


Content

Title :	Regulations Governing Managed Futures Enterprises 
Date :	2019.05.15
Legislative :	<p>1. Full text of 57 articles adopted and issued per 8 November 2002 Order No. Taiwan-Finance-Securities-VII-0910005648 of the Securities and Futures Commission, Ministry of Finance; for enforcement from the date of issuance</p> <p>2. Articles 23 and 54 amended and issued per 19 January 2004 Order No. Taiwan-Finance-Securities-VII-0930000297 of the Securities and Futures Commission, Ministry of Finance</p> <p>3. Articles 2, 17, 20, 23, 25, 26, and 54 amended and issued, and Article 23-1 newly added per 3 February 2006 Order No. Financial-Supervisory-Securities-VII-950000524 of the Financial Supervisory Commission, Executive Yuan</p> <p>4. Full text of 67 articles amended and issued per 31 December 2007 Order No. Financial Supervisory-Securities-VII-0960073242 of the Financial Supervisory Commission, Executive Yuan; for enforcement from the date of issuance</p> <p>5. Article 12 amended and issued per 2 August 2010 Order No. Financial Supervisory-Securities-Futures-0990041012 of the Financial Supervisory Commission, Executive Yuan</p> <p>6. Articles 52, 53, 56, and 65 amended and issued, and Articles 51-1 and 66-1 newly added, per 11 October 2010 Order No. Financial-Supervisory-Securities-Firms-0990051567 of the Financial Supervisory Commission, Executive Yuan</p> <p>7. Articles 21, 22, and 67 amended and issued per 12 July 2012 Order No. Financial-Supervisory-Securities-Futures-1010030979 of the Financial Supervisory Commission; for enforcement from the date of issuance, except for Article 22, which shall be enforced from the fiscal year 2013</p> <p>8. Articles 17, 23, 28 and 33 amended and issued per 29 May 2014 Order No. Financial-Supervisory-Securities-Futures-1030013322 of the Financial Supervisory Commission</p> <p>9. Articles 49 to 51, 52, and 58 amended and issued per 15 May 2019 Order No. Financial-Supervisory-Securities-Futures-1080314358 of the Financial Supervisory Commission</p>
Content :	<p>Chapter I General Principles</p> <p>Article 1 These Regulations are promulgated pursuant to Article 82, paragraph 3 of the Futures Trading Act ("the Act").</p> <p>Article 2 A managed futures enterprise may engage in the following business: 1. Accepting mandates from specified persons to conduct discretionary futures trading business. 2. Other related business as approved by the Competent Authority.</p> <p>Article 3 The term "discretionary futures trading business" as used in these Regulations refers to business in which a managed futures enterprise accepts a mandate from a specific person to perform analyses and make judgments, with respect to assets handed over by that principal for management, relating to futures trading, trading or investment of futures-related spot commodities, or other items approved by the Competent Authority, and to execute trades or investment on the principal's behalf based on those analyses and judgments. "Futures-related spot commodities" in the preceding paragraph means domestic and foreign spot commodities related to futures trading contracts</p>

and approved for trading by the Competent Authority.

#### Article 4

The term "custodian institution" as used in these Regulations refers to the institution entrusted by the principal for the opening of accounts for futures trading or futures-related spot commodity investment, deposit of margins and premiums, custody of funds and securities, clearing and settlement, account servicing, and other related matters.

#### Article 5

The term "responsible person" as used in these Regulations refers to a person who shall bear responsibility under Article 8 of the Company Act or the provisions of other acts.

#### Article 6

The term "managerial officers" as used in these Regulations shall accord with its meaning under the Company Act, and includes those registered as managerial officers with the Ministry of Economic Affairs or those who, under a company's articles of incorporation or contractual provisions, are authorized to manage company affairs or to sign on behalf of a company.

#### Article 7

The term "associated persons" as used in these Regulations refers to those personnel carrying out the following operations on behalf of a managed futures enterprise:

1. Research and analysis, making trading decisions, or executing trades in discretionary futures trading.
2. Promotion or solicitation in regard to discretionary futures trading operations.
3. Internal audits.
4. In-charge accountant.
5. Conducting of other approved operations.

#### Article 8

Managed futures enterprises shall establish internal control systems pursuant to the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets set by the Competent Authority and the Rules Establishing Standards for the Internal Control Systems of Managed Futures Enterprises prescribed by the Chinese National Futures Association ("CNFA").

The operation of managed futures enterprises shall be carried out in accordance with acts and regulations, the enterprise's articles of incorporation, and the internal control system prescribed in the preceding paragraph.

For a discretionary futures trading case of a specific dollar amount or higher, or in which there is any suspicion of money laundering, the managed futures enterprise shall keep trading vouchers and records of the verification of customer identity and quotations sufficient for a full understanding of the transaction, and shall comply with the Money Laundering Control Act and internal control system rules.

The adoption of the internal control system of paragraph 1, and amendments thereto, shall be reported to the board of directors for their approval, and documentation on the system retained for reference. Amendments to the internal control system shall be adopted within the prescribed time limit pursuant to notice by the Competent Authority or other futures-related agencies.

The "specific dollar amount" referred to in paragraph 3 is as provided in the Money Laundering Control Act.

#### Article 9

Managed futures enterprises shall establish departments exclusively responsible for research and analysis, making trading decisions, executing trades, and undertaking promotion or solicitation in connection with discretionary futures trading business.

The exclusive departments specified in the preceding paragraph shall be respectively established as required according to the scope of business,

operational conditions, and internal control system of the enterprise; managerial officers whose qualifications conform to the provisions of Article 51 of these Regulations shall be appointed to head the departments.

#### Article 10

Managed futures enterprises shall establish internal auditing systems to audit the enterprise's finances and operations on a regular or an irregular basis; audit reports shall be compiled and retained for reference.

The audit report referred to in the preceding paragraph shall note whether the enterprise's finances and operations are in compliance with applicable acts and regulations and the enterprise's internal control system.

#### Article 11

In any of the following events, the managed futures enterprise shall first report to the Competent Authority for prior approval:

1. A change in the enterprise's name.
2. A change in the amount of capitalization.
3. A change in the place of business.
4. A change in the business items.
5. Receiving assignment of all or the principal part of the operations or assets of another managed futures enterprise, or assignment of all or the principal part of its own operations or assets.
6. Merger, consolidation, or dissolution.
7. Other matters requiring prior reporting and approval as provided by the Competent Authority.

For matters to be reported to the Competent Authority for prior approval pursuant to the preceding paragraph, reports shall be forwarded to the Competent Authority through the CNFA.

