

Supplement 14 — Automated Trading Services

Name of corporation	
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Section 1: Basic information

1.1 Describe the nature of your system.

- Order routing system
- Electronic communication network
- Internet portal
- Trading platform
- Others (please specify)

1.2 Describe the types of services you intend to provide.

- Routing of orders on securities/futures*
- Matching of orders on securities/futures*
- Providing investment advice on securities/futures*
- Publishing research or analysis on securities/futures*
- Providing platform to facilitate trading activities
- Providing facilities for electronic clearing and settlement
- Bulletin board/chat room service*
- Electronic subscription service (e.g. eIPO)
- Portfolio tracking
- Market price quotation
- Others (please specify)

1.3 Please provide the location of your host server and backup server.

1.4 Describe the intended users of your automated trading services/facilities.

- Retail clients
 - Institutional clients
 - High net worth clients
 - Licensed brokers/fund houses*
 - Authorized financial institutions
 - Trustees or custodians
 - Others (please specify)
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1.5 Describe your source of remuneration.

- Fixed fees from users
Basis of computation of fee: _____
- Variable fees from users
Basis of computation of fee: _____
- Advertisement fees
- Rebate or commission from intermediaries
- Others (please specify) _____

* Delete where not applicable

Section 2: Qualification and experience of responsible personnel

2.1 Please provide names of the following persons/entities:

System developer or
application service provider _____

System administrator _____

Database administrator _____

System maintenance person _____

2.2 In an attachment, briefly describe the qualifications of the above persons/entities and their experience in the respective areas.

Section 3: System integrity

3.1 System security

(a) Information security

- (i) Specify the encryption technology used to secure communication over the Internet.

- (ii) Provide the following information regarding your user password.

No. of digits required _____

Password string

Alphabet only Number only Alphanumeric

Others (please specify) _____

Person assigning user password _____

Time interval for changing user password _____

Time interval for automatic time out feature _____

No. of failed attempts for resetting password _____

(b) Network security

Please submit an infrastructure diagram showing the network connecting your servers, routers and firewalls.

(c) Host security

Describe your intrusion detection system for detecting and recording unauthorized access or attempts to access your host system.

- (d) Is the intrusion detection log regularly reviewed by a senior officer?

Yes.

No. Please provide reason: _____

(e) Physical security

Are the host and server systems placed in a locked room accessible by authorized persons only?

Yes.

No. Please provide reason: _____

3.2 System capacity

(a) Has the system been fully tested and that issues on security, reliability, capacity and contingency been resolved before commencement?

Yes.

No. Please provide reason: _____

(b) Describe your system capacity including the known limitations and restrictions.

3.3 Contingency

(a) Are there any emergency back-up server and power in place?

Yes.

No. Please provide reason: _____

(b) Describe your alternative means of communication in the event of system failure.

(c) Submit a copy of your written contingency plan including the frequency of rehearsal of such plan.

3.4 System documentation

(a) Have you maintained a written system documentation detailing functional and technical specifications of your systems?

Yes.

No. Please provide reason: _____

(b) Have you maintained audit trails of all the system changes and maintenance?

Yes.

No. Please provide reason: _____

Section 4: Account opening procedures

4.1 Describe your proposed steps to establish the true identity of a new client subscribing for your services.

Face to face meeting.

Reliance on third party verification (i.e. verification performed by a licensed person/registered institution, an affiliate of a licensed person/registered institution, a Justice of the Peace, or a professional person such as a branch manager of a bank, certified public accountant, lawyer or notary public).

Using certification services that are recognized by the Electronic Transactions Ordinance (such as the certification services available from the Hongkong Post).

Obtaining from the client a copy of his identity document and a copy of the signed client agreement, and encashing a cheque issued by the client drawn on a licensed bank in Hong Kong.

Others (please specify) _____

4.2 In an attachment, please describe your procedures for ascertaining new clients' financial situation, investment objectives and experience prior to providing service to them.

Section 5: Sufficiency of information and risk disclosure for clients

5.1 Specify the information/services that you will provide to your clients.

- Details of services to be provided via the Internet
- Electronic confirmation of execution
- Electronic statement
- Pre-deal preview and confirmation of order
- Default reading of risk statement
- Fees and charges for different types of services
- Level of security and capacity of system
- Contingency arrangement
- Alternative means of communication with the client in case of system failure
- Circumstances and procedures for cancellation of transactions
- Others (please specify) _____

5.2 Will the above information be disclosed on your website/client agreement?

- Yes.
- No. Please specify the method of disclosure: _____

5.3 Identify all the risks associated with using your services and indicate the manner which you will disclose these risks to your clients.

Example 1: If there is a hyperlink to a third party website, the service provider should put a disclaimer on its web page alerting the user that it will not accept any responsibility for the accuracy of that third party website.

Example 2: If the service provider envisages that there may be a time lag in data transmission and that client orders may not be necessarily executed at the price indicated on the Internet, this risk must be disclosed to clients. The disclosure can be made in the risk disclosure statement.

Section 6: Order handling and execution

- 6.1** Submit a procedure manual describing the process flow from receiving through execution of a client order.
- 6.2** Have written policies and procedure manuals been distributed and explained to all relevant staff to ensure that they understand the policies and procedures?
- Yes.
- No. Please provide reason _____

- 6.3** Submit sample copies of your exception reports and management reports used for detecting and monitoring irregularities. Please also name the position of personnel responsible for reviewing the reports and taking action on the exceptions.

Section 7: Content of the website

- 7.1** Have you disclosed your name, licence/registration status and exchange trading participanship (if any) on your website?
- Yes.
- No. Please provide reason: _____
- 7.2** Are there any hyperlinks to overseas websites which target the Hong Kong investor?
- Yes. Please provide details: _____
- No.
- 7.3** Are there any hyperlinks to other entities which facilitate clients to open accounts with these entities?
- Yes. Please provide details: _____

- No.
- 7.4** Provide a guest login name and password to enable us to visit your website and review your trading process.
- _____

Section 8: Information relating to application service provider

(This section is ONLY applicable to companies which have appointed external application service providers to support their automated trading services.)

- 8.1** Provide the following information regarding your application service provider (“ASP”) in an attachment.
- Track record of the ASP in providing similar service
 - Upfront capital charges
 - Extent of service provided
 - Extent of customer support provided (e.g. training and hotline operations)
 - Fall back procedures in the event of system failure
 - Provisions for route exit and recourse

Section 9: Additional information

- 9.1** Provide any additional information that you think may assist the Commission to understand your system as a whole.

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

Signature

Date

* Delete where not applicable