

Supplement 8 — Business Plan and Proposed Business Activities

Name of corporation	
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Types of regulated activity	
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Section 1: Nature and scope of business

- 1.1 State the business activities you propose to carry out and indicate their expected percentages of contribution to your gross operating income.

Proposed business activities	% of gross operating income
Type 1 regulated activity	
<input type="checkbox"/> Broking stocks/unit trusts/mutual funds/debt securities/stock derivatives*	
<input type="checkbox"/> Placing/underwriting securities*	
<input type="checkbox"/> Marketing/distributing unit trusts and mutual funds	
<input type="checkbox"/> Market making in securities	
Type 2 regulated activity	
<input type="checkbox"/> Broking futures	
<input type="checkbox"/> Market making in futures	
Type 3 regulated activity	
<input type="checkbox"/> Trading leveraged foreign exchange <i>(not applicable to registered institutions)</i>	
Type 4 regulated activity	
<input type="checkbox"/> Giving advice on stocks/unit trusts/mutual funds/debt securities/stock derivatives*	
<input type="checkbox"/> Publishing research or analyses on securities	
<input type="checkbox"/> Financial planning	
Type 5 regulated activity	
<input type="checkbox"/> Giving advice on futures	
<input type="checkbox"/> Publishing research or analyses on futures	
Type 6 regulated activity	
<input type="checkbox"/> Giving advice on corporate finance	
Type 7 regulated activity	
<input type="checkbox"/> Providing online trading service	
<input type="checkbox"/> Providing automated matching service	

Type 8 regulated activity	
<input type="checkbox"/>	Securities margin financing <i>(not applicable to registered institutions)</i>
Type 9 regulated activity	
<input type="checkbox"/>	Managing securities portfolios
<input type="checkbox"/>	Managing futures portfolios
Other business activities	
<input type="checkbox"/>	Borrowing and lending stocks
<input type="checkbox"/>	Providing custodian service
<input type="checkbox"/>	Broking insurance products
<input type="checkbox"/>	Marketing mandatory provident fund products
<input type="checkbox"/>	Proprietary trading in securities
<input type="checkbox"/>	Proprietary trading in futures
<input type="checkbox"/>	Other regulated activities (please specify)

* Delete where not applicable

1.2 For each of your principal business mentioned in Question 1.1 above, indicate the types of your target customers.

	Expected % of contribution to gross operating income		
	Principal Business 1	Principal Business 2	Principal Business 3
Hong Kong retail clients			
Hong Kong high net worth clients			
Hong Kong institutional clients			
Overseas retail clients			
Overseas high net worth clients			
Overseas institutional clients			
Others (please specify)			
	<u>100%</u>	<u>100%</u>	<u>100%</u>

1.3 State your sources for new customers.

<input type="checkbox"/>	Introduction/referral
<input type="checkbox"/>	Walk-in customers
<input type="checkbox"/>	Others (please specify)

1.4 This question is ONLY applicable where you intend to carry on Type 1 and/or Type 2 regulated activity and intend to be an exchange participant.

Please provide the following information on your estimated turnover.

Type 1 regulated activity	Projected total value of securities transaction in the first year of operation (in HK\$'000) _____
Type 2 regulated activity	Projected total notional amount of futures and options contracts in the first year of operation (in HK\$'000) _____

Section 2: Operational and internal control procedures

2.1 Please submit as an attachment your operational manual and/or internal control procedures, detailing, among others, the following areas:

- Organizational charts with key human resources and their reporting lines.
- Operational flowcharts describing your principal business operations.
- Inherent risks to your principal regulated business activities (such as market risk, credit risk, liquidity and operational risk) and your risk control strategy.
- Potential areas of conflict of interests, and measures to address the conflict.
- Procedures to achieve segregation of duties.
- Contingency plan.

2.2 Please submit as an attachment a copy of your standard client agreement.

Section 3: Telephone recording system

3.1 Please provide the following information on your telephone recording system.

(a)	Name of system
(b)	Scope of conversations to be recorded
	<input type="checkbox"/> Between account executives and clients
	<input type="checkbox"/> Between account executives and dealers
	<input type="checkbox"/> Others (please specify) _____
(c)	Tape retention period : _____ months
(d)	Person monitoring irregularities
	<input type="checkbox"/> Compliance staff
	<input type="checkbox"/> Internal audit staff
	<input type="checkbox"/> Responsible officer
	<input type="checkbox"/> Others (please specify) _____
(e)	Method of data retrieval
	<input type="checkbox"/> By time
	<input type="checkbox"/> By channel
	<input type="checkbox"/> Others (please specify) _____

Section 4: Insurance *(not applicable to registered institutions)*

This section is ONLY applicable to corporations required to maintain insurance under the Securities and Futures (Insurance) Rules.