#### Article 12

If any of the following circumstances exists at a managed futures enterprise, it shall report to the Competent Authority:

1. Commencement, suspension, resumption, or termination of operations.
2. Change of the responsible person.
3. Where, due to circumstances arising out of operations at the managed futures enterprise, the responsible person or any of the associated persons or other personnel is involved in litigation or arbitration, or is subject to compulsory execution as an obligor, or the managed futures enterprise is a bankrupt, or is refused services or has a negotiable instrument dishonored by a bank.
4. Where any circumstance in Article 5 of the Standards for the Establishment of Managed Futures Enterprises applies to the responsible person or an associated person.
5. Where an act of the responsible person, an associated person, or other personnel violates the Act or any order of the Competent Authority issued pursuant to the Act.
6. When there is a change in the shareholding of the responsible person or any shareholder holding five percent or more of the enterprise's shares.
7. Other matters required to be reported pursuant to regulations of the Competent Authority.

For events under subparagraph 1 of the preceding paragraph, the enterprise shall make a report prior to the fact; for events under subparagraphs 2-5, the enterprise shall make a report within five business days from the day on which the event occurred or the enterprise learned of its occurrence; for events circumstances under subparagraph 6, the responsible person or any shareholder holding five percent or more of the enterprise's shares shall report to the enterprise prior to the fifth day of the following month, and the enterprise shall compile the information in a report prior to the 15th of the same month.

Reports of circumstances under paragraph 1 shall be forwarded to the Competent Authority through the CNFA.

The term "business day" in these Regulations means days on which trading takes place in the domestic futures market.

#### Article 13

A managed futures enterprise may not use the business permission granted by

the Competent Authority as either a promotion or a guarantee of its business ability or financial soundness.

#### Article 14

A managed futures enterprise shall display its certificate of license prominently in its place of business.

#### Article 15

The business of a managed futures enterprise shall be carried out by registered, qualified associated persons.

#### Article 16

Acts performed by associated persons of a managed futures enterprise pursuant to the subparagraphs of Article 7 shall be deemed acts performed within the authorized scope of the given managed futures enterprise.

### Chapter II Finances

#### Article 17

A managed futures enterprise shall deposit an operating bond of NT\$25 million in a financial institution designated by the Competent Authority following completion of company registration.

The financial institution referred to in the preceding paragraph shall be a bank that is approved by the competent authority for custodial operations, and meets the conditions prescribed by the competent authority.

The operating bond referred to in paragraph 1 may be in the form of cash, domestic government bonds, or securities whose ratings by a credit rating institution approved or recognized by the Competent Authority are of a certain level or higher.

The operating bond deposited by a managed futures enterprise may not be deposited in multiple accounts, reported lost, or cancelled. No encumbrance may be created on either the underlying subject of the deposit or the custody certificates, nor may they be withdrawn or replaced by other items without the prior approval of the Competent Authority. However, an exception may be made for a withdrawal in connection with replacement of the operating bond with a different type of bond, provided that the total amount remains the same and that the circumstances of the change shall be reported to the Competent Authority within three days by the custodian institution.

#### Article 18

A managed futures enterprise may not serve in any capacity as a guarantor, endorse negotiable instruments, or provide assets for use as collateral by others.

#### Article 19

A managed futures enterprise may not purchase real estate except for operational purposes.

#### Article 20

Funds possessed by a managed futures enterprise and not required for operational purposes may not be loaned to others or transferred for other uses. Utilization of funds shall be restricted to the following:

1. Bank deposits.
2. Purchase of domestic government bonds or securities whose rating by a credit rating institution approved or recognized by the Competent Authority is of a certain level or higher.
3. Purchase of treasury bonds, negotiable certificates of deposit, commercial papers, or other approved short-term notes or bills.
4. Other uses approved by the Competent Authority.

#### Article 21

Managed futures enterprises shall produce financial reports in accordance with regulations, and within three months of the conclusion of each fiscal year, shall publish and submit to the Competent Authority an annual report jointly audited and certified by two or more practicing certified public

accountants of a joint accounting firm approved by the Competent Authority pursuant to the Regulations Governing Approval for Auditing and Attestation of Financial Reports of Public Companies by Certified Public Accountants, and passed by the board of directors and recognized by the supervisors of the enterprise.

Reports submitted pursuant to the preceding paragraph shall be forwarded to the Competent Authority through the CNFA.

### Chapter III Operations

#### Article 22

Prior to accepting a discretionary futures trading order from a principal, a managed futures enterprise shall provide a trading risk disclosure statement and a mandate contract for discretionary futures trading, and appoint a registered, qualified associated person to apprise the principal of the nature of trades or investments, the possible risks, and the content of the mandate contract; in addition, it shall provide the principal with written materials on the following matters, along with a detailed explanation thereof:

1. The characteristics, possible risks, and statutory and regulatory restrictions, of the subjects of trades or investments.
2. The balance sheets and statements of comprehensive income of the managed futures enterprise for the previous two fiscal years.
3. The total number of accounts and the total amount of assets accepted for discretionary futures trading by the managed futures enterprise for the five fiscal years prior to the given quarter; the numbers of closed accounts which showed positive returns and the number which showed negative returns for the same period; and the numbers of open accounts showing positive returns and the number showing negative returns for the same period, provided that managed futures enterprises not yet in operation for a full year may be exempted from the requirement to provide such written materials and explanations to the principal.
4. For each person making trading decisions in discretionary trading for the managed futures enterprise: educational and professional background; any sanctions imposed by the Competent Authority in the most recent two years pursuant to Article 101 of the Act, Article 104 of the Securities Investment Trust and Consulting Act, or Article 56 of the Securities and Exchange Act; for the five years prior to that quarter, the number of accounts and total amount of managed assets for which trade or investment decisions were made; the number of closed accounts which showed positive returns and the number which showed negative returns; and the number of open accounts showing positive returns and the number showing negative returns, provided that a managed futures enterprise not yet in operation for a full year may be exempted from the requirement to provide such written materials and explanations to the principal.
5. If any person making trading decisions for discretionary trading at the managed futures enterprise simultaneously manages another futures trust fund or securities investment trust fund, the name of any fund that person manages, and any measures adopted to prevent conflicts of interest, shall be disclosed.
6. The circumstances regarding any litigious or non-litigious matters that have occurred, or are on-going, and that arose from the managed futures enterprise's operation of discretionary securities investment or discretionary futures trading business in the most recent two years.
7. The circumstances of any sanction imposed on the managed futures enterprise or any of its responsible persons by the Competent Authority pursuant to Articles 100 or 101 of the Act, Articles 103 or 104 of the Securities Investment Trust and Consulting Act, or Articles 56 or 66 of the Securities and Exchange Act.
8. Cautionary statements regarding the risks of discretionary trading.
9. Other matters as required by the Competent Authority.

Prior to the signing of a mandate contract for discretionary futures trading between the principal and the managed futures enterprise, the principal shall be given a seven-day period in which to review all contract clauses, and a data sheet on the principal shall be compiled based on a thorough understanding of the principal's financial resources, investing

experience, and investment goals, which shall be retained for reference along with other related documentation.

