**Supplement 8 ⎯ Business Plan and Proposed Business Activities**

[Specified under section 402 of the Securities and Futures Ordinance (Cap. 571)]

|  |  |
| --- | --- |
| Name of corporation |       |
|  |
|  |
| Types of regulated activity  |       |
|  |
| **Section 1: Nature and Scope of Business** |
|  |
| **1.1** | State the business activities you propose to carry out and indicate their expected percentages of contribution to your gross operating income. |
|  |
|  | **Proposed business activities** | **% of gross operating income** |
|  | **Type 1 regulated activity** |
|  | [ ]  | Broking stocks/unit trusts/mutual funds/debt securities/stock derivatives/structured products\* |       |
|  | [ ]  | Placing/underwriting securities\* |       |
|  | [ ]  | Marketing/distributing unit trusts/mutual funds/structured products\* |       |
|  | [ ]  | Market making  |       |
| [ ]  | Inter-dealer broker  |       |
| [ ]  | Internet trading/direct market access/algorithmic trading\*[[1]](#footnote-2) |       |
| **Type 2 regulated activity** |
| [ ]  | Broking futures contracts |       |
| [ ]  | Market making  |       |
| [ ]  | Inter-dealer broker  |       |
| [ ]  | Internet trading/direct market access/algorithmic trading\*1 |       |
| **Type 3 regulated activity** *(not applicable to registered institutions)* |
| [ ]  | Trading leveraged foreign exchange contracts  |       |
|  | [ ]  | Internet trading/direct market access/algorithmic trading\*1 |       |
|  | **Type 4 regulated activity** |
|  | [ ]  | Giving advice on stocks/unit trusts/mutual funds/debt securities/stock derivatives/structured products\* |       |
|  | [ ]  | Publishing research or analyses on securities |       |

|  |  |
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|  | **Type 5 regulated activity** |
|  | [ ]  | Giving advice on futures contracts |       |
|  | [ ]  | Publishing research or analyses on futures contracts |       |
|  | **Type 6 regulated activity** |
|  | [ ]  | Giving advice on corporate finance |       |
|  | [ ]  | Acting as IPO sponsor and/or compliance adviser |       |
|  | [ ]  | Acting as listing agent of exchange-traded funds  |       |
|  | **Type 7 regulated activity** |
|  | [ ]  | Providing automated matching service |       |
|  | [ ]  | Alternative liquidity pool |       |
| [ ]  | Pre-IPO trading platform  |       |
| [ ]  | Odd-lot trading platform  |       |
| [ ]  | Other automated trading services |       |
| **Type 8 regulated activity** *(not applicable to registered institutions)* |
| [ ]  | Securities margin financing  |       |
| **Type 9 regulated activity** |
| [ ]  | Managing hedge funds  |       |
| [ ]  | Managing private equity funds  |       |
| [ ]  | Managing other unauthorized funds |       |
| [ ]  | Managing authorized funds |       |
| [ ]  | Real estate investment scheme management |       |
| [ ]  | Managing discretionary accounts  |       |
| **Type 10 regulated activity** |
| [ ]  | Providing credit rating services |       |
| **Other business activities** |
| [ ]  | Borrowing and lending stocks |       |
| [ ]  | Providing custodian service |       |
| [ ]  | Broking insurance products |       |
| [ ]  | Marketing mandatory provident fund products |       |
| [ ]  | Proprietary trading in securities |       |
| [ ]  | Proprietary trading in futures contracts |       |
| [ ]  | Other activities (please specify)       |        |

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| --- | --- | --- |
|  | \* Delete where not applicable  |  |
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| **1.2** | For each of your principal business mentioned in Question 1.1 above, indicate the types of your target customers. |
|  |
|  |  | Expected % of contribution to gross operating income |
|  |  | Principal Business 1 | Principal Business 2 | Principal Business 3 |
|  |  |       |       |       |
|  |  |
|  | Your group companies  |       |       |       |
|  | Hong Kong retail clients |       |       |       |
|  | Hong Kong Individual Professional Investors\* |       |       |       |
|  | Hong Kong Corporate Professional Investors\*  |       |       |       |
|  | Hong Kong Institutional Professional Investors\* |       |       |       |
|  | Overseas retail clients |       |       |       |
|  | Overseas Individual Professional Investors\*  |       |       |       |
|  | Overseas Corporate Professional Investors\* |       |       |       |
|  | Overseas Institutional Professional Investors\* |       |       |       |
|  | Others (please specify) |       |       |       |       |
|  |  |       |       |       |
|  |  | 100% |  |  | 100% |  |  | 100% |  |
|  |  |  |  |  |  |  |  |  |  |

\* Defined under paragraph 15.2 of the Code of Conduct.