4.1 Have you maintained the required insurance?

- Yes.
- No. Please explain:

4.2 Please provide the following details of your proposed insurance scheme.

Name of insurer	
Credit rating of insurer	
Indemnity level (in HK\$)	
Deductibles (in HK\$)	
Period of insurance	From _____ to _____ (dd/mm/yyyy) (dd/mm/yyyy)

Section 5: Custody of client assets (not applicable to registered institutions)

5.1 Please state all the places where you will hold your client assets (if applicable).

<input type="checkbox"/>	Accounts maintained with the Central Clearing and Settlement System
<input type="checkbox"/>	Authorised financial institutions
<input type="checkbox"/>	Licensed intermediaries in Hong Kong
<input type="checkbox"/>	Overseas licensed or authorised intermediaries
<input type="checkbox"/>	Associated entity
<input type="checkbox"/>	Independent custodian (please specify)
<input type="checkbox"/>	Others (please specify)

Section 6: Leveraged foreign exchange trading (not applicable to registered institutions)

This section is ONLY applicable where the applicant intends to carry on Type 3 Regulated Activity.

6.1 Do you intend to provide discretionary account service to clients?

- Yes.
- No.

Section 7: Advising on corporate finance

This section is ONLY applicable where the applicant intends to carry on Type 6 Regulated Activity.

7.1 Do you intend to undertake activities in connection with matters regulated by the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (“the Codes”)?

- Yes.
- No. Go to Section 8.

7.2 Please submit as an attachment the following information:

- A list of proposed responsible officers/executive officers who will actively participate in, or be directly responsible for the supervision of, the matters or transactions regulated by the Codes.
- Details on the adequacy of your resources and internal procedures to ensure full compliance with the Codes. In particular, the names of the executives who will be responsible for compliance with Rule 22 of the Takeovers Code and a description of the internal procedures in this connection.
- Measures to ensure that all your staff handling matters or transactions under the Codes and your clients understand and comply with the Codes.
- Whether or not you have been involved in any transaction where you committed a breach of the Codes. Please disclose the details of any such transaction and the breach.
- Whether or not the Executive (as defined under the Codes) has ever raised any concern that your conduct fell below the standard expected or required by the Codes. Please disclose the details, if any.

Section 8: Providing automated trading services

This section is ONLY applicable where the applicant intends to carry on Type 7 Regulated Activity.

8.1 Please complete *Supplement 14 - Automated Trading Services*.

Section 9: Providing securities margin financing *(not applicable to registered institutions)*

This section is ONLY applicable where the applicant intends to carry on Type 8 Regulated Activity, or to provide securities margin financing in order to facilitate acquisitions or holdings of securities for its clients under Type 1.

9.1 Please submit as an attachment a copy of your securities margin financing policy with the following details:

- Concentration policy including the percentage of margin to be offered for different classes of shares.
- Concentration policy and criteria in granting the amount of margin facilities to each client/group of clients and interest rate charged.
- Procedures and personnel responsible for computing margin shortfall, making margin calls and handling margin shortfalls not topped up by clients.
- Time interval for reviewing margin financing policy and procedures, and the positions of the persons involved.
- Procedures for communicating your margin financing policy and procedures to your clients and staff.

Section 10: Providing asset management services

This section is ONLY applicable where the applicant intends to carry on Type 9 Regulated Activity.

10.1 Provide the following information on your asset management business.

Assets under management	Estimated amount (in HK\$'000) after 1 year of operation
Total assets for investment in Hong Kong	
Total assets for investment overseas	

10.2 State the sources of your remuneration and the corresponding contribution to your total income.

Sources of remuneration		Approximate percentage
<input type="checkbox"/>	Rebates or commissions from brokers	
<input type="checkbox"/>	Fixed management fees	
<input type="checkbox"/>	Variable management fees	
<input type="checkbox"/>	Others (please specify)	

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*Name of director/responsible
officer/executive officer/chief
executive**

.....
Signature

.....
Date

* Delete where not applicable