The principal shall place his or her signature or seal along with a date notation on the risk disclosure statement and the written materials referred to in paragraph 1, which shall be an attachment to the mandate contract for discretionary futures trading and be delivered to the principal to be retained along with the contract.

#### Article 23

A managed futures enterprise that agrees to conduct discretionary futures trading for a principal shall enter into a mandate contract for discretionary futures trading with the principal, and deliver a copy of the contract to the custodian institution.

The mandate contract for discretionary futures trading referred to in the preceding paragraph shall set forth the following:

1. The names and addresses of the parties to the contract.
2. The managed futures enterprise's obligation to provide notice and explanations prior to the signing of the contract, pursuant to the provisions of the preceding article.
3. The conditions and time limits under which the contract may be rescinded after signing.
4. The discretionary assets submitted for management when the discretionary trading mandate is given.
5. Stipulations and amendments regarding basic trading and investment policies, and the scope of trading and investment. The scope of trading and investment shall also list the types or names of the subjects of futures trading and futures-related spot commodity investments.
6. The granting of and any limitations on the right to make and execute trading decisions.
7. The granting of and any limitations on the right to give instructions regarding utilization of the discretionary assets.
8. The names of the personnel making discretionary trading decisions and their deputies.
9. Stipulations regarding designation of the custodian institution and its execution of related matters.
10. The agreement regarding the futures broker and securities broker that are retained; if a counterparty of the agreement and the managed futures enterprise have any relationship of mutual investment or control or subordination, it shall be disclosed in the contract.
11. Confidentiality obligations and the duty of care of a good custodian.
12. Reporting obligations.
13. The fees that shall be borne by the principal, including compensation of the managed futures enterprise, and the means of calculation and the time and method of payment of the same.
14. The date on which the contract takes effect and its effective term.
15. Provisions for amendment to and termination of the contract.
16. The obligation to provide notification in the event of major changes and the means of notification.
17. Provisions regarding settlement obligations after termination of the mandate relationship.
18. Provisions regarding handling of breach of contract.
19. Provisions for dealing with bankruptcy or dissolution, or dispositions requiring suspension of business or voidance or revocation of the business permission.
20. Provisions for dispute resolution and the relevant jurisdictional court.
21. Other necessary provisions in regard to the rights and obligations of the parties to the contract.

At the time the principal signs the contract, it shall deliver in full the discretionary assets referred to in subparagraph 4 of the preceding paragraph to the custodian institution to handle related matters; it shall do likewise when any discretionary assets are added.

The basic trading and investment policies and the scope of trading and investment referred to in subparagraph 5 of paragraph 2 shall be carefully drafted, taking into account the principal's financial resources, trading experience and objectives, and any statutory or regulatory restrictions.

The right to give instructions regarding the utilization of discretionary assets referred to in subparagraph 7 of paragraph 2 involving the utilization and scope of, and the qualifications for trading counterparties and investment vehicles for, idle funds shall be determined by the Competent Authority.

If the managed futures enterprise is concurrently operated by a futures broker, that futures broker may not be retained as the retained futures broker or securities broker as referred to in paragraph 2, subparagraph 10. However, this restriction shall not apply if the principal is clearly advised of the relevant risks and conflicts of interest and measures to control them, and consent from the principal is obtained in writing and separate from the contract.

"Compensation of the managed futures enterprise," as used in subparagraph 13 of paragraph 2, may include incentive fees collected in accordance with the regulations of the Competent Authority.

Termination of the contract as referred to in paragraph 2, subparagraph 15 may be effected at any time during the term of the contract upon written notice from the principal; termination by the consignee shall be effected through written notice to the principal one month prior to termination.

In regard to the methods for dispute resolution as referred to in subparagraph 20 of paragraph 2 and the mandate contract for discretionary futures trading, the CNFA shall adopt regulations governing mediation procedures and draft a contract template, which shall be submitted to the Competent Authority for recordation; the same shall apply for any amendments thereto.

The mandate contract for discretionary futures trading and the related materials referred to in paragraph 1 shall be retained for a period of five years after the extinguishment of the mandate relationship, provided that where a dispute occurs, they shall be retained until the resolution of the dispute.

#### Article 24

When a managed futures enterprise accepts a joint mandate to engage in discretionary futures trading, it shall sign a mandate contract for discretionary futures trading with all of the joint principals.

The mandate contract for discretionary futures trading referred to in the preceding paragraph is subject to the provisions of the preceding article, and shall also state the matters listed below:

1. The discretionary assets submitted by each of the joint principals.
2. How the mandate relationship between the managed futures enterprise and joint principals will be handled in the event that one of the joint principals goes bankrupt, dies, is dissolved, or loses legal capacity to act.
3. How the joint principals share the responsibility for margin calls and recovery of over-loss arising in discretionary futures trading.

Joint principals referred to in paragraph 1 may not number more than 15 persons, and may not concurrently include both juristic and natural persons. When the joint principals are juristic persons, they shall be limited to those having the relationship of affiliated enterprises as defined in Chapter VI-1 of the Company Act.

To terminate a mandate contract for discretionary futures trading during the duration of the contract, a joint principal must obtain written permission from all of the joint principals.

#### Article 25

In conducting discretionary futures trading business, if the scope of permitted trading or investment increases due to a change in laws or regulations, the relevant risk monitoring and management measures and accounting treatment matters shall be added to the internal control system, and submitted to the board of directors for approval.

After a managed futures enterprise enters into a mandate contract for discretionary futures trading, if the scope of permitted trading or investment increases due to a change in acts or regulations, it shall complete revision of the mandate contract for discretionary futures trading before commencing to engage in trading or investment within such expected scope.

#### Article 26

When a managed futures enterprise, for purposes of conducting discretionary futures trading on behalf of a principal, opens a futures trading account at a retained futures broker or securities broker, it shall do so in the name of the principal.

The managed futures enterprise shall execute futures trades or investment on behalf of the principal through the retained futures broker or securities broker in accordance with the principal's authorization.

When a managed futures enterprise allocates discretionary assets to engage in futures trading or futures-related spot commodity investments, if any service fees are returned or other benefits are paid by the futures broker, securities broker, or other trading counterparty, the managed futures enterprise shall apply them as offsets against principal's transaction costs.

#### Article 27

In accepting a mandate from a principal for discretionary futures trading, the managed futures enterprise may not in any way or for any reason take custody of any of the discretionary assets provided by the principal or of any subject matter obtained in trading or investment of those assets.

Where a managed futures enterprise accepts a mandate for discretionary futures trading, the principal shall designate a custodian institution and enter into a separate mandate contract with the custodian institution, appointing the custodian institution to undertake the opening of accounts, deposits of margins and premiums, custody of funds and securities, clearing and settlement, account servicing and other related matters for futures trading and investment in futures-related spot commodities.

