

Content

Title : Regulations Governing the Management of the Securities Investment Trust and Consulting Association [Ch](#)

Date : 2004.10.30

Legislative : 1. Full 23 articles adopted and issued 30 October 2004 per Order No. Financial-Supervisory-Securities-IV-0930005192 of the Financial Supervisory Commission, Executive Yuan; for implementation from the date of issuance

Content : Article 1

These Regulations are adopted in accordance with the provisions of Article 86 of the Securities Investment Trust and Consulting Act ("the SITC Act").

Article 2

The term "Association employee" as used in these Regulations refers to any worker or staff person, as defined in the Regulations Governing Management of Association Employees in Industrial and Commercial Groups, who is hired by the Securities Investment Trust and Consulting Association (SITCA) to handle Association matters or operational, financial, or personnel affairs.

The term "specialist staff person" refers to any Association employee hired by the SITCA to handle any of the following matters:

1. The formulation, amendment, or implementation of operating rules and bylaws governing operational matters related to securities investment trusts, securities investment consulting, discretionary investment, and offshore funds.
2. The inspection of the finances or operations of Association members.
3. Market research, analysis, promotion, mediation, education, and public awareness activities.
4. Matters related to the registration and management of responsible persons and associated persons of Association members.

A specialist staff person as described in the previous paragraph may not fall under any of the disqualifying situations listed in the various subparagraphs of Article 68 paragraph 1 of the SITC Act, and in addition shall fulfill one of the following qualifications:

1. He/She shall have acquired qualification for securities investment analysis, as defined in the Regulations Governing Responsible Persons and Associated Persons of Securities Investment Consulting Enterprises.
2. He/She shall have passed a qualifying exam for specialists offered by an agency or institution commissioned for the purpose by the SITCA.
3. He/She shall have passed the Senior Securities Specialist Examination offered by an agency or institution commissioned for the purpose by the Taiwan Securities Association, or shall have acquired a certificate of qualification as a Senior Securities Specialist, which certificate has been issued by the previous competent authority for securities.
4. He/She shall have at least one year of experience working as a fund manager for a domestic or foreign fund.
5. He/She shall have graduated from a domestic or foreign university (or higher) recognized by the Ministry of Education, or have equivalent

academic credentials, and shall have worked in a securities or futures institution or done work related to trust business for at least two years. Persons already engaged in any of the activities listed in paragraph 2 prior to the implementation of these Regulations who have not met or acquired any of the qualifications listed in paragraph 3, shall acquire such qualifications within one year from the date of implementation of these Regulations, and file such information with the Financial Supervisory Commission (FSC) for recordation.

Article 3

The items that shall be included in the articles of association of the SITCA shall include, in addition to the requirements set out in Article 11 of the Commercial Group Act, the following items:

1. Items for maintaining the order and fairness of, and protecting the beneficiaries of and clients in, business related to securities investment trust, securities investment consulting, discretionary investment, and offshore funds.
2. Items for preventing illegal activities including misrepresentation, fraud, nondisclosure, or actions sufficient to mislead another party, in business related to securities investment trust, securities investment consulting, discretionary investment, or offshore funds.
3. Items related to assisting in the promotion of, research on, or raising of suggestions with regard to government economic policy, the SITC Act, and other laws and regulations related to securities and futures management.
4. Items for the promotion of self-regulation among Association members, for joint efforts to improve business operations, and for communication and coordination among members.
5. Items for the mediation of business disputes between member companies.
6. Items for the disposition of cases in which member companies or their representatives violate the SITC Act or other relevant laws or regulations, the articles of association and bylaws of the SITCA, self-regulatory agreements or relevant self-regulatory rules, or decisions of a general meeting of the Association or of the board of trustees of the Association.
7. Other items stipulated by the FSC.

The adoption or amendment of the abovementioned articles of association shall, after being passed by the general meeting of the SITCA, be promptly reported to the FSC for approval.

Article 4

Prior to reporting an annual budget, the SITCA shall adopt an operational plan and budget for the fiscal year, and report these to the FSC for approval; the same applies to amendments therein. In addition, within 15 days of the end of each quarter, the SITCA shall file a report for recordation with the FSC describing the implementation of the annual operational plan and budget as of the end of that quarter.

The SITCA shall implement the annual operational plan and budget as it has been approved by the FSC.

Article 5

The SITCA shall adopt self-regulatory rules for its member companies for their engagement in business related to securities investment trust, securities investment consulting, discretionary investment, and offshore funds, shall report these rules to the FSC for approval, and faithfully

implement them.

Article 6

The SITCA shall adopt a code of conduct to regulate its members in their handling of advertising, public promotional meetings, or other business activities, shall report these rules to the FSC for approval, and shall ensure their implementation.

Article 7

The SITCA shall inspect the financial and operational situations of its members, and in cases in which violations of laws, regulations, or self-regulatory rules are discovered, shall appropriately deal with such cases on the basis of the provisions of Article 88 of the SITCA Act, and shall notify the FSC.

The rules for the aforementioned inspections shall be drafted by the SITCA and reported to the FSC for approval.

