

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.

Implement public interest directors and supervisor structure

To welcome the joining of the first batch of public interest directors and supervisors, the SITCA held the fifth welcome banquet on September 16th, 2010 which was the first banquet for directors and supervisors as well as public interest directors and supervisors. During the election of the public interest directors and supervisors, seven of them were assigned by the authority, and consists of experts in industry, government and academia, where the other seven were selected according to the securities and trust and consulting association non-member director and supervisor selection measure and reviewed by authority, becoming the first association with public interest directors and supervisors.

The public interest directors and supervisors were selected based on three major considerations. First, in order to establish a communication platform with investors, the representatives of the government la-

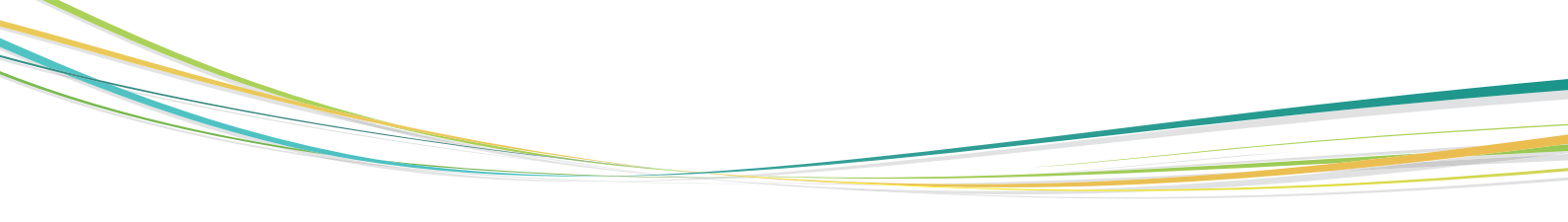
bor pension, labor insurance and public annuities funds were invited to represent the general investors. Second, in order to enhance investor benefits, the representatives of securities-related agencies and investor protection center were invited. Lastly, in order to consider diversified opinions on the industry's development, academics in various fields were invited. The selection of representatives across fields and agencies hopes to combine wisdom and expertise to provide multi-faceted opinions for the future development of the industry.

In order to strengthen the model of a high-standard self-regulation, the SITCA implemented the public interest director and supervisor structure this year. The new structure will not only support self-regulation, but also to expand the space for industry development and investors rights protection. This development will bring about positive benefits by improving the image of investment securities trust and consulting industry and winning the trust of authorities and the general investors.

Continue to appeal for deregulation and development

1. The appeal for onshore fund deregulation

- Regarding the relaxing of SITEs raising high-yield bond funds investing in high-yield bonds, the authorities agreed to relax the relevant regulations after SIT-



CA's appeal. The authority agreed to permit the ratio of the total investment on high-yield bonds in a high-yield bond fund to be higher than 60%, but the remaining assets are limited to invest in currency market vehicles and bonds that are rated by credit rating agencies of higher than BBB/Baa2 rating.

- The SITCA suggested to relax SITE funds to invest in “domestic unsecured convertible corporate bonds”. The authority agreed and require SITE funds to specify in the trust deed that the particular fund invests in “domestic unsecured convertible corporate bonds” without the same credit rating.
- Regarding the cooperation with SITEs in future issuance of simulated bond index funds, the authority agreed to prepare the amendment of “Securities Investment Trust asset value calculation of the standard”.
- After the appeal by SITCA, the authority agreed to amend Article 42 of the securities investment trust fund regulation. The new amendment stipulates that fund of funds may also invest in futures trust funds issued by investment futures trust institutions.
- The SITCA proposed to the authority for SITE concurrent futures trust operators to apply for exemption when trading public or private funds, on the condition that their risk exposure may not exceed a 100% of the fund's net assets. The

authority has approved SITCA's application for SITEs exemption in utilizing fund raised in trading securities related products.