In carrying out the operations referred to in the preceding paragraph, the custodian institution shall first review the scope and limitations of the mandate contract for discretionary futures trading.

The content and contract template for the mandate contract referred to in paragraph 2, and any amendments thereto, shall be drafted by the CNFA and submitted to the Competent Authority for recordation.

If the principal of discretionary futures trading business is a trust enterprise or other business approved by the Competent Authority, the principal may itself keep custody of the discretionary assets, exempt from the provisions of paragraph 2.

#### Article 28

Custodian institutions designated by principals shall be limited to the following:

1. Banks approved by the competent authority for custodial operations that meet the conditions prescribed by the competent authority.

2. Futures clearing houses approved by the Competent Authority for the custodial operations referred to in paragraph 2 of the preceding article. At the time the principal designates a bank of the kind referred to in the preceding paragraph as custodian institution, the assets consigned for trading shall be deposited by the principal for custody with the bank, and the bank consigned to carry out the related matters set out in paragraph 2 of the preceding article.

At the time the principal designates a futures clearing house as referred to in paragraph 1, subparagraph 2 as custodian institution, the assets consigned for trading shall be deposited by the principal in a bank deposit account in the principal's name, and the given futures clearing house consigned to carry out the related matters set out in paragraph 2 of the preceding article.

#### Article 29

Where any of the following circumstances applies to the custodian institution designated by the principal, the managed futures enterprise is obligated to report to the principal:

1. The custodian institution has shareholdings of ten percent or more of the issued and outstanding shares of the managed futures enterprise.

2. The custodian institution serves as a director or supervisor of the managed futures enterprise, or one of its directors or supervisors serves



as a director, supervisor, or managerial officer of the managed futures enterprise.

3. The managed futures enterprise has shareholdings of ten percent or more of the issued and outstanding shares of the custodian institution.

4. The managed futures enterprise or its representative serves as a director or supervisor of the custodian institution.

5. Any other substantial controlling relationship existing between the custodian institution and the managed futures enterprise.

Where a director or supervisor is a juristic person and its representative or designated representative holds executive power on its behalf, the provisions of paragraph 1, subparagraph 2 shall apply *mutatis mutandis*.

#### Article 30

When a managed futures enterprise conducts discretionary futures trading business, the minimum amount of assets it may accept from a principal when the principal engages it to handle discretionary trading will be prescribed by the Competent Authority.

#### Article 31

When a managed futures enterprise conducts discretionary futures trading business, the total dollar amount of discretionary trading or investments it handles may not exceed a specific multiple of its net worth; the specific multiple will be prescribed by the Competent Authority, provided that if the managed futures enterprise is operated by another enterprise on a concurrent basis and operating capital is required to be allocated pursuant to regulations, its net worth shall, instead, be calculated based on the net worth of the allocated operating capital.

The "net worth" referred to in the preceding paragraph will be determined with reference to the financial report for the most recent period that has been CPA-audited and attested, passed by the board of directors, and recognized by the supervisors.

#### Article 32

The scope within which a managed futures enterprise allocates discretionary assets to engage in trades and investments shall comply with the following provisions:

1. Futures trades that futures commission merchants are permitted to handle on a brokerage basis as announced by the Competent Authority pursuant to Article 5 of the Act.

2. Off-exchange futures trades derived from currencies, securities, interest rates, indices, or other products, as approved by the Competent Authority.

3. Beneficial interest certificates of a futures trust fund issued by another futures trust enterprise or a futures fund offered or managed by a foreign fund management institution.

4. Securities other than those of the preceding subparagraph.

5. Futures-related spot commodities other than securities.

The term "securities" in the preceding paragraph means securities under Article 6 of the Securities and Exchange Act; trading in foreign securities shall be limited to the following:

1. Stocks, warrants, beneficial interest certificates, depositary receipts, and other securities traded on a foreign securities market.

2. Bonds with an appropriate rating or higher as rated by a credit rating company recognized by the Competent Authority.

3. Offshore funds that are approved by or effectively registered with the Competent Authority for domestic offering and sale.

4. Other securities approved by the Competent Authority.

"Foreign securities market" in subparagraph 1 of the preceding paragraph means any organized securities trading market administered by the competent securities authority of that country, including securities exchanges and OTC markets.

The bonds referred to in paragraph 2, subparagraph 2 do not include the subject matters set forth in Article 5, paragraph 2 of the Regulations Governing Trading of Foreign Securities by Securities Firms.

The Competent Authority shall prescribe ratios and regulations relating to trades and investments utilizing discretionary assets in which managed

futures enterprises engage under the subparagraphs of paragraph 1. Before allocating discretionary assets to engage in any investment under paragraph 1, subparagraph 5, a managed futures enterprise shall submit an investment and risk-management plan to the Competent Authority and obtain its approval.

#### Article 33

A managed futures enterprise that allocates discretionary assets to engage in a trade under paragraph 1, subparagraph 2 of the preceding Article shall ensure that it obtains a fair or reasonable price for the trade.

When a managed futures enterprise allocates discretionary assets to engage in the writing of an off-exchange traded call option contract under the preceding paragraph, it shall hold the underlying spot commodities, or other assets of the same or higher market value thereof, as security.

The counterparty of any trade under paragraph 1 shall be a financial institution that meets the conditions prescribed by the competent authority.

#### Article 34

When allocating discretionary assets, a managed futures enterprise shall comply with the following provisions, except as otherwise provided by the Competent Authority:

1. It may not loan them.
2. It may not allocate them for any trade or investment involving any futures trust fund, securities investment trust fund, or other futures or securities discretionary investment account, proprietary futures or securities trading account, or proprietary capital managed by the managed futures enterprise itself; however, this restriction shall not apply to trades conducted through the central securities exchange market in which it happens that one of the above unintentionally turns out to be a counterparty.

3. It may not allocate them for investment in any securities issued by the managed futures enterprise itself.

Without the written consent of the principal or a special contractual stipulation, a managed futures enterprise may not:

1. Invest in securities issued by a company that is an interested party of that managed futures enterprise.
2. Invest in securities that are underwritten by a securities underwriter that is an interested party of the managed futures enterprise.
3. Engage in securities margin trading.
4. Lend or borrow securities.

Purchase beneficial interest certificates of a futures trust fund or securities investment trust fund that is issued by the managed futures enterprise.

The term "securities that are underwritten" in subparagraph 2 of the preceding paragraph includes securities that have been acquired by the underwriter on a firm commitment basis and not yet disposed of.

