|  |  |
| --- | --- |
| **Specific Business Profile and Internal Control Summary**  Specified under section 402 of the Securities and Futures Ordinance (“Ordinance”) (Cap 571) | **Questionnaire**  **B** |

|  |  |  |
| --- | --- | --- |
| **Name of licensed corporation/**  **licensed corporation applicant** |  | |
| English | |
|  | |
| Chinese | |
| **CE number (if applicable)** |  | |
| **Please tick “✓" the business activity(ies) that you propose to carry out** | | |
| Asset management | | |
| Securities or futures brokerage | | |
| Securities margin financing | | |
| Electronic trading or automated trading services | | |
| **Contact person regarding any queries on this questionnaire** |  | |
| English/Chinese name | |
|  | |
| Business title/Firm name | |
|  | |
| Relationship with the applicant | |
|  |  |
| Mobile number | E-mail address |

|  |
| --- |
| **Interpretations**   1. “Code of Conduct” in this questionnaire refers to Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. 2. “CLRP Rules” in this questionnaire refers to Securities and Futures (Contracts Limit and Reportable Positions) Rules. 3. “Options Trading Rules” in this questionnaire refers to Options Trading Rules of the Stock Exchange. 4. “HKFE Rules” in this questionnaire refers to Rules, Regulations and Procedures of the Futures Exchange. 5. “You” in this questionnaire refers to the corporation providing information. 6. Unless otherwise specified or the context otherwise required, words and phrases in this questionnaire shall be interpreted by reference to any definition of such word or phrase in Part 1 of Schedule 1 to the Ordinance or Code of Conduct.   **Instructions**   1. This questionnaire aims to obtain information about your business profile and internal controls, including policies and control procedures in ensuring compliance with the regulatory requirements. The questionnaire may also be used as a self-assessment tool for you to understand your business profile and assess the relevant risk management measures and internal controls. You are expected to complete the questionnaire to the best of your knowledge in order to accurately reflect your own operations and controls. 2. The Commission recognises that licensed corporations may adopt different policies and control procedures given that significant differences exist in the nature and scope of their business activities, their organisational and legal structures as well as their management and supervisory measures. Therefore, the questions in this questionnaire are not intended to imply, nor should be construed as, a single set of generally acceptable internal control or risk management practices. 3. Parts I to IV of this questionnaire contain questions concerning specific business activities (i.e. asset management, securities or futures brokerage, securities margin financing and electronic trading or automated trading services). Please fill in only the Part(s) applicable to the business activity(ies) that you propose to carry out and sign the declaration before submission to the Commission. Please also ensure that the relevant supporting documents have been enclosed. 4. You may be directed to complete this questionnaire under section 9 of Form A, section 4 of Form B or section 3 of Form D. On the other hand, if you are already licensed and propose to carry out additional business activity(ies) or change your business plan, please complete the applicable Part(s) in this questionnaire. For instance, if you, being a licensed corporation, intend to provide securities margin financing services or electronic trading or automated trading services, please complete Part III or IV of this questionnaire as appropriate. 5. Incomplete application/notification will increase the time taken for the Commission to process your application/notification or may be returned. Please refer to [Licensing Handbook](https://www.sfc.hk/web/EN/rules-and-standards/codes-and-guidelines/guidelines/?rule=Licensing%20Handbook) on the Commission’s website (www.sfc.hk) for the return policy. 6. If there is not enough space, please use separate sheets of paper and clearly mark each separate sheet of paper with the relevant section number. 7. The information sought in the questionnaire is not meant to be exhaustive. The Commission may request further information, including but not limited to your written policies, procedural manuals and documentation supporting your answers to the questionnaire, during the course of handling your application/notification. 8. If there are any changes to the information provided in, or in support of this questionnaire, you should notify the Commission in writing immediately after the changes take place. Any changes in information may result in delay in processing. |

