



SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

Form

(Made for the purposes of compliance with the requirements of section 156(1)(a) of the Securities and Futures Ordinance (Cap.571) as amplified in section 3(1) of the Securities and Futures (Accounts and Audit) Rules (Cap.571P))

Business and Risk Management Questionnaire For Licensed Corporation

Name of Licensed Corporation:

("Licensed Corporation")

Financial year ended:

Completed by:

Name:

Position:

Phone No.:

Approved by:

Name:

Position:

Phone No.:

Foreword

Licensed Corporations are required under the Securities and Futures (Accounts and Audit) Rules to complete a Business and Risk Management Questionnaire (“BRMQ”) and submit it within 4 months after the end of the financial year to the Securities and Futures Commission (“SFC”) together with their audited accounts. The BRMQ aims to obtain information about the business operation and risk management measures of the Licensed Corporation, including controls and procedures in ensuring compliance with the regulatory requirements applicable to the Licensed Corporation. The BRMQ may also be used as a self-assessment tool for the Licensed Corporation to understand its business operation and assess the relevant risk management measures and internal controls. The Licensed Corporation is expected to complete the questionnaire to the best of its knowledge in order to accurately reflect its own operations and controls.

The SFC recognises that Licensed Corporations may adopt different policies and procedures given significant differences that exist in the nature and scope of their business activities, organizational and legal structures as well as degree of management supervision. Therefore, the questions in the BRMQ are not intended to imply, nor should be construed as, a single set of generally acceptable internal control or risk management practices.

Space is provided in each section for the Licensed Corporation to supplement its answers with additional information. Please use additional sheets where required.

Unless defined or the context requires otherwise, terms bear the same meanings given to them in the Securities and Futures Ordinance. If you have any question in relation to this questionnaire, please contact your responsible case officer in the Intermediaries Supervision Department.

Completed BRMQ should be submitted to:

Intermediaries Supervision Department
Securities and Futures Commission
35/F, Cheung Kong Center
2 Queen’s Road Central
Hong Kong

Securities and Futures Commission

Business and Risk Management Questionnaire For Licensed Corporation

I. Business Overview

1. Regulated activities undertaken during the year: (please tick where appropriate)

- | | | |
|--------|------------------------------------|--------------------------|
| (i) | dealing in securities | <input type="checkbox"/> |
| (ii) | dealing in futures contracts | <input type="checkbox"/> |
| (iii) | leveraged foreign exchange trading | <input type="checkbox"/> |
| (iv) | advising on securities | <input type="checkbox"/> |
| (v) | advising on futures contracts | <input type="checkbox"/> |
| (vi) | advising on corporate finance | <input type="checkbox"/> |
| (vii) | automated trading services | <input type="checkbox"/> |
| (viii) | securities margin financing | <input type="checkbox"/> |
| (ix) | asset management | <input type="checkbox"/> |
| (x) | credit rating services | <input type="checkbox"/> |

2. Business activities carried out by the Licensed Corporation during the year: (please tick where appropriate)

- | | | |
|-----|--|--------------------------|
| (i) | engage in proprietary trading: (If yes, please also answer Q35 to Q38) | |
| | (a) securities | <input type="checkbox"/> |
| | (b) futures contracts | <input type="checkbox"/> |
| | (c) off-exchange derivative products | <input type="checkbox"/> |
| | (d) others (please specify) | <input type="checkbox"/> |

(ii) engage in short selling for:

- | | | |
|-----|-----------------|--------------------------|
| (a) | its own account | <input type="checkbox"/> |
| (b) | clients | <input type="checkbox"/> |

(iii) engage in stock borrowing and lending for:

- | | | |
|-----|-----------------|--------------------------|
| (a) | its own account | <input type="checkbox"/> |
| (b) | clients | <input type="checkbox"/> |

Supplementary Information

Management and Supervision

Yes No N/A

3. Does the Licensed Corporation allow any staff to be involved in both the front office function (e.g. dealing) and back office function (e.g. settlement or accounting function)?

If yes, please specify the controls to minimize the potential errors, conflicts or abuses.

4. Does the Licensed Corporation have policies and procedures for its major business activities?

5. Does the management of the Licensed Corporation review the business and management and /or exception information or reports relating to the following business areas?

- (i) overall business performance
(ii) safekeeping of client assets
(iii) monitoring of liquid capital position

If yes, how frequently does the management review the following areas?