The term "a company that is an interested party" in subparagraphs 1 and 2 of the preceding paragraph means a company to which any of the following circumstances applies:

1. A company that has an affiliated enterprise relationship, as specified in Chapter 6-1 of the Company Act, with the managed futures enterprise.
2. A company that is a director or supervisor of the managed futures enterprise, or that is a shareholder thereof with combined shareholding of 5 percent or higher.
3. A company in which any director, supervisor, managerial officer, or shareholder holding 10 percent or more of the issued shares is the same person as, or is the spouse of, a person in the preceding subparagraph or a managerial officer of the managed futures enterprise.

The term "combined shareholding" in subparagraph 2 of the preceding paragraph means the sum of the shares in the managed futures enterprise held by a given enterprise plus the shares in the same managed futures enterprise held by directors, supervisors, and managerial officers of the given enterprise, and by other enterprises controlled directly or indirectly by the given enterprise.

If a director or supervisor is a juristic person, the provisions of

paragraph 4 shall apply mutatis mutandis to its representative or designated representative in the exercise of duties thereby.

#### Article 35

A mandate contract for discretionary futures trading, and brokerage contracts engaging the futures and securities brokers, shall state that if the managed futures enterprise's allocation of assets to engage in trades exceeds the limitations or scope set out in laws or regulations or the mandate contract for discretionary futures trading, the managed futures enterprise itself shall bear the liability.

#### Article 36

Regulations for management of the form, content, production, and dissemination of promotional and advertising materials by a managed futures enterprise, and any amendments thereto, shall be drafted by the CNFA and submitted to the Competent Authority for recordation.

The promotional and advertising materials referred to in the preceding paragraph and records relating thereto shall be retained for a period of two years.

The Competent Authority may at any time make a spot check of the promotional and advertising materials and related records, and the managed futures enterprise may not refuse or impede such inspection.

#### Article 37

None of the following may be employed by a managed futures enterprise in its text, graphic, or verbal promotions or in advertising produced for dissemination in newspapers, magazines, radio, television, electronic transmission systems, or other mass media in the course of promoting or soliciting business:

1. Making false statements regarding the nature of trading or investments, or emphasizing profits while failing to explain related risks.
2. Content relating to opinions or recommendations based on analyses of trading on the spot market or futures market.
3. Concealing important facts where likely to mislead the general public.
4. Using false materials or presenting only information advantageous to the managed futures enterprise to exaggerate the enterprise's performance record in the futures trading services provided.
5. Using graphs, formulas, computer software or other technical tools for futures analysis without clearly explaining the functional limitations of such tools.
6. Making representations that it will guarantee profit or bear losses.
7. The use of letters of recommendation, thank-you letters, records of past performance, or any other text or representation that could easily cause a belief in the certainty of profit.
8. Any other circumstance in which exaggeration, bias, or a likelihood of misleading the general public would occur.

#### Article 38

When a managed futures enterprise allocates discretionary assets to engage in trades or investments, it shall produce a written decision based on its analysis report and execute that decision.

The analysis report referred to in the preceding paragraph shall state the analytical foundation and basis thereof, and the trade or investment recommendation. The written decision shall state the type, quantity, price, and timing of the decided-upon subject trade or investment. The execution record shall state the type, quantity, price, and time of the actual subject transaction, and explain the reason for any discrepancy with the written decision.

The written information referred to in the preceding paragraph shall be recorded sequentially, with the signatures and seals of the personnel responsible for analysis, trading decisions, and execution of trades placed thereon, and retained on file.

#### Article 39

In carrying out discretionary futures trading business, a managed futures enterprise shall establish a separate account for each principal, and

record on a daily basis trade and investment activities, open futures positions, the amount and value of futures-related spot commodities in inventory, the balance of discretionary assets and other related matters. The custodian institution shall check and verify the content of the principal's accounts referred to in the preceding paragraph. Principals may request examination of the information referred to in paragraph 1; the managed futures enterprise may not refuse such requests.

#### Article 40

A managed futures enterprise shall compile a regular monthly report of the principal's transactions records and current status, and deliver it to the principal. However, with the principal's written consent, and in compliance with the operating rules specified by the CNFA, it may send such report via e-mail.

When the impairment of the net worth of a principal's originally entrusted assets reaches 20 percent or higher, the managed futures enterprise shall compile the documentation of the preceding paragraph and advise the principal on the date of occurrence of the event. Thereafter, the same procedure shall be followed whenever that asset net value is impaired by 10 percent or more compared to the previous report.

#### Article 41

Regulations governing the management of discretionary futures trading business by a managed futures enterprise shall be adopted by the CNFA, which shall prescribe matters in relation to contracts, opening of accounts, trades and investments, deposits of margins and premiums, custody of funds and securities, clearing and settlement, and other related matters, and which shall be submitted to the Competent Authority for approval; the same shall apply for any amendment thereto.

Discretionary futures trading operations shall be carried out by managed futures enterprises in accordance with the regulations referred to in the preceding paragraph.

#### Article 42

Managed futures enterprises shall keep all certificates, receipts, account books, statistical forms, records, contracts, and evidentiary documents related to their operations at their places of business, available at all times for inspection by the Competent Authority or an agency designated thereby.

The period for which the certificates, receipts, account books, statistical forms, records, contracts, and related evidentiary documents referred to in the preceding paragraph shall be retained shall be determined according to the Business Accounting Act and other relevant acts and regulations, and in addition shall comply with relevant regulations to be adopted by the CNFA.. The regulations to be adopted by the CNFA pursuant to the preceding paragraph, and any amendments thereto, shall be submitted to the Competent Authority for recordation.

#### Article 43

The Competent Authority and an agency designated thereby may carry out audits of managed futures enterprises' operations, finances, and other necessary matters.

Managed futures enterprises shall provide explanations and relevant documentation in regard to the audits referred to in the preceding paragraph.

#### Article 44

Where bankruptcy, dissolution, suspension of business, or voidance or revocation of the business permission leaves a managed futures enterprise unable to continue discretionary futures trading operations, it shall settle trade and investment business undertaken prior to any of those events pursuant to the regulations governing discretionary futures trading operations referred to in Article 41 and the relevant provisions of the mandate contract for discretionary futures trading.

#### Article 45

Managed futures enterprises shall submit statistical forms on the previous month's discretionary futures trading operations to the CNFA prior to the 10th of each month.

The format of the statistical forms referred to in the preceding paragraph, and any amendments thereto, shall be prescribed by the CNFA and submitted to the Competent Authority for recordation.