|  |
| --- |
| **Warning**  **All information and documents submitted to the Commission must be true, accurate and complete.**  **Under section 383(1) of the Ordinance, a person commits an offence if ─**   * **he, in support of any application made to the Commission under or pursuant to any provision of this Ordinance, whether for himself or for another person, makes a representation, whether in writing, orally or otherwise, that is false or misleading in a material particular; and** * **he knows that, or is reckless as to whether, the representation is false or misleading in a material particular.**   **Under section 384(1) of the Ordinance, subject to section 384(2), a person commits an offence if ─**   * **he, in purported compliance with a requirement to provide information imposed by or under any of the relevant provisions, provides to a specified recipient any information which is false or misleading in a material particular; and** * **he knows that, or is reckless as to whether, the information is false or misleading in a material particular.**   **Under section 384(3) of the Ordinance, subject to section 384(4), a person commits an offence if ─**   * **he, otherwise than in purported compliance with a requirement to provide information imposed by or under any of the relevant provisions but in connection with the performance by a specified recipient of a function under any of the relevant provisions, provides to the specified recipient any record or document which is false or misleading in a material particular; and** * **he ─** * **knows that, or is reckless as to whether, the record or document is false or misleading in a material particular; and** * **has, in relation to the provision of the record or document, received prior written warning from the specified recipient to the effect that the provision of any record or document which is false or misleading in a material particular in the circumstances of the case would constitute an offence under this subsection.**   **A “specified recipient” includes the Commission.** |

**Completion Guidelines**

|  |  |  |
| --- | --- | --- |
| **Details** | **Parts** | |
| Asset Management | I | V  Declaration |
| Securities or Futures Brokerage | II |
| Securities Margin Financing | III |
| Electronic Trading or Automated Trading Services | IV |

**Part I: Asset Management**

|  |
| --- |
| **Section 1: Business Profile** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No** |

**Asset management activities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.1 | Please indicate whether you will be given full discretion in making investment decisions in the management of | |  |  |
|  |  | |  |  |
|  | a) | a collective investment scheme ("fund"); and |  |  |
|  | b) | a discretionary account. |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1.2 | Please indicate whether you will manage | | |  |  |  |
|  |  |  | |  |  |  |
|  | a) | a public fund; | |  |  |  |
|  |  | i) | SFC-authorised fund |  |  |  |
|  |  | ii) | fund authorised or approved in other jurisdictions |  |  |  |
|  | b) | a private fund; | |  |  |  |
|  |  | i) | hedge fund |  |  |  |
|  |  | ii) | private equity and venture capital fund |  |  |  |
|  |  | iii) | others, please specify: |  |  |  |
|  |  |  |  | |  |  |
|  |  |  | |  |  |  |
|  | c) | a pension fund; | |  |  |  |
|  |  |  | |  |  |  |
|  | d) | a real estate investment scheme; and | |  |  |  |
|  | e) | a discretionary account. | |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.3 | Please indicate whether you will be responsible for the overall operation in the management of the portfolio that you will manage. |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.4 | Please indicate the geographical distribution of the target investors of the funds that you will manage. | | |  |  |
|  |  | | |  |  |
|  | a) | Hong Kong |  |  |  |
|  | b) | Mainland China |  |  |  |
|  | c) | Asia (other than Hong Kong and Mainland China) |  |  |  |
|  | d) | Europe |  |  |  |
|  | e) | United States |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  | **Yes** | **No** |  |  |
|  |  |  |  |  |  |  |  |
|  | f) | others, please specify: |  |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1.5 | Please indicate the intended number of funds and discretionary accounts that you will manage and their total amount of asset under management ("AUM") during the first 12 months of your proposed business. | | | | | |  | | |
|  |  | | | | | |  | | |
|  | a) | total number of funds | | |  | | | | |
|  |  |  | | | | |  | |  |
|  |  |  | | |  | | | | |
|  | b) | total number of discretionary accounts | | |  | | | | |
|  |  |  | | | | |  | |  |
|  |  |  | | |  | | | | |
|  | c) | total amount of AUM (HK$'000) | | |  | | | | |
|  |  |  | | | | |  | | |  |
|  |  |  | |  |  | |  |  | |
| 1.6 | Please indicate the major asset classes^ of the portfolio that you will manage will invest in. | | | | | |  |  | |
|  |  | | | | | |  |  | |
|  | a) | | listed securities and exchange-traded funds ("ETF") | | |  |  |  | |
|  | b) | | exchange-traded derivatives | | |  |  |  | |
|  | c) | | private equity | | |  |  |  | |
|  | d) | | bonds | | |  |  |  | |
|  | e) | | over-the-counter derivatives | | |  |  |  | |
|  | f) | | cash and money market instruments | | |  |  |  | |
|  | g) | | funds other than ETF | | |  |  |  | |
|  | h) | | virtual assets | | |  |  |  | |
|  | i) | | others, please specify: | | |  |  |  | |
|  |  | |  | | | |  |  | |
|  |  | |  | | |  |  |  | |
|  | ^ accounting for more than 10% of AUM of the underlying fund or discretionary account | | | | | |  |  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No** |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.7 | Please indicate the investment strategy of the portfolio that you will manage. | | |  |  |
|  |  |  |  |  |  |
|  | a) | long only |  |  |  |
|  | b) | equity long/short |  |  |  |
|  | c) | multi-strategy |  |  |  |
|  | d) | global macro |  |  |  |
|  | e) | distressed securities |  |  |  |
|  | f) | quantitatives (e.g. programmed algorithms) |  |  |  |
|  | g) | fund of fund |  |  |  |
|  | h) | others, please specify: |  |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.8 | Please indicate whether the portfolio that you will manage will | |  |  |  |
|  |  |  |  |  |  |
|  | a) | have leverage; and |  |  |  |
|  | b) | engage in securities borrowing and lending, repurchase agreement ("repo") and reverse repo transactions. | |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.9 | Please indicate whether you will have any of the following arrangements in managing a portfolio. | | |  |  |
|  |  |  |  |  |  |
|  | a) | side pocket arrangement |  |  |  |
|  | b) | side letter arrangement |  |  |  |
|  | c) | closed-end |  |  |  |
|  | d) | be subject to redemption gate |  |  |  |
|  | e) | be subject to lock-up period |  |  |  |
|  | f) | soft dollar, cash rebate or commission sharing arrangement |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1.10 | Please indicate whether you will use any of the following electronic trading services. | | |  | |  | |
|  |  |  |  |  | |  | |
|  | a) | internet trading platform |  |  | |  | |
|  |  |  |  |  | |  | |
|  | b) | direct market access |  |  | |  | |
|  |  |  |  |  | |  | |
|  | c) | algorithmic trading |  |  | |  | |
| 1.11 | Please provide details of the proposed service providers of the fund that you will manage (if any). | | |  |  | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Name** | **Is it your group company or affiliated company?** | |  |  |
|  |  |  | **Yes** | **No** |  |  |
|  | a) | prime broker |  |  |  |  |  |
|  | b) | execution broker |  |  |  |  |  |
|  | c) | custodian or trustee |  |  |  |  |  |
|  | d) | fund administrator |  |  |  |  |  |
|  | e) | auditor |  |  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No** |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.12 | Please indicate whether you will handle any subscription or redemption monies for the fund that you will manage. |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1.13 | In respect of the assets of the fund or discretionary account, please indicate whether the following accounts will be opened and maintained in the name of the fund or client concerned instead of yours. | | |  |  | |
|  |  |  |  |  | |  | |
|  | a) | trading accounts for execution brokers |  |  | |  | |
|  |  |  |  |  | |  | |
|  | b) | accounts maintained with prime brokers |  |  | |  | |
|  |  |  |  |  | |  | |
|  | c) | custodial accounts |  |  | |  | |