- (i) overall business performance
(ii) safekeeping of client assets
(iii) monitoring of liquid capital position

Branch Operation (only apply to a Licensed Corporation with branch(es) operated in Hong Kong)

6. (i) The branch(es) of the Licensed Corporation is/are directly responsible for the following areas:

- (a) account opening
(b) safeguarding of clients' assets
(c) dealing
(d) credit control
(e) settlement e.g. cash/stock deposit or withdrawal
(f) delivery of contract notes, statements of account and receipts
(g) handling of clients' complaints

- (ii) The branch(es) of the Licensed Corporation is/are subject to:

- (a) head office management onsite visit
(b) internal audit review
(c) compliance review

If yes, please state the frequency of

- (a) head office management onsite visit
(b) internal audit review
(c) compliance review

	Yes	No	N/A
(iii) does the Licensed Corporation have procedures to require its clients to contact the head office in respect of the following types of enquiry or complaint?			
(a) client's transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(b) client's assets held by the Licensed Corporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(c) contract notes, statements of account and receipts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(d) branch operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Supplementary Information

II. Risk Management

Operational Risk

Handling of Client Accounts

7. Does the Licensed Corporation have procedures which are designed to obtain information (where required by applicable codes and other regulations) about its clients'			
(i) identity?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) financial background?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) investment experience?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iv) investment objective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the Licensed Corporation have procedures which are designed to ensure that amendments of client details (e.g. correspondence address) are			
(i) supported with client's written instruction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) checked by a staff who is independent of the front office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the standard client agreement of the Licensed Corporation provide a right of disposal in the event that the client cannot settle his liability owed to the Licensed Corporation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the Licensed Corporation allow its clients to give written authorisation so that its staff can			
(i) place orders and/or	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) settle transactions and/or	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) receive contract notes, statements of account and receipts for them?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If yes,

- (i) please specify the number of clients whose such written authorisation(s) remain valid as at the end of the financial year.
-

(ii) how frequently does the management perform review of activities in such accounts?

		Yes	No	N/A
11.	Does the Licensed Corporation have any clients who are professional investors?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, please specify the number of clients who are professional investors as at the end of financial year.				

12.	Does the Licensed Corporation have any clients who have given hold mail instruction to the Licensed Corporation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
-----	--	--------------------------	--------------------------	--------------------------

If yes,

(i) please specify the number of such clients as at the end of the financial year.

(ii) does the Licensed Corporation have procedures which are designed to

- | | | | | |
|-----|--|--------------------------|--------------------------|--------------------------|
| (a) | obtain or renew written hold mail instruction from client? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) | verify the client's signature on the instruction against the signature records by a staff who is independent of the front office? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) | require the client or person authorized by him to acknowledge the collection of the client's contract notes, statements of account and receipts? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Supplementary Information

Dealing Practices

13. Does the Licensed Corporation allow its staff to receive order from clients by the following ways?

- | | | |
|-------|--|--------------------------|
| (i) | face-to-face on the office premises | <input type="checkbox"/> |
| (ii) | in writing (e.g. fax) | <input type="checkbox"/> |
| (iii) | by fixed line phone | <input type="checkbox"/> |
| (iv) | by mobile phone | <input type="checkbox"/> |
| (v) | via electronic means (e.g. internet, WAP phone etc.) | <input type="checkbox"/> |
| (vi) | others (please specify) _____ | <input type="checkbox"/> |

- | | Yes | No | N/A |
|---|--------------------------|--------------------------|--------------------------|
| 14. Does the Licensed Corporation time-stamp dealing record to record the time including time record generated by computer system when an order | | | |
| (i) was received? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) was placed for execution? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) was executed/confirmed by counterparties or exchanges? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 15. Does the Licensed Corporation allow its staff to deal in securities or futures contracts or other financial products for their own accounts through | | | |
| (i) the Licensed Corporation itself? and/or | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) other intermediaries? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please state the frequency of monitoring the staff trading activities by the Licensed Corporation.

16. Please specify the procedures in place to ensure trades are fairly allocated to clients (e.g. first come first serve, pro-rata etc), particularly in cases of partially filled orders.

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 17. Does the Licensed Corporation have procedures which are designed to ascertain whether the transactions carried out on a discretionary basis (including collective investment schemes and portfolios held for discretionary accounts) by the Licensed Corporation or its staff are in accordance with investment guidelines/objectives and restrictions agreed by the client with the Licensed Corporation? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--|--------------------------|--------------------------|--------------------------|

If yes, please specify the procedures.

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 18. Does the Licensed Corporation have procedures which are designed to ensure that cross trades are properly executed in accordance with relevant regulatory requirements and reviewed by management on a regular basis? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|--------------------------|--------------------------|

If yes, please specify the procedures.