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| --- | --- |
| **1.3** | State your sources for new customers.  |
|  |
|  | [ ]  | Introduction/referral  |
|  | [ ]  | Walk-in customers |
|  | [ ]  | Others (please specify) |       |
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| **1.4** | This question is ONLY applicable where you intend to carry on Type 1 and/or Type 2 regulated activity and intend to be an exchange participant.Please provide the following information on your estimated turnover. |
|  |
|  | Type 1 regulated activity | Projected total value of securities transaction in the first year of operation (in HK$’000)

|  |
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|       |

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|  | **Type 2 regulated activity** | Projected total notional amount of futures and options contracts in the first year of operation (in HK$’000)

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|       |

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| **Section 2: Business Plan, Organizational Structure, and Internal Control Procedures** |
|  |
| **2.1** | Please submit the following information in a separate document: |
|  |
|  | * Business plan with details of each of your proposed regulated activities and the related internal control measures.
* Operational flowcharts describing your proposed business operations in each of the proposed regulated activities.
* Organizational chart depicting your management and governance structure, business and operational units and key human resources and their respective reporting lines.
 |
|  |
|  | * Inherent risks to your proposed regulated activities (such as market risk, credit risk, liquidity and operational risk) and details of your risk control strategy.
 |
|  |
|  | * Potential areas of conflict of interests, and measures to address the conflict.
 |
|  |
|  | * Procedures to achieve segregation of duties.
 |
|  |
|  | * Business contingency plan.
 |
| **Section 3: Managers-In-Charge of Core Functions** |
| This section is ONLY applicable to corporations applying for a licence under section 116(1) of the Securities and Futures Ordinance (ie, not applicable to corporations applying to become temporary licensed corporations or registered institutions). If you are an existing licensed corporation applying for addition of regulated activity, you are not required to complete this section. However, you should notify the Commission of any changes in your Managers-In-Charge of Core Functions via the SFC Online Portal (see paragraph 3.6).  |
| **3.1** | Please provide the names of the individuals you have appointed as your Managers-In-Charge of Core Functions (see the Explanatory Notes), below. |
|  | **Core Functions** | **Names of Managers-In-Charge** |
|  | Overall Management Oversight |       |
|  | Key Business Line |       |
|  | Operational Control and Review |       |
|  | Risk Management |       |
|  | Finance and Accounting |       |
|  | Information Technology |       |
|  | Compliance |       |
|  | Anti-Money Laundering and Counter-Terrorist Financing |       |
|  |
| **3.2** | For each Core Function, you should appoint at least one individual as your Manager-In-Charge of Core Function responsible for managing that function. You may appoint one individual to act as the Manager-In-Charge of Core Functions for several Core Functions where appropriate considering your scale of operations and control measures. You may also appoint two or more individuals as Managers-In-Charge of Core Function(s) to jointly manage a particular Core Function. |
| **3.3** | Please submit one **Supplement 8A** for each of your Managers-In-Charge of Core Functions. |
| **3.4** | The organizational chart you submit under Section 2 should include all your Managers-In-Charge of Core Functions and their respective reporting lines (ie, the job titles of the persons to whom they report within your corporation and, if applicable, within your corporate group).It should also include the job titles of the persons reporting directly to them in relation to your operations. |
|  |  |
| **3.5** | You should inform, and obtain acknowledgement from, each of your Managers-In-Charge of Core Functions regarding (a) his or her appointment as your Manager-In-Charge and (b) the particular Core Function(s) which he or she is principally responsible for managing.  |
| **3.6** | After becoming a licensed corporation, you should notify the Commission, via the SFC Online Portal, of any changes in your appointment of Managers-In-Charge of Core Functions (including any new appointment and cessation of appointment) or any changes in the particulars of your Managers-In-Charge of Core Functions (see items (a) to (f) below) within seven business days of the changes. 1. full name;
2. identification information;
3. job title;
4. place of residence;
5. the Core Function(s) which he or she is principally responsible for managing; and
6. the job title(s) of the person(s) to whom he or she reports within your corporation and, if applicable, within your corporate group.

