



19 December 2012

Conditions for Authorization to provide Automated Trading Services (“ATS”) under Part III of the Securities and Futures Ordinance (the “SFO”) in respect of the OSE Trading Systems for futures/options trading (“J-GATE”)

Pursuant to section 95(2) of the SFO, the Commission hereby authorizes Osaka Securities Exchange Co., Ltd. (“OSE”) for providing ATS in Hong Kong through the J-GATE system with effect from 19 December 2012. The authorization will be subject to annual renewal thereafter and with the following conditions.

OSE shall undertake to:

1. Ensure that OSE admits as participants only corporations licensed by the Commission under Part V of the SFO unless the Commission agrees otherwise and OSE has proactively notified the Commission of the registration status of prospective participants 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 **J-GATE** system by OSE participants 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 OSE participants in Hong Kong. Such information disclosure can be facilitated by the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions (“IOSCO MMOU”) for the purposes of cross-border cooperation, exchange of information and investigatory assistance, to which the regulatory authorities of Hong Kong and Japan are signatories;
3. Notify the Commission on any material changes to the matters set out in paragraphs 52 and 62 of the Guidelines for the Regulation of ATS (dated March 2003) and particularly to the matters specified below, prior to the changes taking effect –
 - 3.1. Company structure;
 - 3.2. The **J-GATE** system (including changes in hardware, software, and other technology);
 - 3.3. Contractual documentation (with the exception of the Clearing Entrustment Agreement, in which case such changes should be notified to the Commission as soon as practicable after such changes have taken effect), if there are direct or indirect changes to the contractual responsibilities for participants of OSE in Hong Kong;
 - 3.4. Criteria for approval or disapproval of participants of OSE in Hong Kong; and
 - 3.5. Markets and products to be traded through the **J-GATE** system by participants of OSE in Hong Kong;



4. Put in place appropriate business continuity plans and disaster recovery programmes for OSE'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 participant of OSE**) conducted on the markets over the **J-GATE** system resulting from orders originating from Hong Kong; and
 - 5.2. The aggregate volume of trades conducted on the markets over the **J-GATE** 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 OSE participants 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 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.