

Questionnaire for Intermediaries Providing Trading Services through Electronic Means

- For completion by intermediaries intending to provide trading services through electronic means other than the provision of Automated Trading Services.
- Please provide additional information if any of your reply below is "no".

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/leveraged foreign exchange trading*
- Matching of orders on securities/futures/leveraged foreign exchange trading*
- Providing investment advice on securities/futures/leveraged foreign exchange trading*
- Publishing research or analysis on securities/futures/leveraged foreign exchange trading*
- 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
- Placing orders for fund subscription, switching and redemption
- Others (please specify)

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

Host server

Backup server

1.4 Please provide your website address.

1.5 Describe the intended users of your systems/facilities.

- Retail clients
- High net worth clients
- Licensed brokers/fund houses/advisers*
- Authorized financial institutions/registered institutions*
- Trustees or custodians
- Other institutional clients
- Others (please specify) _____

1.6 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: Responsible parties

2.1 Please provide names of the following persons/entities:

Responsible officer supervising the electronic trading service _____

If the following functions are not carried out in-house, entities responsible for the functions:

System developer or application service provider _____

System administration _____

System maintenance _____

Data centre _____

Database administration _____

Section 3: System integrity

3.1 System security

(a) Information security

Use of alpha-numeric passwords with not less than 8 digits?

Yes. No. Remark _____

Use of latest encryption technology to secure communication over the Internet?

Yes. No. Remark _____

Are clients required to change passwords at regular intervals?

Yes. No. Remark _____

Do clients have an option to change passwords at any time?

Yes. No. Remark _____

Is there an automatic time-out feature for site access?

Yes. No. Remark _____

Will clients be restricted from more than one log-on at any time?

Yes. No. Remark _____

Will repeated failures in log in attempts trigger resetting of password?

Yes. No. Remark _____

(b) Network security

Is the transaction database logically separated from web servers?

Yes. No. Remark _____

Are web servers residing in the Demilitarized Zone?

Yes. No. Remark _____

Are there firewalls to shield servers and internal network from unauthorized access?

Yes. No. Remark _____

Do the firewalls have appropriate rules?

Yes. No. Remark _____

(c) Host security

Are there intrusion detection devices to monitor any unauthorized access?

Yes. No. Remark _____

Is the intrusion detection log regularly reviewed by a senior officer?

Yes. No. Remark _____

Are control and operation of important devices (such as firewalls and routers) divided into two parts using separate passwords?

Yes. No. Remark _____

Are there router access controls to provide an additional layer of protection?

Yes. No. Remark _____

(d) Physical security

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

Yes. No. Remark _____

3.2 System capacity and reliability

(a) Are there adequate margins above current capacity?

Yes. No. Remark _____

(b) Is the system scalable?

Yes. No. Remark _____

(c) Will stress test be conducted periodically?

Yes. No. Remark _____

3.3 Contingency

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

Yes. No. Remark _____

(b) Are there alternative means of communication in the event of system failure?

Yes. No. Remark _____

(c) Is there any written contingency plan?

Yes. No. Remark _____

(d) Do you conduct periodic rehearsal of the contingency plan?

Yes. No. Remark _____

Section 4: Sufficiency of information and risk disclosure for clients

4.1 Specify the information/services that you will provide to your clients (please "tick").

- Details of services to be provided via the system
- Market risks relating to different types of services and products
- Default reading of relevant risk statement at appropriate juncture
- Account opening procedures
- Fees and charges for different types of services
- Pre-deal preview and confirmation of order
- Electronic confirmation of execution
- Circumstances and procedures for cancellation of transactions
- Electronic contract notes and statement
- Level of security and capacity of system
- Contingency arrangement
- Alternative means of communication with the firm in case of system failure
- Alerts on changes
- Others (please specify) _____

4.2 Will the above information be disclosed on your website and client agreement?

- Yes. No. Remark _____

Section 5: Order handling and execution

5.1 Do you have a procedure manual describing the process flow from receiving through execution of a client order?

- Yes. No. Remark _____

5.2 Have your written policies and procedure manuals been distributed and explained to all relevant staff to ensure that they understand the policies and procedures?

- Yes. No. Remark _____

5.3 Do you have exception reports and management reports for detecting and monitoring irregularities (for example, detecting attempts to mark up or down the closing price)?

- Yes. No. Remark _____

5.4 Will the exception reports and management reports be reviewed by senior management?

- Yes. No. Remark _____

Section 6: Content of the website

6.1 Have you disclosed your name, licence/registration status, central entity number, and exchange trading participanship (if any) on your website?

Yes. No. Remark _____

6.2 Does your website have any hyperlinks to overseas websites which target the Hong Kong investors (please provide additional information if your reply is "yes")?

Yes. No. Remark _____

6.3 Does your website have any hyperlinks to other entities which facilitate clients to open accounts with these entities (please provide additional information if your reply is "yes")?

Yes. No. Remark _____

6.4 Does your website contain relevant disclaimers (e.g. in respect of hyperlinks)?

Yes. No. Remark _____

Section 7: Declaration and undertaking

7.1 We declare that in respect of our electronic trading system, we have:

- Adequate qualified and experienced personnel to conduct and supervise operations.
- Adequate system, network, host, and physical security.
- Fully tested and resolved operational integrity, security, reliability, capacity and contingency issues.
- Established a periodic review programme to comprehensively plan, test and monitor the system's integrity, security, reliability and capacity.
- Maintained written system documentation detailing functional and technical specifications of our systems.
- Maintained audit trails of all system changes and maintenance.
- Procedures to establish the true identity of any new client.
- Procedures to ascertain new client's financial situation, investment objectives, risk appetite and experience prior to providing service to them.
- Procedures to ensure that client orders are handled in a fair and timely manner, on best available terms and are properly recorded. These include:
 - having an accurate time-sequenced record of orders and transactions (with audit trail);
 - handling orders promptly and in the order received;
 - allocating executed trades fairly, promptly confirming executed trades to clients;

- agreeing with clients on accepting orders and confirmation of trades via an electronic trading system;
 - performing regular reconciliation of accounts to ensure account information is update; and
 - taking reasonable steps to safeguard confidential information transmitted electronically.
- Written procedures, including procedures to handle contingency situations to deal with communications and transactions.
 - Procedures to provide clients with adequate information about our system.
 - Included in client agreements appropriate and prominent risk disclosures highlighting the risks associated with electronic trading transactions, such as time lag in data transmission, that orders may not necessarily be executed at the price indicated on the electronic trading system, and that communications may be subject to interruption, blackout or delay.
 - Communicated to clients the authentication technologies used and kept such records.
 - Checked to ensure that the system does not contain inappropriate or misleading content.

7.2 We undertake that we will immediately notify the Commission of:

- Any significant change in the electronic trading system, in particular, the following:
 - nature of the system (question 1.1);
 - types of services we intended to provide (question 1.2);
 - system security (question 3.1); and
 - hyperlinks to other parties (questions 6.2 & 6.3).
- Significant system failure such as undue delay in confirming or executing client's orders and service outage.
- Repeated hacking or attempted hacking activities.

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

Signature

Date