

**Conditions for Authorisation 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 Reuters Transaction Services Limited (RTSL) for providing ATS through its Reuters Trading for Fixed Income (RTFI) System in Hong Kong with effect from 23 March 2006. The authorisation will be subject to annual renewal thereafter and with the following conditions.

RTSL shall undertake to:

1. 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 –
 - 1.1. Company structure;
 - 1.2. RTFI system (including changes in hardware, software and other technology);
 - 1.3. Markets and products to be traded through the RTFI system for users in Hong Kong;
 - 1.4. Contractual documentation, if there are direct or indirect changes to the contractual responsibilities for users of the RTFI system in Hong Kong; and
 - 1.5. Criteria for approval or disapproval of users of the RTFI system in Hong Kong;
2. Keep full records of ATS operations, including audit trails of ATS activities, as follows and provide the Commission with such records upon request:
 - 2.1. Business correspondence, account files and customer identification documents for a period of seven (7) years after a customer's account is closed;
 - 2.2. Records of transactions effected over the RTFI system for five (5) years;
 - 2.3. Records other than the above for three (3) years; and
 - 2.4. During the life of the enterprise, Articles of Incorporation, Memorandum and Articles of Association, minute books, and relevant constitutional documents of RTSL;
3. Notify the Commission of the identity and location of users of the RTFI system in Hong Kong (by providing a **monthly** status report);
4. Put in place appropriate business continuity plans and disaster recovery programmes for RTSL's operations in Hong Kong and notify the Commission of any material changes to the plans/programmes;

5. Notify the Commission of any incident of material service breakdown or disruption of its RTFI operations that, directly or indirectly, affects users in Hong Kong;
6. Provide the Commission with **bi-annual** statistics (including a nil return if there is no trading in the relevant period) of:
 - 6.1. The monthly volume of trades conducted on the RTFI markets that RTSL operates resulting from orders made in Hong Kong; and
 - 6.2. The aggregate monthly volume of trades conducted on the RTFI markets that RTSL operates,

within two weeks after the end of June and December;
7. Notify the Commission if there are any changes to the regulatory requirements imposed on RTSL's operations in the United Kingdom by the Financial Services Authority, in particular any changes of the capital adequacy requirements;
8. Notify the Commission if there are any changes in RTSL's business plans/operations. Depending on the business activity, the Commission may impose additional requirements as necessary;
9. Upon prior written notice from the Commission,
 - 9.1. provide the Commission with information; or
 - 9.2. grant access to the Commission or its authorised staff or agents and facilitate and provide reasonable assistance to enable inspection by such authorised staff or agents of any of RTSL's books, records, or operations,

relating to transactions authorised by the Commission under section 95(2) of the SFO to be conducted via the RTFI 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 the users of the RTFI system in Hong Kong;
10. Provide the Commission with information of any material complaints related to RTSL's operations, against RTSL 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 organisation and a copy of any decision, order or sanction made with respect to any such proceedings;
11. Provide **annual** audited financial statements of RTSL to the Commission within four months from the financial year end date; and
12. Ensure that the RTSL system is only provided to/used by "professional investors" in Hong Kong, including those defined in items (a) to (i) (excluding item (j)) in Schedule 1 of the SFO, and not to the public in Hong Kong.

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.