

MEMO# 14448

February 8, 2002

TAIWAN SFC ISSUES RULINGS ON DERIVATIVES

[14448] February 8, 2002 TO: INTERNATIONAL COMMITTEE No. 12-02 RE: TAIWAN SFC ISSUES RULINGS ON DERIVATIVES On January 15, 2002, the Taiwan Securities and Futures Commission issued two rulings clarifying the criteria to register foreign mutual funds for sale in Taiwan. A memorandum prepared by local counsel in Taiwan describing the rulings is attached. One of the requirements for a foreign fund to be approved for sale in Taiwan is that the fund's prospectus includes a statement that derivatives comprise less than fifteen percent of the fund's portfolio. The rulings define "derivatives" for this purpose and clarify that certain currency forward contracts and currency swaps may be excluded for purposes of the fifteen percent test, provided that they are used for bona fide risk hedging. The rulings also clarify the value that should be used in the calculation with respect to options and other derivative investments. Robert C. Grohowski Associate Counsel Attachment Attachment (in .pdf format)

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