#### Article 46

In addition to complying with other applicable laws and regulations, a managed futures enterprise shall comply with the following provisions in conducting business and engaging in trading:

1. There may not be any breach of trust, improper tunneling of interests, or other violation of law or regulation.
2. Nothing may be done in the interest of the enterprise, its responsible persons, employees, or any principal that harms the interests of other principals.
3. Pursue the greatest benefit for principals, and treat every principal in a fair and reasonable manner.
4. Establish mechanisms for segregating duties and functions, maintain the independence and confidentiality of business operations. The status of allocation of discretionary assets may not be transmitted to non-related associated persons, shareholders, or affiliated enterprises.
5. Information sharing may not harm the rights or interests of principals.
6. It is prohibited to coordinate with other departments or other persons to engage in trades, investments, or other actions with the intent to influence the price of a certain type of futures trade or futures-related spot commodity.
7. The premises and facilities of departments dedicated to handling discretionary investment business shall be adequately segregated from other business premises.
8. Employees other than those of the respective dedicated departments may not participate in the drafting or review of analysis reports and written decisions drafted by departments dedicated to handling discretionary investment business for principals.
9. Compensation or incentives of employees of departments dedicated to handling discretionary investment business may not be directly linked to the performance of other departments.

#### Article 47

If another enterprise that concurrently operates a managed futures enterprise fails to sign a mandate contract for discretionary futures trading with a principal within two years after obtaining the concurrent operations permission and permission license from the Competent Authority, its permission to concurrently operate a managed futures enterprise shall be revoked.

#### Article 48

When a managed futures enterprise's allocation of discretionary assets involves foreign exchange business, it shall obtain the consent of the Central Bank. Its inward and outward fund remittances shall be conducted in accordance with the Regulations Governing the Declaration of Foreign Exchange Receipts and Disbursements or Transactions and related rules prescribed by the Central Bank.

### Chapter IV Personnel

#### Article 49

Except where these Regulations or the Competent Authority provides otherwise, an associated person that engages in business set out in any subparagraph of Article 7 shall possess one of the following qualifications:

1. Qualification as a futures trading analyst.
2. Qualification as an associated person of a futures commission merchant pursuant to Article 5, subparagraphs 1 to 3 of the Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants ("Personnel Regulations").

#### Article 50

A supervisor or employee of a managed futures enterprise that conducts internal auditing business shall possess one of the following qualifications:

1. Qualified as a futures trading analyst and has one year or more of experience engaging in securities or futures-related work at a securities or futures institution.
2. Qualified as an associated person of a futures commission merchant pursuant to Article 5, subparagraphs 1 to 3 of the Personnel Regulations and has three or more years of experience engaging in securities or futures-related work at a securities or futures institution.

#### Article 51

A managerial officer that executes business as set out in Article 7 and an associated person that makes trading decisions for discretionary futures trading business as set out in Article 7, subparagraph 1, unless otherwise provided by the Competent Authority, shall possess one of the following qualifications:

1. Qualified as a futures trading analyst.
2. Qualified as an associated person of a futures commission merchant pursuant to Article 5, subparagraphs 1 to 3 of the Personnel Regulations and has three or more years of experience engaging in securities or futures-related work at a securities or futures institution.

If a person making trading decisions referred to in the preceding paragraph makes decisions regarding investment in futures-related spot commodities, the person shall possess futures-related spot commodity investment knowledge or experience, and shall participate in pre-service and in-service futures-related spot commodity training held by an institution designated by the Competent Authority.

#### Article 51-1

A managed futures enterprise shall have one general manager, who shall be responsible for the overall administration of the business operations of the entire company, and it may not have any other person in an equivalent position.

The general manager of a managed futures enterprise shall be of upstanding character and possess the ability to effectively lead and manage a managed futures enterprise, and shall, with the exception of a general manager of a managed futures enterprise concurrently operated by a futures broker, futures trust enterprise, securities investment trust enterprise, or securities investment consulting enterprise, who may otherwise be subject to the provisions of other laws and regulations, also possess one of the following qualifications:

1. Has obtained qualification as a futures trading analyst, and also has 3 years or more of work experience related to securities or futures at a securities or futures institution, with a good performance record.
2. Is a graduate of a domestic or foreign school at the level of junior college or higher recognized by the Ministry of Education or has an equivalent level of education, and also has 5 years or more of work experience related to securities or futures at a securities or futures institution, having served there in the position of assistant general manager or in an equivalent position for 1 year or more, or in the position of manager or in an equivalent position for 3 years or more, with a good performance record.
3. Has other academic or work qualifications sufficient to demonstrate possession of professional knowledge of futures, operational experience, and leadership ability that would enable sound and effective operation of managed futures enterprise business.

To appoint a general manager, a managed futures enterprise shall submit documents verifying that the person it plans to hire meets the required qualifications to the competent authority for review; the person may not assume the position until found qualified.

#### Article 52

The term "having obtained qualification as a futures trading analyst" as

used in these Regulations refers to those persons obtaining qualification through examinations held by the CNFA or the Securities and Futures Institute.

#### Article 53

The "securities or futures institution" referred to in these Regulations means a futures commission merchant, futures exchange, futures clearing house, the CNFA, leverage transaction merchant, futures service enterprise, securities firm, securities exchange, the GreTai Securities Market, Taiwan Securities Association, securities services enterprise, securities investment trust enterprise (SITE), securities investment consulting enterprise (SICE), or The Securities Investment Trust and Consulting Association of the R.O.C. (SITCA) as referred to in the Act, the Securities and Exchange Act, and the Securities Investment Trust and Consulting Act.

#### Article 54

Registration of the managed futures enterprise's responsible person and associated persons, and any changes thereto, shall be carried out through the CNFA by the managed futures enterprise to which they belong; responsible persons and associated persons may not engage in their appointed duties without such prior registration.

If any of the following circumstances exists at a managed futures enterprise, the registration referred to in the preceding paragraph may not be effected, and where registration has already been effected, it shall be voided:

1. Any of the circumstances set out in Article 5 of the Standards Governing Establishment of Managed Futures Enterprises exist.
2. The registree does not possess the qualifications set out in Articles 49 to 51 herein.
3. The registree has violated the provisions of Articles 55 or 56 herein.
4. The registree has failed to participate in pre-service training or in-service training pursuant to Articles 58 or 60 herein or to obtain a passing grade in such training.

A managed futures enterprise shall report any change in its responsible person or associated persons to the CNFA within five business days from the day after such change occurs; prior to the registration of such change, the managed futures enterprise shall remain liable for the actions of such employees.

#### Article 55

The responsible person of a managed futures enterprise may not hold a position as a responsible person at another managed futures enterprise, futures advisory enterprise, or futures commission merchant, provided that this restriction shall not apply under the following circumstances:

1. The managed futures enterprise and such other futures enterprise(s) are controlled by the same controlling company as defined in Chapter 6-1 of the Company Act, and there is no overlapping in chairperson or managerial officer between the respective enterprises, and the Competent Authority grants approval.
2. To meet requirements for implementing a merger and with the approval of the Competent Authority, a responsible person of the managed futures enterprise may hold the position of chairperson at such other futures enterprise(s).
3. If the managed futures enterprise is a subsidiary of a financial holding company, a responsible person of the managed futures enterprise may concurrently serve as a responsible person of that holding company or of another subsidiary, provided that there may not be any overlapping in managerial officers between subsidiaries.
4. If the managed futures enterprise is a juristic-person director or juristic-person supervisor of a financial holding company, a responsible person of the managed futures enterprise, by reason of serving as a responsible person of that holding company, may concurrently serve as a director or supervisor of a subsidiary of that holding company.