**Supplementary information**

|  |
| --- |
|  |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  |  |  |

**Yes No**

**Dealing, marketing and fund distribution activities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.14 | Please indicate whether you will market or distribute any fund that is managed by, or discretionary management service provided by | | |  |  |
|  |  |  |  |  |  |
|  | a) | you; |  |  |  |
|  | b) | your group company; |  |  |  |
|  | c) | other fund house, please specify the name of the fund house; and |  |  |  |
|  |  |  | |  |  |
|  |  |  |  |  |  |
|  | d) | others, please specify: |  |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1.15 | If you answer "Yes" to section 1.14, please indicate the distribution channel that you will use. | | | |  |  |
|  |  |  | |  |  |  |
|  | a) | direct sales by you | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | online platform operated by | |  |  |  |
|  |  | i) | you |  |  |  |
|  |  | ii) | your group company |  |  |  |
|  |  | iii) | a third party |  |  |  |
|  |  |  |  |  |  |  |
|  | c) | through a distributor which is | |  |  |  |
|  |  | i) | your group company |  |  |  |
|  |  | ii) | a third party |  |  |  |
|  |  |  |  |  |  |  |
|  | d) | others, please specify: | |  |  |  |
|  |  |  | | |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.16 | Please indicate whether you will handle trade orders for | |  |  |  |
|  |  |  |  |  |  |
|  | a) | funds or discretionary accounts that you will manage; |  |  |  |
|  |  |  |  |  |  |
|  | b) | your group companies or their clients; |  |  |  |
|  |  |  |  |  |  |
|  | c) | your clients other than a); and |  |  |  |
|  |  |  |  |  |  |
|  | d) | others, please specify: |  |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.17 | If you answer "Yes" to section 1.16 b), c) or d), please indicate the product that you will deal in for such parties (i.e. parties other than funds or discretionary accounts that you will manage). | | |  |  |
|  |  |  |  |  |  |
|  | a) | securities |  |  |  |
|  |  |  |  |  |  |
|  | b) | futures contracts |  |  |  |
|  |  |  |  |  |  |
|  | c) | foreign exchange contracts |  |  |  |
|  |  |  |  |  |  |
|  | d) | over-the-counter derivatives |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**Non-discretionary investment advisory activities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.18 | Please indicate whether you will engage in the following advisory activities. | |  |  |  |
|  |  |  |  |  |  |
|  | a) | giving customised investment advice to individual clients |  |  |  |
|  |  |  |  |  |  |
|  | b) | giving customised investment advice to institutional clients |  |  |  |
|  |  |  |  |  |  |
|  | c) | providing robo advisory services |  |  |  |
|  |  |  |  |  |  |
|  | d) | issuing analyses or research reports |  |  |  |
|  |  |  |  |  |  |
|  | e) | others, please specify: |  |  |  |
|  |  |  | |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.19 | Please indicate whether you will introduce your clients to other intermediaries to open trading accounts for executing the securities, futures transactions or both. |  |  |

