

**Conditions for Authorization for Providing Automated Trading Services (ATS)
under Part III of the Securities and Futures Ordinance (SFO)**

Pursuant to section 95(2) of the SFO, the Commission hereby authorises MarketAxess Europe Limited (MEL) for providing ATS through its electronic trading system in Hong Kong with effect from 4 February 2005. The authorization will be subject to annual renewal thereafter and with the following conditions.

MEL shall undertake to:

1. Notify the Commission with information on any material changes to the matters set out in paragraph 52 of the Guidelines for the Regulation of ATS and particularly to the matters specified below, prior to the changes taking effect –
 - 1.1. Company structure;
 - 1.2. MEL's system (including changes in hardware, software and other technology);
 - 1.3. Markets and products to be traded through the MEL system from users in Hong Kong;
 - 1.4. Contractual documentation, if there are direct or indirect changes to the contractual responsibilities for users of the MEL system in Hong Kong; and
 - 1.5. Criteria for approval or disapproval of users of the MEL system in Hong Kong;
2. Keep full records of ATS operations, including audit trails of ATS activity, as follows and provide the Commission with such records upon request:
 - 2.1. Business correspondence, account files and customer identification documents for a period of seven (7) years after a customer's account is closed;
 - 2.2. Records of transactions effected over the system offered by MEL for five (5) years;
 - 2.3. Records other than the above for three (3) years; and
 - 2.4. During the life of the enterprise, Articles of Incorporation, Memorandum and Articles of Association, minute books, and relevant constitutional documents of MEL;
3. Notify the Commission of the identity and location of users of the MEL system in Hong Kong (by providing a **monthly** status report);

4. Put in place appropriate business continuity plans and disaster recovery programmes for MEL's operations in Hong Kong and notify the Commission of any material changes to the plans/programmes;
5. Notify the Commission of any incident of material service breakdown or disruption of its operation that affects users in Hong Kong;
6. Provide the Commission with **half-yearly** statistics (including a nil return if there is no trading in the relevant period) of:
 - 6.1. monthly volume of trades conducted on the markets MEL operates resulting from orders made in Hong Kong; and
 - 6.2. the aggregate monthly volume of trades conducted on the markets MEL operates,

within two weeks after the end of June and December;
7. Notify the Commission if there are any material changes to the regulatory requirements imposed on MEL's operation in the United Kingdom by the Financial Services Authority, in particular changes of the capital adequacy requirements;
8. Notify the Commission if there are any changes in MEL's business plans/operations. Depending on the business activity, the Commission may impose additional requirement as necessary;
9. Upon prior written notice from the Commission, -
 - 9.1. provide the Commission with information; or
 - 9.2. grant access to the Commission or its authorized staff or agents and facilitate and provide reasonable assistance to enable inspection by such authorized staff or agents of any of MEL's books, records, or operations

relating to transactions authorised by the Commission under section 95(2) of the SFO to be conducted via the MEL system by users 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 the users of the MEL system in Hong Kong.
10. Provide information of any material complaints related to MEL's operations, against MEL or any of its officers or agents, as defendants in any civil or criminal proceeding, or in any administrative or disciplinary proceeding by any governmental agency or self-regulatory organization and a copy of any decision, order or sanction made with respect to any such proceedings to the Commission.
11. Provide **annual** audited financial statements of MEL to the Commission within four months from the financial year end date; and

12. Ensure that the MEL system is only provided to/used by “professional investors” in Hong Kong, including those defined in items (a) to (i) (excluding item (j)) in Schedule 1 of the SFO, and not to the public in Hong Kong.

The Commission may, by notice in writing, amend or 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.