



NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

Pursuant to section 95(2) of the Securities and Futures Ordinance (Cap. 571) (**SFO**), the Securities and Futures Commission (**Commission**) hereby authorizes Chicago Mercantile Inc (**CME Inc**) to provide automated trading services (**ATS**) in Hong Kong via the CME Clearing System for the purposes of providing clearing and settlement services in respect of transactions in OTC derivative products. The authorization is subject to the following conditions.

1. CME Inc may only provide ATS in Hong Kong to the following persons –
 - 1.1. Those of its clearing members that: (i) are licensed or registered by the Commission under Part V of the SFO; (ii) are authorized institutions as defined in the Banking Ordinance (Cap. 155); or (iii) have been agreed to in writing by the Commission. Additionally, unless the Commission otherwise agrees in writing, each such member (**Hong Kong Clearing Member**) must not be admitted as a clearing member unless CME Inc has first notified the Commission of its intention to admit them.
 - 1.2. Any other person in Hong Kong to whom the ATS are provided indirectly, i.e. provided through a clearing member of CME Inc, (**Hong Kong Client**).
2. For the purposes of any inquiry or investigation by the Commission into the conduct of –
 - 2.1. any of CME Inc's Hong Kong Clearing Members;
 - 2.2. any Hong Kong Client; or
 - 2.3. any of CME Inc's other clearing members through which ATS are provided to a Hong Kong Client,

CME Inc must provide the Commission with information relating to transactions cleared by that clearing member, or for that client, via the CME Clearing System. Such information disclosure can be facilitated by relevant memoranda of understanding including: (i) the International Organization of Securities Commissions' Multilateral Memorandum of Understanding concerning consultation and cooperation and the exchange of information, to which the regulatory authorities of Hong Kong and the United States are signatories; and (ii) the Memorandum of Understanding between the Commodity Futures Trading Commission and the Commission signed in December 2015 concerning cooperation and the exchange of information related to the supervision of cross-border covered entities.



3. CME Inc must notify the Commission of any material change to the matters referred to in paragraphs 55(a) to 55(n) of the Guidelines for the Regulation of ATS (dated 1 September 2016) issued by the Commission, and particularly to changes in the matters specified below –
 - 3.1. CME Inc's company structure, any substantial shareholders and, where a substantial shareholder is a corporation, the directors and substantial shareholders of that corporation;
 - 3.2. the CME Clearing System (including changes or failures in hardware, software, and other technology);
 - 3.3. the contractual documentation (including clearing rules) relating to the use of CME Inc's clearing and settlement services, if these result, or may result, in changes to the contractual rights and obligations of CME Inc's Hong Kong Clearing Members or any Hong Kong Clients;
 - 3.4. the criteria for admitting persons as Hong Kong Clearing Members of CME Inc, or for revoking such membership;
 - 3.5. the criteria (if applicable) for permitting indirect access to Hong Kong Clients via clearing members of CME Inc, or for revoking such permission;
 - 3.6. the OTC derivative products that may be cleared via the CME Clearing System by CME Inc's Hong Kong Clearing Members or any Hong Kong Clients;
 - 3.7. the clearing and settlement services made available by CME Inc to its Hong Kong Clearing Members or to any Hong Kong Clients;
 - 3.8. the risk management framework and policies relating to the clearing and settlement services made available by CME Inc to its Hong Kong Clearing Members or to any Hong Kong Clients;
 - 3.9. CME Inc's membership with the Hong Kong Monetary Authority's Trade Repository to use its trade reporting service;
 - 3.10. details of any arrangements to ensure CME Inc's compliance with the Securities and Futures (OTC Derivative Transactions—Reporting and Record Keeping Obligations) Rules as in force from time to time (**Reporting Rules**); and
 - 3.11. details of any arrangements for facilitating the reporting of OTC derivative transactions by its Hong Kong Clearing Members, or by Hong Kong Clients, under the Reporting Rules.



Any notification of change pursuant to this Condition must be given prior to the change taking effect or (if it is not reasonably practicable to give prior notification) as soon as practicable after the change takes effect.

4. CME Inc must put in place and/or maintain appropriate business continuity plans and disaster recovery programmes for CME Inc's provision of ATS in Hong Kong and notify the Commission of any material change to such plans or programmes.
5. In respect of all OTC derivative products covered by this Authorization Notice, and subject to paragraph 6 below, CME Inc must provide the following **monthly** statistics to the Commission on a **quarterly** basis and in the form specified by the Commission from time to time –
 - 5.1. the total volume of all trades (in terms of their aggregate notional amount and, if applicable, the total number of contracts) cleared and settled during the relevant month through the CME Clearing System, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
 - 5.2. the total volume of all trades (in terms of their aggregate notional amount and, if applicable, the total number of contracts) cleared and settled during the relevant month through the CME Clearing System by each Hong Kong Clearing Member, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
 - 5.3. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of all of its members combined, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
 - 5.4. the total notional outstanding and, if applicable, the total number of contracts, as at month end, of each Hong Kong Clearing Member, with a breakdown in respect of each OTC derivative product or product class (as agreed by the Commission in writing);
 - 5.5. the total margin balances and total collateral balances of all of its members combined, as at month end;
 - 5.6. the margin balance and collateral balance of each Hong Kong Clearing Member, as at month end;
 - 5.7. the total size of its default fund, as at month end (and if CME Inc maintains more than one default fund, the total size of each default fund to which any Hong Kong Clearing Member has contributed); and
 - 5.8. the total default fund contributions of each Hong Kong Clearing Member, as at



month end (and if CME Inc maintains more than one default fund, the Hong Kong Clearing Member's total contributions to each default fund to which it has contributed).

The above statistics must be provided within **four** weeks after the end of the relevant calendar quarter or within such other period as the Commission may agree in writing. A nil return is required if no trade was cleared or settled in the relevant reporting period.

6. The requirement (under paragraphs 5.2, 5.4, 5.6, 5.7 and 5.8 above) to provide statistics in respect of Hong Kong Clearing Members applies only in respect of Hong Kong Clearing Members that are incorporated in Hong Kong.
7. CME Inc must disclose to the Commission, within the time and in the manner specified, such information and documents relating to its provision of ATS in Hong Kong (including statistical and other information relating to trades cleared through the CME Clearing System), as the Commission may at any time, and from time to time, reasonably request.
8. CME Inc must provide a **monthly** report of the identity and location of –
 - 8.1. those of its Hong Kong Clearing Members that are incorporated in Hong Kong;
 - 8.2. those of its Hong Kong Clients that are incorporated in Hong Kong (to the extent that they are separately identifiable); and
 - 8.3. those of its clearing members through which CME Inc's ATS are provided to the Hong Kong Clients referred to in paragraph 8.2 above.

Such report must be provided to the Commission within **four** weeks after the end of the relevant month or within such other period as the Commission may agree in writing.

9. CME Inc must provide its **annual** audited financial statements to the Commission within four months after the end of its financial year or within such other period as the Commission may agree in writing.
10. This Notice takes effect from 1 September 2016.

DATED: 31 AUGUST 2016