Supplementary Information

Asset Protection

Bank and Cash

19. (i) How frequently does the Licensed Corporation perform bank reconciliations for
- (a) segregated account? _____
- (b) other bank account? _____
- (ii) How promptly are the discrepancies in the bank reconciliation followed up? _____

(Questions 20 to 24 below are applicable to a Licensed Corporation which receives or holds client money in Hong Kong)

	Yes	No	N/A
20. Does the Licensed Corporation have the following procedures which are designed to ensure that all payments involving client money are appropriately processed by			
(i) obtaining proper instruction from client?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) verifying the client's signature on the instruction against the signature records by a staff who is independent of the front office?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) if the instruction is provided in the form of an electronic record, ensuring that the requirements in the Electronic Transactions Ordinance are satisfied?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iv) checking the availability of funds in the client account?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(v) obtaining management approval?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(vi) ensuring payment is only made to the client or any person to whom the client has instructed in writing the money to be paid?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Does the Licensed Corporation issue cash or third party cheques for making payments to clients relating to its regulated activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If yes, before issuing cash or third party cheques, does the Licensed Corporation require to obtain			
(i) written client authorization?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) management approval?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. (i) Does the Licensed Corporation accept third party cheques deposited by clients including cheques drawn out by staff for settlement of clients' purchases or indebtedness to the Licensed Corporation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) Does the Licensed Corporation have procedures which are designed to identify third party cheques received by the Licensed Corporation (other than the cheques which are deposited by clients into the Licensed Corporation's bank account directly)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- | | Yes | No | N/A |
|--|--------------------------|--------------------------|--------------------------|
| 23. Does the Licensed Corporation have procedures which are designed to ensure that cheque / money deposited by a client is correctly credited to the respective client account as instructed? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Does the Licensed Corporation allow transfer of account balances among different clients? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, does the Licensed Corporation have procedures to check that such transfers are appropriately processed? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Supplementary Information

Securities (Questions 25 to 30 below are only applicable to a Licensed Corporation which receives or holds client securities in Hong Kong)

- | | Yes | No | N/A |
|---|--------------------------|--------------------------|--|
| 25. Does the Licensed Corporation have any clients who utilize the following services provided by Hong Kong Securities Clearing Company Limited when they deal with the Licensed Corporation? | | | |
| | | | No. of clients as at
the end of the
financial year |
| Stock Segregated Account with Statement Service | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Investor Participant Account | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. Does the Licensed Corporation hold physical scrip for clients? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| If yes, | | | |
| (i) are the securities registered in the name of the following person/organisation? | | | |
| (a) client | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Licensed Corporation (in case of securities collateral) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) Associated Entity of the Licensed Corporation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) HKSCC Nominees Limited | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) others (please specify) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) does the Licensed Corporation have procedures which are designed to restrict access to where such securities are kept? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) please specify the frequency of performing physical stock count. | _____ | | |
| (iv) does the Licensed Corporation have procedures to record the movements of physical scrip? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

- | | | | | |
|---------|--|--------------------------|--------------------------|--------------------------|
| 27. (i) | How frequently does the Licensed Corporation perform stock reconciliation? | | | |
| (ii) | How promptly are the discrepancies in the stock reconciliation followed up? | | | |
| | | Yes | No | N/A |
| 28. | Does the Licensed Corporation obtain standing authority from clients to pledge, lend or otherwise deal with clients' securities and/or securities collateral? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | If yes, | | | |
| (i) | is there a log to ensure that all authorizations remain currently in force? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) | is there a procedure to ensure that client securities are repledged or lent only if there is valid authorization? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. | Does the Licensed Corporation have procedures which are designed to require clients to provide proof of ownership if the clients deposit physical scrip with the Licensed Corporation? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. | Does the Licensed Corporation allow transfer of securities among different clients? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| | If yes, does the Licensed Corporation have procedures to check that such transfers are appropriately processed? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Supplementary Information

Credit Risk

- | | | | | |
|-------|--|--------------------------|--------------------------|--------------------------|
| 31. | Does the Licensed Corporation have procedures which are designed to assess and monitor the credit status of each client or counterparty? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. | Does the Licensed Corporation have policies and procedures in relation to the following areas? | | | |
| (i) | making a margin call or a repayment demand to a client in a timely manner | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) | dealing with the consequence of a client's failure to meet a margin call or a repayment demand | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) | regular exception reporting to the management | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iv) | compulsory closing out a client's position | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (v) | record keeping for margin calls or repayment demands | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (vi) | regular review of lending ratios on securities accepted by the Licensed Corporation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 33. | Are clients or counterparties allowed to trade even when there is a significant unsettled transaction or long overdue balance (except for the rolling balance cash clients and margin clients with adequate collateral)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please specify the control procedures and follow up actions taken with these clients or counterparties.