**Supplementary information**

|  |
| --- |
|  |

|  |
| --- |
| **Section 2: Internal Controls** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Asset management activities**

Choice of investment and performance review

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.1 | Do you have any written policies and control procedures to ensure that transactions are carried out on behalf of each fund and discretionary account in accordance with the terms as set out in the constitutive document of a fund or discretionary client agreement? |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.2 | How often will you review the performance of each fund that you will manage? | |  | |  |  |
|  | |  | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.3 | How often will you review the performance of each discretionary account that you will manage against benchmark? | |  | |  |  |
|  | |  | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.4 | Who will be responsible for making investment decisions? (Please specify title and name if available.) | | |  |  |  |
|  |  | |  |  |  |  |
|  | a) | investment committee, please specify the members of the committee: |  |  |  |  |
|  |  |  | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | chief investment officer |  |  |  |  |
|  |  |  | |  |  |  |
|  |  |  |  |  |  |  |
|  | c) | individual fund or portfolio managers |  |  |  |  |
|  |  |  | |  |  |  |
|  |  |  |  |  |  |  |
|  | d) | others, please specify: |  |  |  |  |
|  |  |  | |  |  |  |

Order execution and allocation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.5 | Do you have any written policies and control procedures to ensure that | |  |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | trade orders are executed on the best available terms; | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | all orders are allocated fairly and preferential allocations are prohibited; and | |  |  |  |
|  |  |  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |
|  |  |  |  |  |  |
|  | c) | no transaction with a connected person is carried out on behalf of a fund or discretionary account unless such transaction is carried out on arm's length terms and consistent with best execution standards? |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.6 | Who will be responsible for (Please specify title and name if available.) | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | placing orders for the portfolios that you will manage; and | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | making decisions on trade allocation for the portfolios that you will manage? | |  |  |  |
|  |  |  | |  |  |  |

