

1 October 2006

**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 Bloomberg Tradebook Hong Kong Limited (BTHK) for providing ATS through its Tradebook System in Hong Kong with effect from 1 October 2003. The authorization will be subject to annual renewal thereafter and with the following conditions.

BTHK shall undertake to:

1. Maintain the existing paid-up share capital requirement of HK\$5 million;
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 7 years after the customer's account is closed;
  - 2.2. Records of transactions effected over the Tradebook System for 5 years;
  - 2.3. Records other than the above for 3 years; and
  - 2.4. During the life of the enterprise, Articles of Incorporation, Memorandum and Articles of Association, minute books, and stock certificate books of BTHK;
3. Provide the Commission with the following **monthly** statistics:
  - 3.1. the volume of trades (by each user of the Tradebook System) conducted on the markets over the Tradebook System resulting from orders originating from Hong Kong; and
  - 3.2. the aggregate volume of trades conducted on the markets over the Tradebook System,

Such statistics 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;
4. 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:
  - 4.1. Company structure;
  - 4.2. Tradebook System (including changes in hardware, software and other technology);
  - 4.3. Markets and products to be traded via the Tradebook System by users in Hong Kong;

- 4.4. Contractual documentation, if there are direct and indirect changes to the contractual responsibilities, for users of the Tradebook System in Hong Kong; and
- 4.5. Criteria for approval and disapproval of users of the Tradebook System in Hong Kong;
5. Notify the Commission of the identity and location of users of the Tradebook System in Hong Kong (by providing a **monthly** status report);
6. Put in place appropriate business continuity plans and disaster recovery programmes for the operations of the Tradebook System in Hong Kong and notify the Commission of any material changes to the plans/programmes;
7. Upon prior written notice from the Commission –
  - 7.1. Provide the Commission with information; or
  - 7.2. 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 BTHK's books, records, or operations,  
  
relating to transactions authorized by the Commission under section 95(2) of the SFO to be conducted via the Tradebook 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 users in Hong Kong of the Tradebook System;
8. Provide information of any material complaints related to the operations of the Tradebook System, against BTHK 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;
9. Notify the Commission any incident of material service breakdown or disruption of its operations that affect users in Hong Kong;
10. Provide **annual audited financial statements** of BTHK to the Commission within four months from the financial year end date; and
11. Ensure that the Tradebook System is only provided to/used by “professional investors” (as defined in Schedule 1 of the SFO) in Hong Kong, other than those falling within sections 3(b) and 3(d) of the Securities and Futures (Professional Investors) Rules.

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.