Where a change involves a new appointment or cessation of appointment, or a change in the particulars referred to in items (e) and (f) above, you should also submit an updated organizational chart in your notification of that change via the SFC Online Portal. Where a change involves the appointment of a new Manager-In-Charge of Core Function(s) or that an existing Manager-In-Charge of Core Function(s) becomes a Manager-In-Charge in respect of certain additional Core Function(s), you should inform, and obtain acknowledgement from, the relevant Manager-In-Charge, as set out in paragraph 3.5.  |
| **Section 4: Telephone Recording System** |
|  |
| **4.1** | Please provide the following information on your telephone recording system. |
|  |
|  | (a) | Name of system: |       |
|  | (b) | Scope of conversations to be recorded |
|  |  | [ ]  | Between account executives and clients |
|  |  | [ ]  | Between account executives and dealers |
|  |  | [ ]  |

|  |  |
| --- | --- |
| Others (please specify) |       |

 |
|  | (c) |

|  |  |  |
| --- | --- | --- |
| Tape retention period : |      |  months |

 |
|  | (d) | Person monitoring irregularities |
|  |  | [ ]  | Compliance staff |
|  |  | [ ]  | Internal audit staff |
|  |  | [ ]  | Responsible officer |
|  |  | [ ]  |

|  |  |
| --- | --- |
| Others (please specify) |       |

 |
|  | (e) | Method of data retrieval |
|  |  | [ ]  | By time |
|  |  | [ ]  | By channel |
|  |  | [ ]  |

|  |  |
| --- | --- |
| Others (please specify) |       |

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| **Section 5: Insurance** *(not applicable to registered institutions)* |
|  |
| This section is ONLY applicable to corporations required to maintain insurance under the Securities and Futures (Insurance) Rules. |
|  |  |
| **5.1** | Have you maintained the required insurance? |
|  |  |
|  | [ ]  | Yes.  |
|  |  |
|  | [ ]  | No. Please explain: |
|  |  |
|  |       |