The holding of any concurrent position by a responsible person of a managed futures enterprise shall be confined to such necessary scope as will ensure the effective discharge of the duties of the principal and concurrent

positions and will maintain the business operations of the managed futures enterprise, and may not involve any conflict of interest or violation of the provisions relevant to managed futures enterprises or internal control systems, and shall protect shareholder rights and interests.

If a director or supervisor of a managed futures enterprise is a juristic-person shareholder, the provisions of these Regulations regarding directors and supervisors shall apply mutatis mutandis to the performance of duties by the representative or designated representative of such juristic-person shareholder.

If a director or supervisor of a managed futures enterprise serves in such capacity in the status of the representative of a juristic-person shareholder, the provisions of these Regulations regarding directors and supervisors shall apply mutatis mutandis to the juristic person shareholder.

#### Article 56

The chairperson of a managed futures enterprise may not concurrently serve as the general manager. This restriction, however, does not apply if any of the following circumstances exists and if approval is obtained from the competent authority:

1. The managed futures enterprise will cease to exist as a result of a merger or dissolution, and its chairperson or general manager has resigned, been removed from office, or otherwise been unable to continue the performance of duties.
2. The managed futures enterprise's business permission was voided by the competent authority, and its chairperson or general manager has resigned, been removed from office, or otherwise been unable to continue the performance of duties.
3. Any other special cause.

Managerial officers and associated persons at a managed futures enterprise shall hold their positions on a dedicated full-time basis, provided that this restriction shall not apply where the Competent Authority provides otherwise.

Internal auditors of a managed futures enterprises may not conduct business outside the registered scope of their positions, nor may any other associated person concurrently hold the position of internal auditor.

However, an internal auditor of another enterprise that concurrently operates a managed futures enterprise, and who possesses the qualifications specified in Article 50, may serve as an internal auditor of the managed futures enterprise on a concurrent basis.

Unless otherwise provided by the Competent Authority, a supervisor or associated person of the dedicated department conducting discretionary futures trading business at a managed futures enterprise concurrently operated by an other-industry enterprise may not conduct business outside the registered scope of their positions nor may their positions be held on a concurrent basis by a supervisor or associated person of another department. However, a supervisor of a dedicated department conducting discretionary securities trading business who possesses the qualifications in Article 51, or an associated person of that department who possesses the qualifications in Article 49, may hold the same position on a concurrent basis in the dedicated department conducting discretionary futures trading business.

The position of an associated person who makes trading decisions at a managed futures enterprise concurrently operated by an other-industry enterprise may be held on a concurrent basis by a fund manager of a futures trust fund offered to specific persons, by a fund manager of a privately placed securities investment trust fund, or by a managerial officer for discretionary securities investment.

The position of personnel who execute trades at a managed futures enterprise that is concurrently operated by a futures trust enterprise or a securities investment trust enterprise (SITE) may be concurrently held by personnel who execute trades and investments or execute buying and selling at a futures trust enterprise or securities investment trust enterprise (SITE) and possess the qualifications in Article 49.

The positions of promotion and solicitation personnel at a managed futures enterprise concurrently operated by an other-industry enterprise may be



concurrently held by associated persons who possesses the qualifications in Article 49.

The position of in-charge accountant at a managed futures enterprise concurrently operated by an other-industry enterprise may be concurrently held by an in-charge accountant of the other-industry enterprise.

The general manager of an other-industry enterprise concurrently operating a managed futures enterprise may not concurrently hold a position as a supervisor of or person making trading decisions in the department dedicated to discretionary futures trading business.

#### Article 57

If a managerial officer or associated person of a managed futures enterprise takes leave, ceases engaging in business activities, or is otherwise absent from his/her post, the managed futures enterprise to which they belong shall appoint a deputy with equivalent qualifications. The deputy may not violate the provisions of the preceding article.

With respect to the deputation referred to in the preceding paragraph, the managed futures enterprise shall prepare a special registry to record the reason and period of deputation as well as the name and duties of the deputy, to be kept on file for future reference.

#### Article 58

The associated persons of a managed futures enterprise shall participate in the pre-service and in-service training provided by an institution designated by the Competent Authority.

A new associated person or an associated person returning to the position after two or more years since resignation shall participate in pre-service training within the six months prior to beginning to execute operations. Associated persons currently on the job shall participate in in-service training every two years.

If an associated person of a futures trust enterprise that concurrently operates a managed futures enterprise applies for registration as an associated person of the managed futures enterprise, the person need not participate in the pre-service training under the preceding paragraph.

A person who has participated in pre-service training and received a passing grade within one-half year before obtaining qualification as an associated person as specified in Articles 49 to 51, and is registered as an associated person and performs the duties of that position within one-half year after obtaining that associated person qualification, need not participate in the pre-service training for new associated persons under paragraph 2.

When a person who obtains qualification as an associated person of a futures commission merchant pursuant to Article 5, subparagraphs 1 to 3 of the Personnel Regulations applies for registration as an associated person of a managed futures enterprise in a position other than a person making trading decisions, internal auditor, or in-charge accountant, the person shall participate in pre-service training for the number of hours specified by the CNFA.

The currently serving in-charge accountant of a managed futures enterprise that has obtained its permission license prior to the issuance of these amended Regulations need not participate in the pre-service training under paragraph 1.

#### Article 59

The associated persons of a managed futures enterprise who pass pre-service or in-service training shall receive a course completion certificate from the training institution, and the performance evaluation for the training shall be sent to the managed futures enterprise where such persons are employed as a reference for performance evaluation, promotion, and assignment of work. Those who achieve an outstanding evaluation shall be granted awards by the training institution.

#### Article 60

In the event that an associated person of a managed futures enterprise fails to participate in or pass in-service training, he/she shall be retrained within three months. Should he/she again fail to pass, the

training institution will notify the CNFA to revoke his/her qualification as an associated person.

#### Article 61

Regulations governing trading and investment by a managed futures enterprise's responsible person, associated persons, other personnel, or their spouses, and any amendments thereto, shall be adopted by the CNFA and submitted to the Competent Authority for recordation.

#### Article 62

A managed futures enterprise and its responsible persons and associated persons shall faithfully carry out their duties in an honest and trustworthy manner.

