

**MEMORANDUM OF UNDERSTANDING
BETWEEN
MONETARY AUTHORITY OF MACAU
AND
SECURITIES AND FUTURES COMMISSION**

1. INTRODUCTION

The Monetary Authority of Macau and the Securities and Futures Commission, recognising the increasingly close relationship between the financial markets and financial services of Macau and Hong Kong, and the corresponding need to establish and foster cooperation between the Authorities responsible for regulating their respective financial markets and services for the protection of investors and preservation of market integrity, have reached the following understanding.

2. DEFINITIONS

For the purpose of this Memorandum:

- (a) "Authority" means:
- (i) the Monetary Authority of Macau ("AMCM") or
 - (ii) the Securities and Futures Commission ("SFC")
- (b) "Books and Records" means documents, books and records of, and other information about the Dual Registrant;
- (c) "Dual Registrant" means
- (i) person licensed, registered or authorised with the SFC or applying for such licence, registration or authorisation, and also:
 - Licensed by the Chief Executive of the Macau SAR or applying to be licensed by the Chief Executive of the Macau SAR; or
 - having a parent, branch, subsidiary or affiliate licensed with the Chief Executive of the Macau SAR or applying to be licensed by the Chief Executive of the Macau SAR; or
 - managing or advising investment funds that are licensed by the Chief Executive of the Macau SAR or which have applied to be licensed by the Chief Executive of the Macau SAR; or
 - (ii) person licensed by the Chief Executive of the Macau SAR or applying to be licensed by the Chief Executive of the Macau SAR, and also:
 - having a parent, branch, subsidiary or affiliate licensed, registered or authorised with the SFC or applying to be licensed, registered or authorised by the SFC; or
 - managing or advising investment funds that are authorised by the SFC or which have applied to be authorised by the SFC.

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shareholders and investors; supervising and monitoring the activities of the Exchange Companies and clearing houses of Hong Kong to ensure that they discharge their responsibilities in a professional and impartial manner; regulating dealers, leveraged foreign exchange traders, investment advisers and other registered persons; and encouraging the development of securities and futures markets in Hong Kong and the increased use of such markets by investors in Hong Kong and elsewhere.

4. SCOPE

Through the machinery set up by this Memorandum, the Authorities hereby agree to promote mutual assistance and the exchange of information so that the Authorities may effectively perform their respective duties according to law. Under the foregoing general theme, the scope of the Memorandum will include the following:

- (a) supervising and monitoring the securities and futures markets, leveraged foreign exchange trading, their clearing and settlement activities, ensuring compliance with the relevant laws and regulatory requirements;
- (b) enforcement of the laws and regulatory requirements relating to dealing in, arranging deals in, managing and advising on securities, futures contracts, and other investment products;
- (c) enforcement of the laws and regulatory requirements relating to leveraged foreign exchange trading;
- (d) enforcement of the laws and regulatory requirements relating to insider dealing, market manipulation and other fraudulent practices in relation to listed companies, securities, futures contracts, and other investment products;
- (e) promoting and securing the fitness and properness of dealers, investment advisers, leveraged foreign exchange traders and other financial market practitioners; promoting high standards of fair dealing and integrity in their conduct of business;
- (f) ensuring compliance by issuers of and offerors for securities, and directors, officers, shareholders and professional advisers of all companies listed, or applying for listing, on the securities and financial markets of either Macau or Hong Kong, with any duties under any relevant laws and regulatory requirements and any obligation to make full, accurate and immediate disclosure of information relevant to investors;
- (g) enforcement of the laws and regulatory requirements relating to takeovers and mergers, and share repurchases;
- (h) disclosure of interest in the securities of listed companies;
- (i) breaches of companies legislation; and

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- (d) "Inspecting Authority" means the Authority performing an On-Site Inspection;
- (e) "Host Authority" means the Authority in whose jurisdiction a Dual Registrant is located;
- (f) "On-Site Inspection" means any review or examination by the Inspecting Authority, at the premises of the Dual Registrant, of the Books and Records and premises of the Dual Registrant.
- (g) "Requested Authority" means the Authority to whom a request under this Memorandum is made;
- (h) "Requesting Authority" means the Authority making a request under this Memorandum;
- (i) "Person" means a natural person, unincorporated association, partnership, or body corporate;

