

5 December 2007

**Conditions for Authorization to Provide Automated Trading Services (“ATS”) under Part III of the Securities and Futures Ordinance (the “SFO”)**

Pursuant to section 95(2) of the SFO, the Commission hereby authorises Bloomberg Tradebook Hong Kong Limited (“BTHK”) for providing ATS through the E-Bond System in Hong Kong with effect from 5 December 2007. The authorization will be subject to annual renewal thereafter and with the following conditions.

BTHK shall undertake to:

1. Ensure that the E-Bond System is only provided to or used by “professional investors” in Hong Kong (as defined in Schedule 1 of the SFO), other than those falling within sections 3(b) and 3(d) of the Securities and Futures (Professional Investors) Rules.
2. Maintain the paid-up share capital requirement of HK\$5 million;
3. Upon prior written notice from the Commission –
  - 3.1. Provide the Commission with information; or
  - 3.2. 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 E-Bond 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 of the E-Bond System in Hong Kong;
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 (dated March 2003) and particularly to the matters specified below, prior to the changes taking effect:
  - 4.1. Company structure;
  - 4.2. E-Bond System (including changes in hardware, software and other technology);
  - 4.3. Contractual responsibilities for users of the E-Bond System in Hong Kong;
  - 4.4. Criteria for approval and disapproval of users of the E-Bond System in Hong Kong;  
and
  - 4.5. Markets and products to be traded through the E-Bond System by users of the E-Bond System in Hong Kong;
5. Put in place appropriate business continuity plan and disaster recovery programme for the operations of the E-Bond System in Hong Kong and notify the Commission of any material changes to the plan or programme;

6. Notify the Commission any incident of material service breakdown or disruption of the E-Bond System operations that affect users in Hong Kong;
7. Provide the Commission with information of any material complaints by users of the E-Bond System in Hong Kong related to the operations of the E-Bond 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;
8. Keep full records of ATS operations including audit trails of ATS activity in relation to the E-Bond System in Hong Kong as follows and provide the Commission with such records upon request:
  - 8.1. Business correspondence, account files and customer identification documents for a period 7 years after the customer's account is closed;
  - 8.2. Records of transactions effected over the E-Bond System for 5 years;
  - 8.3. Records other than the above for 3 years; and
  - 8.4. During the life of the enterprise, Articles of Incorporation, Memorandum and Articles of Association, minute books, and stock certificate books of BTHK;
9. Provide the Commission with the following **monthly** statistics:
  - 9.1. the volume of trades (by each user of the E-Bond System in Hong Kong) conducted on the markets over the E-Bond System resulting from orders originating from Hong Kong; and
  - 9.2. the aggregate volume of trades conducted on the markets over the E-Bond System in Hong Kong.

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;
10. Notify the Commission of the identity and location of users of the E-Bond System in Hong Kong (by providing a **monthly** status report); and
11. Provide **annual** audited financial statements of BTHK to the Commission within four months from the financial year end date.

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.