The enterprise and personnel referred to in the preceding paragraph may not engage in the following:

1. Divulging information on matters entrusted by the principal, or secrets gained through performance of professional duties.
2. Making guarantees of profitability to a principal.
3. Entering into an agreement to share profit or loss with the principal, provided that this restriction shall not apply where the Competent Authority has otherwise provided for collection of incentive fees by managed futures enterprises.
4. Using a principal's name or account to undertake trading or investment on behalf of oneself or others.
5. Providing one's own or other's name or account for use in trading or investment by a principal.
6. Engaging in exaggerated or biased promotion or disseminating false information.
7. Entering into mandate contracts by means of fraud, coercion, or other improper means.
8. Any acts in contravention of acts and regulations in advertising or promotion.
9. Representing a principal in executing trades or investments without having first entered into a discretionary futures trading mandate contract with the principal, or before the principal has entered into the related mandate contract with the custodian institution.
10. Representing the principal in signing a discretionary futures trading mandate contract or the related mandate contract with the custodian institution.
11. Directly or indirectly establishing a fixed place of business outside the enterprise's place of business at which to enter into discretionary futures trading mandate contracts with principals, provided that where the Competent Authority provides otherwise, this restriction shall not apply.
12. Carrying out the duties of one's position under another's name or having another carry out one's duties under one's own name.
13. Using information gained in the course of operations to carry out trades on one's own behalf or on behalf of someone other than the principal.
14. Utilizing discretionary assets to undertake trades or investments disadvantageous to the principal's rights and interests.
15. Utilizing discretionary assets to perform cross trades or investments with one's own assets or with other assets entrusted for brokerage trading, provided that for a confirmed trade taking place on the centralized securities exchange market where the resultant cross trade was unintentional, this restriction shall not apply.
16. Sub-mandating the mandate contract for discretionary futures trading in whole or in part for performance by others, or assignment of the contract to others in whole or in part.
17. When making trades or investments using discretionary trading assets, taking an already-completed brokerage trade made on a discretionary trading account and changing it to a trade on one's own or others' discretionary trading accounts, or changing a trade made on any other account to a trade on a discretionary trading account.
18. Failing to produce a written trading decision based on the analysis report; or the analysis report obviously lacks a reasonable analytical foundation or basis.

19. Misappropriating assets entrusted by the principal or keeping custody on behalf of the principal of assets entrusted by the principal or of any chop or account passbook of the principal.
  20. Handling or responding unnecessarily to queries regarding matters entrusted by a principal in a manner injurious to the principal's rights and interests.
  21. Where account books, statistical tables, or documents are required by act or regulation, handling the production, reporting, announcement, display, or safekeeping of such items in a manner contravening an act or regulation, or making false entries therein.
  22. Failing to provide account books, statistical tables, documents, or other reference reporting materials within the specified time per order of the Competent Authority, or refusing or impeding an investigation of the Competent Authority undertaken pursuant to applicable law.
  23. Borrowing funds from a principal or acting as an intermediary in such borrowing.
  24. Producing falsified trading records.
  25. Using a non-employee of the company to conduct related business.
  26. Conducting an unnecessary trade for the principal.
  27. Violating the standards for self-regulation established by the CNFA.
  28. Violating other securities and futures management laws and regulations or engaging in other acts prohibited by the Competent Authority.
- In conducting business, personnel referred to in paragraph 1 may not engage in any conduct prohibited by laws or regulations regarding the administration of managed futures enterprises or prohibited by the provisions of the mandate contract for discretionary futures trading. Personnel other than associated persons are likewise prohibited from the conduct referred to in the preceding paragraph, and furthermore may neither undertake the duties of an associated person of a managed futures enterprise nor act as deputy for duties of an associated person.

#### Article 63

Given any of the following circumstances on the part of the responsible person or an associated person of a managed futures enterprise, the Competent Authority will issue an award or a commendation:

1. Having contributed efforts and achieved notable results in establishing the fundamental order of the futures market.
2. Having published research that has been adopted as a creative contribution to developing the futures market or carrying out related operations.
3. Having informed authorities of illegal activities in the market which were thereafter confirmed.
4. Having made other contributions worthy of note.

#### Article 64

Where there is any suspicion of a violation of a futures act or regulation by a responsible person, associated person, or other personnel at a managed futures enterprise, or in response to inquiries regarding execution of duties and related matters, such persons shall proceed to the office of the Competent Authority to explain or provide written materials within the time period prescribed by the Competent Authority.

#### Article 65

The provisions of Article 54, Article 55, and Articles 61 to 64 shall apply mutatis mutandis with respect to directors, supervisors, and general managers of a managed futures enterprise concurrently operated by an other-industry enterprise.

The provisions of Articles 51, 54, and 55, paragraph 2 of Article 56, Article 57, and Articles 61 to 64 shall apply mutatis mutandis with respect to the dedicated department heads of a managed futures enterprise concurrently operated by an other-industry enterprise.

The provisions of Articles 49 to 51, Article 54, paragraph 2 of Article 56, Article 57, paragraphs 1, 2, 4, and 5 of Article 58, and Articles 59 to 64 shall apply mutatis mutandis with respect to associated persons that handle any business specified under Article 7 of a managed futures enterprise concurrently operated by an other-industry enterprise.

## Chapter V Supplementary Provisions

### Article 66

Article 8; Article 10; subparagraph 1, subparagraphs 3 to 5, and subparagraph 7 of paragraph 1, and paragraphs 2 to 4, of Article 12; Articles 13 to 17; Articles 22 to 46, and Article 48 shall apply to futures trust enterprises and securities investment trust enterprises concurrently operating managed futures enterprises.

The provisions cited in the preceding paragraph, and the provisions of Articles 19 to 21, shall apply to the allocated operating capital of futures brokers and securities investment consulting enterprises concurrently operating managed futures enterprises.

### Article 66-1

If before the 11 October 2010 amendment to these Regulations enters into force, a managed futures enterprise does not meet the requirements under Article 51-1, paragraph 1, it shall make the adjustments within 6 months starting from the date the amendment enters into force, and if it does not meet the requirements under Article 56, paragraph 1, it shall make the adjustments within 1 year starting from the date the amendment enters into force.

A person who, before the 11 October 2010 amendment to these Regulations enters into force, was already serving as the general manager of a managed futures enterprise may continue to serve in the original position or for the duration of the original term, without being subject to the restrictions of Article 51-1, paragraphs 2 and 3.

For a person to be promoted or assigned to the position of the general manager of a managed futures enterprise after the 11 October 2010 amendment to these Regulations enters into force, the requirements on qualifications and appointment procedures as set out in Article 51-1, paragraphs 2 and 3 shall be satisfied; those who do not satisfy the requirements shall be dismissed.

### Article 67

These Regulations shall enter into force from the date of issuance, except for Article 22 amended and issued on 12 July 2012, which shall enter into force from the fiscal year of 2013.