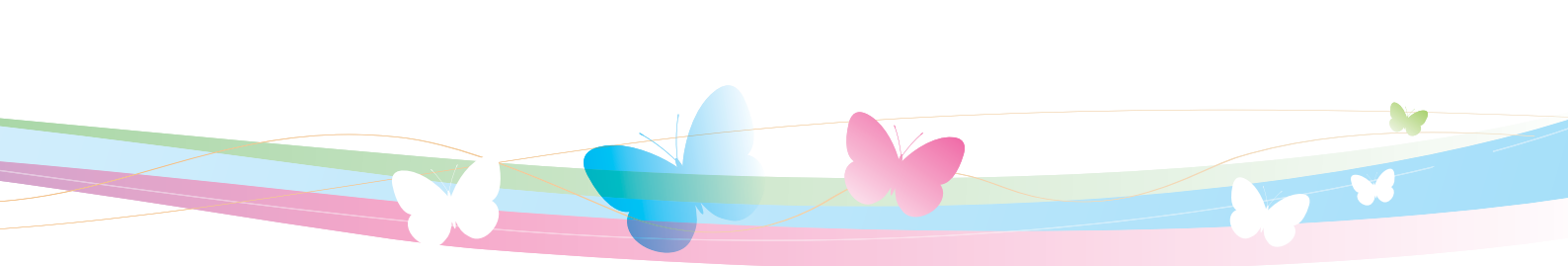
- ◆ To assist the members to follow regulatory practices and improve self-regulation in protecting the industry’s professional image and investor rights, the SITCA held the disciplinary committee meeting on March 20th, June 25th and August 4th in 2009 to amend the “Guidelines for Advertisements and Business Activities Performed by Members and Their Sales Agents” for the approval by the FSC.

2. Provided investors and members a channel for complaint and arbitration

- ◆ In order to protect investor rights and self-regulation of the industry, the SITCA will provide the investors and members a channel for complaint and arbitration according to “Regulations Dealing with Disputes Arising from the Investment Business “ to deal with the disputes arising from the SITE and SICE business activities.

3. Continued to promote self-regulation to improve SICE industry image

- ◆ The SITCA produced and updated the advertising guidelines e-newsletter and videos in an educational campaign, and hosted a series of seminars and related training sessions to improve the SICE industry image and self-regulation.



Continue to participate in international cooperation and exchange

1. Visit by the Association of Irish Fund Industry

- ◆ In January 2009, the Chairman and CEO of the Association of Irish Fund Industry visited Taiwan to discuss cooperation feasibility and opportunities. After the meeting, the SITCA accompanied IRA to visit the SFC and discuss the topics of fund operation and regulations.

2. Visit by the Association of Luxembourg Fund Industry

- ◆ In January 2009, the Association of Luxembourg Fund Industry visited the SITCA to introduce development and practices of the UCIT IV, and exchange industry developments with SITCA members.

3. Participated in the official meeting with Senator from Luxembourg

- ◆ The SITCA participated in the meeting held by the Chinese National Association of Industry and Commerce to exchange ideas on the regulations governing the Money Laundering 'White List' with the Democrat senator.

4. Attended the 23rd International Investment Funds Association Annual Conference

- ◆ In the conference, the participants exchanged ideas on international fund development trends, impact of the financial crisis, the rebuilding of investor confidence, and the balance between self-regulatory and

government supervision. After the conference, the SITCA compiled a comprehensive report, which was made available on the SITCA website and sent to the regulators-in-charge.

