



NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

Pursuant to section 95(2) of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**Commission**) hereby authorizes LME Clear Limited (**LMEC**) to provide automated trading services (**ATS**) in Hong Kong via the LMEmercury system for the purposes of facilitating the conduct of clearing and settlement of trades executed on The London Metal Exchange (**LME**). The authorization is subject to the following conditions–

1. LMEC may only provide ATS in Hong Kong to those of its clearing members that are Hong Kong companies or body corporates incorporated in Hong Kong (a “Hong Kong Clearing Member”) licensed by the Commission under Part V of the SFO. Additionally, Hong Kong Clearing Members must not be admitted as clearing members unless LMEC has first notified the Commission of its intention to admit them.
2. For the purposes of any inquiry or investigation by the Commission into the conduct of any of LMEC’s Hong Kong Clearing Members, LMEC must provide the Commission with information relating to transactions cleared by that Hong Kong Clearing Member via the LMEmercury system. Such information disclosure can be facilitated via the process agreed under the Memorandum of Understanding between the Bank of England and the Hong Kong Securities and Futures Commission signed on 29 February 2016.
3. LMEC must notify the Commission of any material change to the information provided by LMEC in its ATS authorization application in respect of paragraphs 52 and 62 of the Guidelines for the Regulation of ATS (*Note: It will be paragraph 55 of the revised Guidelines for the Regulation of ATS which will become effective on 1 September 2016*) issued by the Commission, and particularly to the matters specified below, prior to the changes taking effect –



- 3.1. LMEC'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 LMEmercury system (including changes in hardware, software, and other technology);
 - 3.3. contractual documentation, if these result, or may result, in direct or indirect changes to the contractual responsibilities of LMEC's Hong Kong clearing members;
 - 3.4. criteria for admitting persons as Hong Kong Clearing Members of LMEC, or for revoking such membership;
 - 3.5. markets and products that may be cleared via the LMEmercury system by LMEC's Hong Kong Clearing Members; and
 - 3.6 clearing risk management framework and policies that have implications to LMEC's Hong Kong Clearing Members.
4. LMEC must put in place appropriate business continuity plans and disaster recovery programmes for LMEC's activities in Hong Kong subject to this ATS authorization and notify the Commission of any material change to the plans or programmes.
 5. LMEC must provide the Commission with the following **monthly** statistics on a **quarterly** basis:
 - 5.1. the total volume of all trades (in number of contracts) cleared and settled during that month directly through the LMEmercury System, by each of LMEC's Hong Kong Clearing Members, with a breakdown in respect of each product cleared by that member via the LMEmercury system;



- 5.2. the open interest at month end, with a breakdown in respect of each product, of each LMEC's Hong Kong clearing member; and
- 5.3. the margin and collateral balances, and the default fund contribution at month end of each LMEC's Hong Kong clearing member.

The above statistics must be provided within **two** 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 conducted in the relevant reporting period.

6. LMEC must provide a report of the identity and location of its Hong Kong Clearing Members at the end of the month when the Hong Kong Clearing Member becomes a Member of LMEC, and such reports must be provided to the Commission within two weeks after the end of the relevant month or within such other period as the Commission may agree in writing.
7. LMEC must provide its **annual** audited financial statements to the Commission within four months after the end of each financial year or within such other period as the Commission may agree in writing.

DATED: 5 AUGUST 2016