3. FUNCTIONS OF EACH AUTHORITY

(a) The Monetary Authority of Macau of the Macau SAR

In accordance with the rules as approved by Decree-Law n.º 14/96/M of 11th March, the AMCM is endowed with the following powers, amongst others:

- (i) to advise and assist the Chief Executive of Macau SAR in formulation and conduct of the monetary, financial, exchange rate and insurance policies;
- (ii) to guide, co-ordinate and oversee the monetary, financial, foreign exchange and insurance markets, ensure their smooth operation and supervise the actions of those operating within them according to the terms established in the legislation and regulations governing each respective area;
- (iii) to monitor internal monetary stability and the external solvency of the local currency, ensuring its full convertibility;
- (iv) to exercise the functions of a central money depository and manage the Macau SAR's currency reserves and other foreign assets;
- (v) to monitor the stability of the financial system.

(b) The Securities and Futures Commission of the Hong Kong SAR

The SFC is the Commission established by the Securities and Futures Commission Ordinance to regulate securities and futures markets and leveraged foreign exchange trading in Hong Kong. The functions of the SFC include administering securities, futures, and leveraged foreign exchange trading legislations for the protection of investors and maintenance of the integrity of the markets; administering all relevant requirements to ensure full disclosure to and fair treatment of public

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- (j) any other matters agreed upon by both Authorities.

5. PRINCIPLES

- (a) The Authorities will use their best endeavours to honour the understandings contained in this Memorandum.
- (b) This Memorandum does not create any legally enforceable rights nor impose any legally binding obligations. This Memorandum does not modify or supersede any laws or regulatory requirements in force in, or applying to Macau or Hong Kong.
- (c) The purpose of this Memorandum is to enhance the protection of investors and to promote the integrity of the securities and futures markets and leveraged foreign exchange trading by providing a framework for co-operation, including channels for communication, co-ordination in the supervision of relevant companies or groups of companies operating in the jurisdictions of both Authorities, increased mutual understanding and the exchange of information to the extent permitted by the laws and practices of Macau and Hong Kong.
- (d) To the extent permitted by the applicable laws and practices, each Authority will use reasonable efforts to provide the other Authority with any relevant information that is discovered which gives rise to a suspicion of a breach, or anticipated breach, of the regulatory requirements or laws administered by the other Authority.
- (e) This Memorandum does not affect the ability of the Authorities to exchange public information.

6. REQUESTS FOR ASSISTANCE OR INFORMATION

- (a) The Authorities may consult at any time about a request or proposed request.
- (b) Requests for information or assistance will be made in writing in English. In urgent cases, requests may be in summary form to be followed within five business days by a full request. The full request will be signed by one of the contact persons set out in Annex A.
- (c) Requests for information or assistance will specify the following-
 - (i) a general description of the information requested (including the identify of persons, etc.)
 - (ii) the purpose for which the information is sought (including details of the laws or regulatory requirements pertaining to the matter which is the subject of the request);

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- (iii) a description of the nature of the case and the conduct or suspected conduct which gives rise to the request;
 - (iv) the link between the specified laws or regulatory requirements and the regulatory function of the Requesting Authority;
 - (v) the relevance of the requested information to the specified laws or regulatory requirements; and
 - (vi) to whom, if anyone, onward disclosure of information is likely to be necessary and the reason for such disclosure.
- (d) Each request will be assessed by the Requested Authority to determine whether information can be provided under the terms of this Memorandum. In any case where the request cannot be accepted completely, the Requested Authority will consider whether there may be any other relevant information which can be given.
- (e) In deciding whether to accept or decline a request the requested Authority will take into account of –
- (i) matters specified by the laws and regulations in the Requested Authority;
 - (ii) whether the request involves an assertion of jurisdiction not recognised by the Requested Authority;
 - (iii) whether it would be contrary to the public interest to give the assistance sought; and
 - (iv) the resources implications of such a request.
- (f) The Requested Authority may, as a condition of agreeing that assistance is given under this Memorandum, require the Requesting Authority to make a contribution to costs. Such a contribution may, in particular, be required where the cost of a request is substantial or where a substantial imbalance has arisen in the cumulative costs incurred.
- (g) Any documents or other materials provided under this Memorandum and any copies thereof must be returned on request, to the extent permitted by law.

