



28 July 2010

Conditions for Authorisation to Provide Automated Trading Services under Part III of the Securities and Futures Ordinance in respect of the LIFFE CONNECT® system

Pursuant to section 95(2) of the SFO, the Commission hereby authorises LIFFE Administration and Management (“LIFFE A&M”) for providing ATS in Hong Kong through the LIFFE CONNECT® system with effect from 28 July 2010. The authorisation will be subject to annual renewal thereafter and with the following conditions.

LIFFE A&M shall undertake to:

1. Ensure that LIFFE A&M admits as members only corporations licensed by the Commission under Part V or authorised under Part III of the Securities and Futures Ordinance (the “SFO”) unless the Commission agrees otherwise, and LIFFE A&M has proactively notified the Commission of the registration status of prospective members in Hong Kong;
2. Upon prior written notice, provide the Commission with information relating to transactions (authorised by the Commission under section 95(2) of the SFO) conducted via the LIFFE CONNECT® system by LIFFE A&M’s members in Hong Kong for the purposes of any inquiry or investigation by the Commission under the SFO into transactions originating from Hong Kong and/or the conduct of LIFFE A&M’s members in Hong Kong. Such information disclosure can be facilitated by the Memoranda of Understanding between the regulatory authorities of Hong Kong and United Kingdom (including the “Memorandum of Understanding between the Treasury and Securities and Investments Board (now the Financial Services Authority) and the Securities and Futures Commission” for the exchange of information and investigatory assistance between the authorities, signed on 28 October 1992; and the “IOSCO Multilateral Memorandum of Understanding”);
3. Notify the Commission of any material changes to the matters set out in paragraphs 52 and 62 of the Guidelines for the Regulation of ATS (dated 2003) and particularly to the matters specified below, prior to the changes taking effect –
 - 3.1. Company structure;
 - 3.2. The LIFFE CONNECT® system (including changes in hardware, software, and other technology);
 - 3.3. Contractual documentation, if there are direct or indirect changes to the contractual responsibilities for members of LIFFE A&M in Hong Kong;

- 3.4. Criteria for approval or disapproval of members of LIFFE A&M in Hong Kong; and
 - 3.5. Markets and products to be traded through the LIFFE CONNECT® system by members of LIFFE A&M in Hong Kong;
 4. Put in place appropriate business continuity plans and disaster recovery programmes for LIFFE A&M's operation in Hong Kong and notify the Commission of any material changes to the plans or programmes;
 5. Provide the Commission with the following **monthly** statistics:
 - 5.1. The volume of trades (**by each member of LIFFE A&M**) conducted on the markets over the LIFFE CONNECT® system resulting from orders originating from Hong Kong; and
 - 5.2. The aggregate volume of trades conducted on the markets over the LIFFE CONNECT® system.
- Such statistics are to be provided at such intervals as the Commission may specify and, in the absence of any such specification, on a **quarterly** basis within two weeks after the end of March, June, September and December. A nil return is required if there is no trading in the relevant interval; and
6. Notify the Commission of the identity and location of members of LIFFE A&M in Hong Kong (by providing a **monthly** status report within two weeks after the end of each month).

The Commission may, by notice in writing, amend and revoke the above conditions or impose new conditions where it is satisfied that it is appropriate to do so, pursuant to section 97 of the SFO.