Risk management

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2.7 | For risk management at the fund and discretionary account level, do you have any written policies and control procedures to ensure that | | | |  |  |  |
|  |  |  | |  |  |  |  |
|  | a) | there is proper and ongoing identification, measurement, management and monitoring of the following risks; | | |  |  |  |
|  |  | i) | market risk |  |  |  |  |
|  |  | ii) | liquidity risk |  |  |  |  |
|  |  | iii) | issuer and counterparty credit risk |  |  |  |  |
|  |  | iv) | operational risk |  |  |  |  |
|  |  |  | | |  |  |  |
|  | b) | the risk profile of the portfolio is consistent with the nature, size, portfolio structure and investment strategies, restrictions and objectives of the fund or discretionary account as provided to the fund investors or the discretionary account clients; and | | |  |  |  |
|  |  |  | |  |  |  |  |
|  | c) | a system of risk limits to control the relevant positions or exposures is put in place? | | |  |  |  |
|  |  | i) | who will be responsible for setting the risk limits? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  | ii) | who will be responsible for reviewing and the approval of the risk limits? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  | iii) | how often will you review the appropriateness of the risk limits, taking into account the market conditions, etc.? | |  |  |  |
|  |  |  |  | |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2.8 | In respect of market risk management, do you have any written policies and control procedures to ensure that effective risk management measures, covering the following matters, are maintained to quantify the impact on the fund and, if applicable, the impact from changing market conditions? | | |  | |  | |  |
|  |  |  |  |  | |  | |  |
|  | a) | unspecified adverse market movements - using an appropriate value-at-risk or other methodology to estimate potential losses | |  |  | |  | |
|  |  |  |  |  | |  | |  |
|  | b) | individual market factors - measuring the sensitivity of the risk exposure to specific market risk factors | |  |  | |  | |
|  |  |  |  |  | |  | |  |
|  | c) | stress testing - determining the effect of abnormal and significant changes in market conditions on the portfolio using various quantitative and qualitative assumptions | |  |  | |  | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.9 | In respect of liquidity risk management at the fund level, do you have any written policies and control procedures to ensure that | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | concentration limits with respect to the funds' investments, collateral, markets and business counterparties are enforced, taking into account the respective liquidity profile and the fund’s approved liquidity risk policies; | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | measures of liquidity mismatches between the funds’ underlying investments and their redemption obligations are regularly monitored; | |  |  |  |
|  |  |  |  |  |  |  |
|  | c) | appropriate arrears and default procedures are established to timely alert staff members responsible for liquidity management to potential problems; | |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | d) | the liquidity risk of the fund is monitored, taking into account the investment strategy, liquidity profile, underlying assets and obligations, and redemption policy of the fund; | | |  |  |  |
|  |  |  | |  |  |  |  |
|  | e) | liquidity management is integrated in investment decisions; | | |  |  |  |
|  |  |  | |  |  |  |  |
|  | f) | the liquidity of the assets of a fund is regularly assessed; | | |  |  |  |
|  |  | i) | how often will you perform such assessments? |  | | |  |
|  |  |  |  | |  |  |  |
|  |  | ii) | who will be responsible for performing such assessments? (Please specify title and name if available.) | |  | |  |
|  |  |  |  | |  |  |  |
|  |  |  | |  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | g) | the liquidity profile of the liabilities of a fund is regularly assessed; and | | |  |  |  |
|  |  | i) | how often will you perform such assessments? | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  | ii) | who will be responsible for performing such assessments? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  |  | | |  |  |  |
|  | h) | assessments of liquidity in different scenarios (including stressed situations) is conducted to assess and monitor the liquidity risk of fund? | | |  |  |  |
|  |  | i) | how often will you perform such assessments? |  |  |  |  |
|  |  |  |  | |  |  |  |
|  |  | ii) | who will be responsible for performing such assessments? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.10 | In respect of credit risk management, do you have any written policies and control procedures to ensure that an effective credit assessment system is maintained to evaluate the creditworthiness of the fund’s counterparties (including the prime brokers and custodians) and the credit risk of the fund’s investments (or, if applicable, the relevant issuers)? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.11 | Who will be responsible for the risk management functions at the fund and discretionary account level? (Please specify title and name if available.) | |  |  |  |
|  | |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.12 | For portfolios which have leverage, do you have any written policies and control procedures to ensure that | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | the level of leverage is monitored properly; and |  |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | the basis of calculation of leverage is reasonable and prudent? |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.13 | For portfolios which engage in securities lending, repo and reverse repo transactions, do you have a written collateral valuation and management policy and a cash collateral reinvestment policy governing such transactions and any cash collateral reinvestments? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Administration and operation**

Custody of fund or client assets

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.14 | Do you have any written policies and control procedures to ensure that | |  |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | a formal custody agreement is entered into with the custodian that is to be entrusted with the assets of a fund or discretionary account; | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | all of the fund or clients assets held in custodian accounts are segregated from your assets, and, unless held in omnibus client account, the assets of your affiliates and other clients; | |  |  |  |
|  |  |  |  |  |  |  |
|  | c) | the persons fulfilling the custodial function are independent from the persons fulfilling the management functions of the fund and discretionary account, if you will adopt self-custody of fund or client assets; and | |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |  |
|  | d) | reconciliations of your internal records against those issued by third parties (e.g. clearing houses, custodians, counterparties and execution brokers) are performed regularly? | | |  |  |  |
|  |  | i) | how often will you perform such reconciliations? | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  | ii) | who will be responsible for performing such reconciliations? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.15 | Who will be responsible for overseeing the fund or client assets custodian function? (Please specify title and name if available.) | |  |  |  |
|  | |  |  |  |  |

