

**Conditions for Authorisation 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 The London Metal Exchange (LME) for providing ATS in Hong Kong through the LME Select System with effect from 11 July 2006. The authorisation will be subject to annual renewal thereafter and with the following conditions:

1. Provide the Commission with **quarterly** statistics (including a nil return if there is no trading in the relevant period) of:
 - 1.1. monthly volume of trades (by each user) conducted through the LME Select System resulting from orders originated from Hong Kong; and
 - 1.2. the aggregate monthly volume of trades conducted through the LME Select System,within two weeks after the end of March, June, September and December periods;
2. Upon prior written notice from the Commission, provide the Commission with information relating to transactions (authorised by the Commission under section 95(2) of the SFO) to be conducted via the LME Select 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 LME Select system in Hong Kong. Such information disclosure can be facilitated by the Memorandum of Understanding between the regulatory authorities of Hong Kong and United Kingdom (“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;
3. Notify the Commission with information on any material changes to the matters set out in paragraphs 52 and 62 of the Guidelines for the Regulation of ATS and particularly to the matters specified below, prior to the changes taking effect –
 - 3.1. Company structure;
 - 3.2. LME Select System (including changes in hardware, software and other technology);
 - 3.3. Markets and products to be traded through the LME Select System by users in Hong Kong;
 - 3.4. Contractual documentation, if there are direct or indirect changes to the contractual responsibilities, for users of the LME Select system in Hong Kong; and
 - 3.5. Criteria for approval or disapproval of users of the LME Select System in Hong Kong;

4. Notify the Commission of the identity and location of users of the LME Select System in Hong Kong (by providing a **monthly** status report);
5. Put in place appropriate business continuity plans and disaster recovery programmes for LME's operations in Hong Kong and notify the Commission of any material changes to the plans/programmes; and
6. Ensure that the LME Select System is only provided to/used by corporations licensed by the Commission under Part V or authorised under Part III of the SFO unless the Commission agrees otherwise, and proactively notify the Commission of the registration status of prospective users 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.