When the SITCA undertakes an inspection of an other-industry member that concurrently conducts securities investment trust and consulting business, the scope of the inspection shall be limited to securities investment trust services, securities investment consulting services, and discretionary investment services.

Article 8

When conducting inspections under the previous article, in cases where the SITCA discovers that a member company is being badly run, has suffered losses to the extent that it becomes difficult to maintain its creditworthiness, or has experienced any serious incident, the SITCA shall promptly initiate a special examination and provide advice, the procedures for which shall be drafted by the SITCA and reported to the FSC for approval.

Article 9

The SITCA shall, in a manner to be determined by the FSC, make information regarding the finances and operations of its members available for perusal by the public.

Article 10

Except as otherwise provided by these Regulations, if amendments or changes are made to the SITCA's articles of association or its other rules or activities, the SITCA shall promptly file these with the FSC for recordation.

Article 11

The SITCA shall, within three months of the end of each fiscal year, file with the FSC an annual work report, as well as an income/disbursement statement, a cash disbursement statement, a balance sheet, a list of assets, and a fund receipt/disbursement statement; which latter five items shall have been audited and certified by a certified public accountant, approved by the board of trustees, and acknowledged by the board of supervisors.

Article 12

In the event of any of the following circumstances, the SITCA shall, in addition to promptly taking action to handle the situation, file a report with the FSC for recordation:

1. Cases in which the SITCA or a staff member, or a responsible person or associated person of a the SITCA member, because of business operations

related to securities investment trust, securities investment consulting, discretionary investment, or offshore funds, is involved in a lawsuit or has been subject to a judgment rendered in litigation, or becomes bankrupt or is subject to compulsory execution as a debtor, or has had a check rejected or has been blacklisted by a financial institution, or has been discharged from his or her position under the SITC Act.

2. Matters related to the handling of cases in which member companies or their representatives violate the SITC Act or other relevant laws or regulations, the articles of association of the SITCA, self-regulatory agreements or relevant self-regulatory rules, or decisions of a general meeting of the Association or of the board of trustees of the Association.

3. Occurrence of a lawsuit as a result of the engagement of a member in business related to securities investment trust, securities investment consulting, discretionary investment, or offshore funds.

4. The entry or withdrawal of members.

5. The results of reviews of members' financial reports.

6. Decisions of the board of trustees.

7. Any other matters which must be reported under rules of the FSC.

With respect to subparagraphs 1 through 3 in the preceding paragraph, the SITCA shall report to the FSC within five days of becoming aware of the occurrence of the event, or of the completion of its taking of action to deal with the matter. With respect to subparagraphs 4 though 6, the SITCA shall report the results of implementation monthly to the FSC.

Article 13

With respect to disputes arising from business related to securities investment trust, securities investment consulting, discretionary investment, or offshore funds, between members and their beneficiaries or clients, or between members, the SITCA shall draft rules for dispute mediation, report these rules to the FSC for approval, and ensure their implementation.

Article 14

The SITCA shall set basic organizational rules for its internal organizational structure, and for its authorized personnel complement and nomenclature, and shall file these rules with the FSC for recordation; the same applies whenever the rules are amended.

Article 15

The SITCA shall set service rules for its Association employees, and shall file these rules with the FSC for recordation; the same applies whenever the rules are amended.

Article 16

Trustees or supervisors of the SITCA must not only posses the qualifications set out in Article 22 of the Commercial Group Act, they also must not fall under any of the disqualifying provisions of Article 25 of the same Act or of Article 68 paragraph 1 of the SITC Act.

Article 17

The SITCA shall file for recordation with the FSC any change in its trustees, supervisors, or managerial officers within five days of the change.

Article 18

The SITCA shall report monthly to the FSC regarding any registration or

change in its specialist staff persons.

Article 19

Association employees at the SITCA may not, in any form whatsoever, hold any concurrent or honorary posts in a securities investment trust enterprise or a securities investment consulting enterprise.

Article 20

In cases where Association employees at SITCA fail to implement or do not correctly implement matters for which they are responsible, the SITCA shall terminate their contracts, end the employment relationship, or otherwise impose appropriate punishment.

Article 21

SITCA trustees, supervisors, or Association employees may not engage in any of the following conduct:

1. Use of information acquired in the course of their official duties to, directly or indirectly, engage in the buying, selling, or trading of securities or securities-related products.
2. Disclosure of any confidential information acquired in the course of their official duties except in response to an inquiry undertaken according to law.
3. Misrepresentation, fraud, or any other action sufficient to mislead another party, in business matters related to securities investment trust, securities investment consulting, discretionary investment, or offshore funds.
4. Any other matter involving violation of the SITC Act or other laws or regulations governing securities and futures, or a failure to take actions required by, or refrain from actions prohibited by, the FSC.

Article 22

Where the SITCA, or a trustee, supervisor, or Association employee thereof, violates these Regulations, in addition to punishments set out in the SITC Act and the Commercial Group Act, if the situation is severe enough to affect normal business operations or is of a very serious nature, the FSC may notify the SITCA to impose additional punishment on the offender.

Article 23

These Regulations shall be implemented from the date of issuance.