|  |  |
| --- | --- |
| **5.2** | Please provide the following details of your proposed insurance scheme. |
|  |
|  | Name of insurer |       |
|  | Credit rating of insurer |       |
|  | Indemnity level (in HK$) |       |
|  | Deductibles (in HK$) |       |
|  | Period of insurance | From |       | to |       |
| *(dd/mm/yyyy)* | *(dd/mm/yyyy)* |
|  |
|  |
| **Section 6: Custody of Client Assets** *(not applicable to registered institutions)* |
| **6.1** | Please state all the places where you will hold your client assets (if applicable). |
|  |
|  | [ ]  | Accounts maintained with the Central Clearing and Settlement System |
|  | [ ]  | Authorized financial institutions |
|  | [ ]  | Licensed intermediaries in Hong Kong |
|  | [ ]  | Overseas licensed or authorized intermediaries |
|  | [ ]  | Associated entity  |
|  | [ ]  | Independent custodian (please specify) |       |
|  | [ ]  | Others (please specify) |       |
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| **Section 7: Leveraged Foreign Exchange Trading** *(not applicable to registered institutions)* |
|  |
| This section is ONLY applicable if you intend to carry on Type 3 Regulated Activity. |
|  |
| **7.1** | Do you intend to provide discretionary account service to clients? |
|  |
|  | [ ]  | Yes.  |
|  |
|  | [ ]  | No. |
| **Section 8: Advising on Corporate Finance** |
|  |
| This section is ONLY applicable if you intend to carry on Type 6 Regulated Activity. |
|  |
| **8.1** | Do you intend to undertake activities in connection with matters regulated by the Codes on Takeovers and Mergers and Share Buy-backs (“the Codes”)? |
|  |
|  | [ ]  | Yes.  |
|  |
|  | [ ]  | No. Please go to Section 9. |
|  |  |  |
| **8.2** | Please submit the following information in a separate document: |
|  |
|  | * A list of proposed responsible officers/executive officers who will actively participate in, or be directly responsible for the supervision of, the matters or transactions regulated by the Codes.
* Details on the adequacy of your resources and internal procedures to ensure full compliance with the Codes. In particular, the names of the executives who will be responsible for compliance with Rule 22 of the Codes and a description of the internal procedures in this connection.
* Measures to ensure that all your staff handling matters or transactions under the Codes and your clients understand and comply with the Codes.
* Whether or not you have been involved in any transaction where you committed a breach of the Codes. Please disclose the details of any such transaction and the breach.
* Whether or not the Executive (as defined under the Codes) has ever raised any concern thatyour conduct fell below the standard expected or required by the Codes. Please disclose the details, if any.
 |
|  |
|  |  |  |
| **8.3** | Do you intend to act as a sponsor as defined in the *Sponsor Guidelines*[[2]](#footnote-3)? |
|  |
|  | [ ]  | Yes. Please submit *Form 1(s)* and *Supplement 10(s)*.  |
|  |
|  | [ ]  | No.  |
|  |  |  |
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| **Section 9: Providing Automated Trading Services** |
|  |
| This section is ONLY applicable if you intend to carry on Type 7 Regulated Activity. |
|  |  |
| **9.1** | Please complete *Supplement 14 - Automated Trading Services.* |
|  |
|  |
|  |
| **Section 10: Providing Securities Margin Financing** *(not applicable to registered institutions)* |
|  |
| This section is ONLY applicable if you intend to carry on Type 8 Regulated Activity, or to provide securities margin financing in order to facilitate acquisitions or holdings of securities for your clients under Type 1 Regulated Activity. |
|  |  |
| **10.1** | Please submit *Questionnaire for Intermediaries Providing Margin Lending*.  |
|  |  |
| **10.2** | Please submit a copy of your securities margin financing policy with the following details: |
|  |
|  | * Concentration policy including the percentage of margin to be offered for different classes of shares.
 |
|  |
|  | * Concentration policy and criteria in granting the amount of margin facilities to each client/group of clients and interest rate charged.
 |
|  |
|  | * Procedures and personnel responsible for computing margin shortfall, making margin calls and handling margin shortfalls not topped up by clients.
 |
|  |  |
|  | * Time interval for reviewing margin financing policy and procedures, and the positions of the persons involved.
 |
|  |  |
|  | * Procedures for communicating your margin financing policy and procedures to your clients and staff.
 |
|  |  |
|  | * Name of responsible officer who will directly supervise your securities margin financing business, and his/her relevant experience.
 |
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| **Section 11: Providing Asset Management Services** |
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| This section is ONLY applicable if you intend to carry on Type 9 Regulated Activity. |
|  |  |
| **11.1** | Provide the following information on your asset management business. |
|  |
|  | **Assets under management** | **Estimated amount (in HK$’000)** **after 1 year of operation** |
|  | Total assets for investment in Hong Kong |       |
|  | Total assets for investment overseas |       |
|  |
|  |

|  |  |
| --- | --- |
| **11.2** | State the sources of your remuneration and the corresponding contribution to your total income. |
|  |
|  | **Sources of remuneration** | **Approximate percentage** |
|  | [ ]  | Rebates or commissions from brokers |       |
|  | [ ]  | Fixed management fees |       |
|  | [ ]  | Variable management fees |       |
|  | [ ]  | Others (please specify) |       |       |
|  |

|  |  |
| --- | --- |
| **For and on behalf of:** |       |
|  | *Name of firm* |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|       |  |  |  |       |
| *Name of director/responsible officer/executive officer/chief executive/person authorized by the board of directors\** |  | *Signature* |  | *Date* |

\* Delete where not applicable.