- In reference to the European Union's Key Investor Information (KII) related guidelines, the SITCA proposed to the authority to amend the provisions of “Securities Investment Trust Enterprises to Raise Securities Investment Trust Fund to be Stipulated in the Prospectus Guidelines,” and has since been announced and implemented.
- The SITCA proposed the relaxing of “Participatory Notes” as SITE fund investment object to improve fund investment portfolio efficiency.
- To strengthen the management of private equity investment trust funds, and protect the interests of investors, the SITCA specifically amended the “Self-Regulatory Guidelines for Onshore Privately Placed Funds”. The “Know Your Customer” evaluation operation procedure and the risk notification procedure were added in the guidelines for the reference of the industry operators.
- In order to address the Financial Examination Bureau's long-term concerns for the four-investment-process being purely out of formality during its inspections, the SITCA established an ad-hoc working group for the “Simplified Written Format of the Four-Investment-Process” to engage in case study

and draft simplification proposals. The task force drafted the “simplified four-investment-process template” resolve industry player’s practical predicament that meets the expectations of current regulations. The proposal has since been approved by the authority and implemented.

- In reference to Article 28 (e) of the United States Securities Exchange Act of 1934, the SITCA drafted the “Securities Investment Trust Enterprises counterparty received value-added services (soft money) Draft Guidelines” to clearly regulate the soft money practice between investment trusts so that the investors can be protected.

2. Promote the development of SICE business

- In order to improve the management of SICE companies in public seminars and other promotional activities, the SITCA studied the feasibility in the recording (video or audio) of SICE public seminars and promotional activities.
- The SITCA studied on the feasibility of replacing the current SICE financial report announcement on newspapers with a electronic publication on Taiwan Stock Exchange’s “public information monitoring website”.
- The SITCA proposed the deregulating of SICEs to simultaneously serve as channels for SITE funds and offshore

funds to the authority. The FSC has approved the application of the SICE customers to subscribe and redeem through a trust account.

- Continued to enhance investor understanding of legal and illegal SICE businesses through education and promotion. Furthermore, the SITCA will continue to process the reports of illegal SICE and urge related agencies to strengthen the ban on illegal SICEs.

3. Strengthen the development of offshore funds

- In response to the European Union’s UCITS IV directive of Key Investor Information (KII), and the “Product information summary” announced by the Hong Kong Securities and Futures Commission, the SITCA studied and researched on the feasibility of “Simple Overseas Fund Investor Information Brochure”.
- To improve the offshore fund private business guidelines, the SITCA referred to the related code of conduct of international offshore fund raising and monitoring regulations. Besides raising the criteria for natural person, organizations, or fund-raiser, at the same time, the SITCA also raised the qualification of discretionary business dealing offshore private funds.
- Regarding the fund channel remuneration announcement and the strength-

ening of the sale channel, the SITCA has drafted the “Disclosure of Fund Channel Remuneration”, and been announced and implemented by the authority.

- To maintain the professional image of discretionary institutions managing offshore private funds, and protect investor interests, the SITCA stipulated the “the Code of Conducts for Mandated Agents Conducting the Private Placement of Offshore Funds” in accordance to Article 52 of the Regulations Governing the Offshore Funds to improve industry transparency and maintain law and order in the financial securities market thereby assisting the development of the market.
- The SITCA studied and collected the maximum limit on channel remuneration of fund intermediaries in United States, United Kingdom, Luxemburg, Ireland, Hong Kong, and Singapore for the authority’s reference.

4. Continue to promote discretionary investment business

- The SITCA proposed the simplification of FINI in discretionary business. After following instructions from the authority, and collecting relevant foreign regulations, the Association proposed the amendment to discretionary management and operation.
- In reference to the amendment of fund

investment or four-investment-process template made by the authority, the SITCA drafted the proposal on discretionary investment or four trading procedure template and reported it to the authority.

5. Drafting and promoting other business initiatives

- The SITCA studied and researched the securities investment analyst qualification test unit agency and review reports and reported it to the authority.
- The SITCA studied and researched the feasibility of eliminating credential limitation for “Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises and recognized business qualification test methods” and reported it for the authority’s reference.

Proactive participation in international cooperation and sharing to improve industry competitiveness

1. Attended the 52nd Investment Company Institute annual general membership meeting

- The SITCA attended the annual general membership meeting in May, 2010 held by the Investment Company Institute in Washington. During the meeting, topics relating to the recent financial reform in America, post-financial crisis develop-

ment of the mutual fund industry, global economic changes, and pension fund management and prospects are discussed.

2. Attended the 24th annual meeting of the International Investment Funds Association

- The SITCA attended the 24th annual meeting of IIFA in October, 2010 in Chile. During the meeting, the associations around the world exchanged issues on global fund development trends, the role of mutual fund and pension fund management, fund information disclosure, fund advertising, investor education, and financial innovation.