7. CONSOLIDATED SUPERVISION

- (a) The Authorities agree, to the extent permitted by law and regulations, to cooperate in order to encourage the operations of Dual Registrants to be conducted prudently and efficiently and to ensure that there is adequate and effective supervision of their operations in Macau or Hong Kong.
 - (b) In light of these objectives the Authorities agree to adopt the following
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guiding principles as the basis for a framework of bilateral supervisory co-operation -

- (i) The Authorities intend to consult each other on applications for setting up an operation in Macau or Hong Kong by a Dual Registrant.
- (ii) The Authorities intend to provide to each other and update on a regular basis a list identifying the names of Dual Registrants.
- (iii) Each Authority intends, upon request and consistent with the laws and regulations which govern it, to provide other Authority information located in its jurisdiction that may be relevant to the latter's supervision and monitoring of Dual Registrants.
- (iv) Both authorities, subject to prior agreement of the other authority, may conduct on-site inspections of the operations of the branches, representative offices and subsidiaries in Macau or Hong Kong, as relevant, of Dual Registrants from their respective jurisdictions. A pre and post meeting should be held for the purpose of on-site inspection.
- (v) Both authorities will encourage their Dual Registrants to conduct regular reviews, by both internal and external auditors, of the operations of their branches, representative offices and subsidiaries in Macau or Hong Kong, as relevant.

8. UNSOLICITED INFORMATION

Where one Authority has information which will assist or enable the other Authority in the performance of its supervisory functions, the former may provide such information, or arrange for such information to be provided, on a voluntary basis even though no request has been made by the other Authority. The terms and conditions of this Memorandum will apply if the providing Authority specifies that the information is passed under this Memorandum.

9. CONFIDENTIALITY AND USE OF INFORMATION

- (a) Assistance or information will be provided by the Authority only for the purposes of assisting the other Authority to this Memorandum in the performance of its supervisory functions. With the exception of disclosures which are necessary for the Requesting Authority to perform its supervisory functions, the information should not be disclosed to any third parties without the prior consent of the provider of the assistance or information. Each Authority will establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of such information.
- (b) If either Authority becomes aware that information passed under this Memorandum may be subject to a legally enforceable demand to disclose, it will, to the extent permitted by law, inform the other Authority of the situation. The Authorities will then discuss and determine the appropriate course of action.

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10. EXCHANGE OF REGULATIONS

Both authorities will periodically send to each other the English texts of the new prudential requirements and regulations of the respective authorities.

11. TRAINING AND EXCHANGE OF PERSONNEL

The Authorities will consult and co-operate in the training and exchange of personnel.

12. PERIODICAL MEETINGS

Both authorities will meet with each other twice a year to discuss various issues outlined in this Memorandum and other matter of mutual interest. The meeting will be held alternately in Hong Kong and Macau and will be chaired by the respective authority in turn who will be responsible for preparing the agenda and taking minutes of the meeting.

13. CONTACT PERSONS

All communications between the Authorities should be between the principal points of contact as set out in Annex A unless otherwise agreed. Annex A may be amended by either Authority upon written notice to the other Authority.

14. TERMINATION

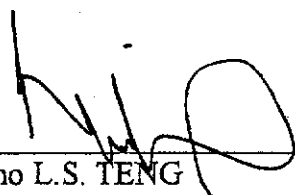
Co-operation in accordance with this Memorandum will continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to discontinue the co-operation. If either Authority gives such notice, co-operation in accordance with this Memorandum will continue with respect to all requests for assistance that were made before the effective date of notification until the Requesting Authority terminates the matter for which the assistance was requested.

15. EFFECTIVE DATE

Co-operation in accordance with this Memorandum will begin on the date of its signing by the Authorities.

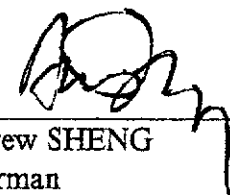
Signed this 14 day of July 2000 in Macau .

**MONETARY AUTHORITY
OF MACAU**



Anselmo L.S. TENG
Chairman

**SECURITIES AND FUTURES
COMMISSION**



Andrew SHENG
Chairman