Explanatory Notes

For the purposes of Supplement 8 and Supplement 8A, the term “**Manager-In-Charge of Core Function(s)**” or “**MIC**”, refers to an individual appointed by a licensed corporation to be principally responsible, either alone or with others, for managing any of the following functions of the corporation (referred to as “**Core Functions**”):

| **Core Function** | **Description** |
| --- | --- |
| 1 | Overall Management Oversight | A function responsible for directing and overseeing the effective management of the overall operations of the corporation on a day-to-day basisKey responsibilities may include:* Developing the corporation’s business model and associated objectives, strategies, organizational structure, controls and policies;
* Developing and promoting sound corporate governance practices, culture and ethics;
* Executing and monitoring the implementation of business objectives, strategies and plans approved by the board of directors (“Board”), and the effectiveness of the organizational structure and controls.

 Example#: Chief Executive Officer, President |
| 2 | Key Business Line | A function responsible for directing and overseeing a line of business which comprises one or more types of regulated activitiesExample#: Chief Investment Officer, Head of Equity, Head of Corporate Finance, Chief Rating Analyst, Head of Fund Marketing |
| 3 | Operational Control and Review | A function responsible for:* Establishing and maintaining adequate and effective systems of controls over the corporation’s operations;
* Reviewing the adherence to, and the adequacy and effectiveness of, the corporation’s internal control systems

Example#: Chief Operating Officer, Head of Operations, Head of Internal Audit |
| 4 | Risk Management | A function responsible for the identification, assessment, monitoring and reporting of risks arising from the corporation’s operationsExample#: Chief Risk Officer, Head of Risk Management |
| 5 | Finance and Accounting | A function responsible for ensuring the timely and accurate financial reporting and analyses of the operational results and financial positions of the corporationExample#: Chief Finance Officer, Financial Controller, Finance Director |
| 6 | Information Technology | A function responsible for the design, development, operation and maintenance of the computer systems of the corporationExample#: Chief Information Officer, Head of Information Technology |
| 7 | Compliance | A function responsible for:* Setting the policies and procedures for adherence to legal and regulatory requirements in the jurisdiction(s) where the corporation operates;
* Monitoring the corporation’s compliance with the established policies and procedures;
* Reporting on compliance matters to the Board and senior management

Example#: Chief Compliance Officer, Head of Legal and Compliance |
| 8 | Anti-Money Laundering and Counter-Terrorist Financing | A function responsible for establishing and maintaining internal control procedures to safeguard the corporation against involvement in money laundering activities or terrorist financingExample#: Head of Financial Crime Prevention, Head of Compliance |

*#* These examples of job title are for illustration only and are not exhaustive. A licensed corporation is not required to appoint MICs bearing the same job titles. However, there should be at least one individual to manage each Core Function as described in the table, and the licensed corporation may adopt any job title relevant to that MIC’s position and duties as it considers appropriate.

In determining whether an individual is an MIC of a particular Core Function, a licensed corporation should take into account the apparent or actual authority of that individual in relation to that Core Function. For example, an individual may be an MIC of a particular Core Function if he or she has one or more of the following attributes:

1. occupies a position within the corporation which is of sufficient authority to enable the individual to exert a significant influence on the conduct of that Core Function;
2. has authority to make decisions (eg, assume business risks within pre-set parameters or limits) for that Core Function;
3. has authority to allocate resources or incur expenditures in connection with the particular department, division or functional unit carrying on that Core Function; and
4. has authority to represent the particular department, division or functional unit carrying on that Core Function, eg, in senior management meetings or in meetings with outside parties.

A licensed corporation should also take into account an individual’s seniority. In this regard, the Commission generally expects that an MIC should:

report directly to the Board of the corporation, or to the MIC who assumes the Overall Management Oversight function of the corporation; and

be accountable for the performance or achievement of business objectives set by the Board, or by the MIC who assumes the Overall Management Oversight function.

1. Please complete *Questionnaire for Intermediaries Providing Trading Services through Electronic Means.* Definitions of “internet trading”, “direct market access” and “algorithmic trading” can be found in paragraph 18 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**Code of Conduct**”). [↑](#footnote-ref-2)
2. “Sponsor Guidelines” means Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers. [↑](#footnote-ref-3)