	Yes	No	N/A
34. Does the Licensed Corporation have procedures to manage any concentration in the following exposures and report to management on a regular basis?			
(i) exposures to a particular client or group of related clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) exposures to a particular counterparty or group of related counterparties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) exposures to a particular investment product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If yes, please state the frequency of management review.

Supplementary Information

Market Risk

35. Does the Licensed Corporation have policies and procedures relating to the following areas of its proprietary trading?			
(i) clearly defined trading authority	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) setting up trading and exposure limits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) management supervision to ensure proprietary trading is within limit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iv) measures to be taken in case of exceeding the limits and applicable sanctions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(v) hedging strategy for its proprietary trading positions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(vi) performing regular stress testing to quantify the impact from changing market conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

36. Does the Licensed Corporation establish a risk management function for the following areas?			
(i) performance evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) price verification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) model risk monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iv) risk management methodology and system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(v) new products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If yes to any questions above, is the risk management function

(i) staffed by employees with relevant knowledge and experience?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) independent of the front office and reports directly to senior management?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37. Does the Licensed Corporation adopt any risk pricing model, e.g. Value at Risk, Economic value of Equity Models, etc., as primary risk measurement and management tool?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Yes	No	N/A
If yes, does the Licensed Corporation have policies and procedures for			
(i) testing and authorization of risk pricing models and valuation systems used by front and back office personnel?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) controlling any alteration, release, update and maintenance of the risk pricing model?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) verification of accuracy of the risk pricing model through regular back testing programme?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
38. Does the Licensed Corporation have information available for the management to monitor the following areas of its proprietary trading?			
(i) profit and loss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) exposure level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iii) value-at-risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(iv) limit utilization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(v) stress test/simulation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(vi) risk adjusted performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Liquidity Risk

39. How frequently does the Licensed Corporation project			
(i) cash flows?			
(ii) settlement obligations?			
40. Does the Licensed Corporation have procedures designed to alert the management and the staff responsible for liquidity management to			
(i) any potential material shortfall of any sources of funding available to the Licensed Corporation (e.g. client default in settlement, a drop in bank credit line)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(ii) any potential material increase in the Licensed Corporation's funding requirements (e.g. marks payment)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
41. Please state the frequency of review of the available funding by the management.			

Supplementary Information

Yes No N/A

Compliance Risk

42. Does the Licensed Corporation have a designated function overseeing and handling the following areas?

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| (i) client's complaints | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) regulatory compliance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) money laundering | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iv) continuous professional training requirement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no, please state the alternative arrangement: _____

43. Does the Licensed Corporation have the following functions?

- | | | | |
|--------------------|--------------------------|--------------------------|--------------------------|
| (i) internal audit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) compliance | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please specify the reporting line of the internal audit and/or compliance function.

44. Has the Licensed Corporation received any serious client complaints relating to the following areas in the last 12 months alleging

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| (i) non-receipt of receipt(s), contract note(s) and/or statement(s) of account? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) unauthorized transactions? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) incorrect account balances and/or stock holding on statement(s) of account (except for disputes over price and fee charges)? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Derivative Position and Reporting Limits

45. Does the Licensed Corporation have procedures which are designed to ensure compliance with the following rules?

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| (i) the Securities and Futures (Contracts Limits and Reportable Positions) Rules | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (ii) reporting limits requirements of Hong Kong Futures Exchange Limited | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (iii) position and reporting limits requirements of the Stock Exchange of Hong Kong Limited in respect of Exchange Traded Options business | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If yes, please specify the procedures.

Supplementary Information

Money Laundering

46. Does the Licensed Corporation establish a central point at supervisory management level for receiving suspicious transactions from individual staff members for review and onward reporting to the Joint Financial Intelligence Unit?
47. How often does the Licensed Corporation provide any anti-money laundering training to staff? _____

Supplementary Information

Credit Ratings Services (only applicable to a Licensed Corporation which provides credit rating services in Hong Kong)

48. Does the Licensed Corporation's code of conduct fully implement the provisions of the Code of Conduct for Persons Providing Credit Rating Services ("CCPPCRS")?

If not, please specify where and why these deviations exist and state the alternative arrangements to achieve the objectives contained in the CCPPCRS.