3. Conference on the cross-strait securities and investment industry

- The Securities Association of China initially planned for a six-day official visit to Taiwan in November, 2010, but was postponed to January, 2011. The Chinese delegation was led by Chairman Ann-Po-Her, and engaged in exchanges with SITCA Chairman Henry Lin, Cross-strait commission convener Liu Chong-Shen, accompanied by SITCA Directors, Supervisors and Member representatives. The “Conference on cross-strait asset management” was held on January 7th for both asset management industries to strengthen the development through the exchange.

4. Jointly organize and sponsor conferences with international financial institutions

- In order to assist member in following development trends in the Chinese mutual fund market, the SITCA jointly organized the “Conference on QFII and QDII investment and application procedures” with China Construction Bank on April 20th 2010.
- In order to allow the members to gain a deeper understanding of the development trends in the Australian mutual fund market, the SITCA jointly organized the international conference “Interpreting Australian Economic Growth” with the Australian Commerce and Industry office on May 4th, 2010.

Strengthen investor education and improve industry image

1. The New-Year press conference

- SITCA held a New-Year press conference on January 28th, 2010 to publish the industry survey on “Fund Investment Behaviour and Regular Savings Program”. The purpose of the survey is to understand whether the investment behaviour have changed after the global financial crisis, and at the same time, track and interpret the behaviour of investors practicing in regular savings program. The public survey does not only provide more versatile infor-

mation to the industry players, but as the representing Association, we would also be able to obtain the latest trends. During the press conference, experts were invited to give keynote speeches on “2010 cross-strait investment market prospect” and “Cross-strait asset management cooperation and development recommendations” to help our domestic industry players to use their advantages and create new cross-strait business opportunities.

2. Country-wide financial planning seminars

- In April 2010, the SITCA held five financial planning promotion seminars across the country with the theme “2010 financial planning game-plan”. The seminars enjoyed great turn out and was attended by 1277 investors where the Secretary General Vicky Hsiao taught the attendees four major investment techniques in effectively managing their mutual funds and ultimately achieving maximum returns.

3. The 2010 mutual fund exhibition

- To encourage SITCA members to fulfill their corporate social responsibilities and educate the public with the proper investment and financial planning concepts, the SITCA held the “2010 Mutual Fund Exhibition” on September 25th, 2010. The event attracted over 2000

people and collected 50,000 GUIs and NTD1 million in exhibition fees. All the proceeds and GUIs were donated to the Child Welfare League Foundation to help guide and nurture the children in remote schools and as the fund for caring abandoned children.

Professional training courses, activities and promote member exchange

1. SITCA badminton tournament

- The 2010 SITCA badminton tournament was held in National Taipei University of Education on June 19th, 2010. The tournament was the fourth since 2007, and has received enthusiastic support from players in member companies. As many as 96 players enrolled in the tournament from SITE and SICE member companies, and with family and friends cheering from the court-side, the court was filled with screams and laughter, making the tournament was a huge success.

2. SITCA Golf Championship

- To promote appropriate leisure activities and strengthen relationship between domestic industry players, the SITCA held the “2010 SITCA Golf Championship”. A total of 47 guests and players attended the championship.

3. SITCA BBQ and Karaoke Contest

- The 2010 SITCA BBQ and Karaoke Contest was held on December 18th, 2010. With the enthusiastic participation from all member companies, the venue for 450 people was packed with over 500 people, turning the party into a mini-concert. The Karaoke contest was the climax of the event, pushing all singers to bring their best performance to turn the warm and sunny winter's day even hotter.

4. Continuing education for industry professionals

- A total of 208 training sessions were held with over 12,661 participants. Among the sessions, 12 were designed as pre-job training for SITE and SICE personnel with a total of 877 participants. The remaining were on-the-job training sessions, which attracted 11,784 participants.
- The new courses in 2010 include SITE and SICE management gathering and continuing education, Corporate Risk Management and Sustainability through Enhancing Internal Audit and Control Structure, The dawn of IFRS and corporate response, International economic trends, SITE and SICE internal control and internal audit policies, Stock and futures trading strategies, New opportunities under ECFA, Personal

data security, Analysis of the Regulatory Inspections and Review Results, Post-financial crisis economic trends, SITE and SICE corporate governance principles, Post-ECFA challenges faced by Taiwan, simplified four-investment-process template.