

Content

Title :	Regulations for the Prevention of Conflicts of Interest Where a Securities Investment Trust Enterprise Concurrently Operates a Securities Investment Consulting Enterprise or Vice Versa, or a Securities Investment Trust Enterprise or Securities Investment Consulting Enterprise Concurrently Operates Another Enterprise, or is Concurrently Operated by Another Enterprise <b>Ch</b>
Date :	2006.01.20
Legislative :	1. Full text of eight articles adopted and issued 20 January 2006 per Order No. Financial-Supervisory-Securities-IV-0950000361 of the Financial Supervisory Commission, Executive Yuan; for enforcement from the date of issuance
Content :	<p>Article 1 These Regulations are adopted pursuant to Article 94 of the Securities Trust and Consulting Act.</p> <p>Article 2 When a securities investment trust enterprise concurrently operates a securities investment consulting enterprise or vice versa, or either such kind of enterprise concurrently operates another enterprise, or is concurrently operated by another enterprise, such enterprises shall comply with the provisions set out below in their conduct of business and transactions, in addition to complying with other applicable laws and regulations:</p> <ol style="list-style-type: none"><li>1. There may not be any breach of trust, improper funneling of interests, or other violation of law or regulation.</li><li>2. Nothing may be done in the interest of the enterprise, its responsible persons, employees, or any of its beneficiaries or customers that would harm the interests of any other beneficiary or customer.</li><li>3. The enterprise shall pursue the maximum profit for beneficiaries or customers, and shall treat every beneficiary or customer according to the principles of fairness and reasonableness.</li><li>4. Establish mechanisms for segregating duties and functions, and maintain the independence and secrecy of business operations; it is prohibited to transmit the status of utilization of a securities investment trust fund or discretionary investment assets to any associated person not responsible for that business, or to any shareholder or affiliated enterprise.</li><li>5. Information sharing may not be done in a way that would harm the rights or interest of a beneficiary or customer.</li></ol> <p>Article 3 When any person in any of the subparagraphs below, or such person's spouse, minor child, or any person in whose name such person holds shares, engages in any trade of corporate stock or any equity derivative, the person shall report the specifics of the trading to their employer enterprise.</p> <ol style="list-style-type: none"><li>1. A responsible person, department supervisor, or branch unit manager of a securities investment consulting enterprise, a person who provides analysis/opinions or recommendations/suggestions to customers or</li></ol>

unspecified persons, an investment manager.

2. Where another type of enterprise concurrently operates securities investment consulting business or discretionary investment business, the enterprise's department supervisor and associated persons who engage in the business of providing analysis/opinions or recommendations/suggestions to customers or unspecified persons, and the enterprise's supervisors and investment managers engaging in discretionary investment business.

3. An investment manager in a securities investment trust enterprise operating discretionary investment business.

Self-regulatory rules governing the scope of the material that shall be reported under the preceding paragraph and matters including restrictions on the objects of investment, reporting times, and trading periods, and prevention of conflicts of interest shall be drafted by the Securities Investment Trust and Consultation Association of the ROC (SITCA) and reported to the Financial Supervisory Commission (FSC), Executive Yuan, for final approval, as shall any amendments thereto.

#### Article 4

Where a securities investment trust enterprise concurrently operates a securities investment consulting enterprise or vice versa, or either such type of enterprise concurrently operates another enterprise, or is concurrently operated by another enterprise, the internal control system shall set out control procedures to prohibit any conduct that would involve a conflict of interest with or prejudice the interests of any beneficiary or client, in the areas of concurrent appointments of and codes of conduct of their responsible persons and associated persons, sharing and utilization of information, sharing of operating equipment or places of business, or advertising, public informational meetings, or other business promotion activities.

#### Article 5

Where a securities investment trust enterprise concurrently operates a securities investment consulting enterprise or vice versa, or either such type of enterprise concurrently operates another enterprise, or is concurrently operated by another enterprise, it may not act in concert with another department to engage in trading or in any other conduct with the intent to affect the trading price of any certain type of securities.

#### Article 6

Where a securities investment trust enterprise concurrently operates a securities investment consulting enterprise or vice versa, or either such kind of enterprises concurrently operates another enterprise, or is concurrently operated by another enterprise, it shall, as required for the business, adequately segregate its premises and equipment, put in place site access controls, and keep entry and exit records on file for future reference.

When a common place of business is shared for concurrently operated businesses referred to in the preceding paragraph, signs indicating the respective business items shall be posted conspicuously in the appropriate locations at the place of business.

#### Article 7

Provisions governing required content, required disclosures, and the prevention of conflicts of interest with respect to investment analysis or

research reports provided to clients by enterprises operating or concurrently operating securities investment consulting business shall be drafted by the SITCA and reported to the FSC for final approval, as shall any amendments thereto.

Article 8

These Regulations shall enter into force from the date of issuance.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System