Valuation, side pockets and side letters

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.16 | Do you have any written policies and control procedures to ensure that | |  |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | a proper and independent valuation of the assets of a fund and discretionary account can be performed; | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | valuation methodologies are consistently applied to the valuation of similar types of assets; | |  |  |  |
|  |  |  |  |  |  |  |
|  | c) | all AUM are valued on a regular basis; and | |  |  |  |
|  |  |  |  |  |  |  |
|  | d) | proper valuation reports are provided to discretionary clients, at least on a monthly basis and contain the minimum information as required under the Fund Manager Code of Conduct? | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.17 | How often will you review your valuation policies and procedures? | |  |  |  |
|  | |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.18 | In respect of side pockets for illiquid, hard to value investments, do you have | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | the competency in managing the associated risks; | |  |  |  |
|  | b) | a proper valuation policy covering such investments; and | |  |  |  |
|  | c) | operational checks and controls for transferring investments in and out of side pockets? | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.19 | Who will be responsible for overseeing the valuation of fund and client portfolio? (Please specify title and name if available.) | |  |  |  |
|  | |  |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2.20 | In respect of side letters offered to fund investors, do you have any written policies and control procedures to ensure that | | | |  |  |  |
|  |  |  | |  |  |  |  |
|  | a) | the offering of side letters to fund investors are duly approved; | | |  |  |  |
|  |  | i) | who will be responsible for the approval of the offering and the terms of side letters? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  |  | |  |  |  |  |
|  | b) | the existence and the nature of side letters offered to certain fund investors have been properly disclosed to all investors; and | | |  |  |  |
|  |  | i) | how will you communicate the existence of side letters to all investors? | |  |  |  |
|  |  |  |  | |  |  |  |
|  |  |  | |  |  |  |  |
|  | c) | the terms of the side letters are implemented properly? | |  |  |  |  |
|  |  | i) | who will be responsible for monitoring the implementation of the terms of side letters? (Please specify title and name if available.) | |  |  |  |
|  |  |  |  | |  |  |  |

Fees and expenses

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.21 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | the basis and amount of the fees and charges of the funds and discretionary accounts that you will manage are adequately and accurately disclosed; and | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | all charges, fees and mark-ups are fair and reasonable in the circumstances and characterised by good faith? | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.22 | In respect of soft dollars and rebates, do you have any written policies and procedures to ensure that | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | the soft dollars and rebates are of demonstrable benefit to your clients; | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | the transaction execution is consistent with best execution standards; | |  |  |  |
|  |  |  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |
|  |  |  |  |  |  |
|  | c) | your clients have consented in writing to the receipt of the soft dollars and rebate; and |  |  |  |
|  |  |  |  |  |  |
|  | d) | disclosure is made regarding your practices for receiving soft dollars and rebates? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Marketing and distribution**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.23 | Do you have any written policies and control procedures to ensure that | |  |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | any representation made or information supplied by you to a fund, any fund investor or any discretionary client is accurate and not misleading; and | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | all advertisements and marketing materials are authorised by the Commission before issue if the fund under management is an SFC-authorised fund? | |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.24 | Do you have any written policies and control procedures to ensure that, where you distribute a fund to your clients, | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | your clients will be informed, prior to or at the point of entering into the transaction, whether or not you are independent and the bases for such determination; and | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | appropriate disclosure will be made to your clients in respect of any monetary and non-monetary benefits that you will receive? | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.25 | Who will be responsible for overseeing your marketing and fund distribution activities? (Please specify title and name if available.) | |  | | |
|  | |  |  |  |  | |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Non-discretionary investment advisory activities**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.26 | Do you have any written policies and control procedures to ensure that, where you provide advice or recommendation to a client, | | |  |  |  |
|  |  |  |  |  |  |  |
|  | a) | your advice will be based on thorough analysis and take into account available alternatives; and | |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | the suitability of the recommendation for that client is reasonable in all the circumstances, having regard to information about the client of which you will be or should be aware through the exercise of due diligence? | |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.27 | Who will be responsible for overseeing your non-discretionary investment advisory activities? (Please specify title and name if available.) | | |  |
|  | |  |  | |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Other matters**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.28 | If you intend to manage an SFC-authorised fund, do you have any written policies and control procedures to ensure compliance with the requirements under the relevant product code and have you approached the Investment Products Division of the Commission? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.29 | If you intend to act as the fund manager of an open-ended fund company, do you have any written policies and control procedures to ensure compliance with the Code on Open-ended Fund Companies and have you approached the Investment Products Division of the Commission? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.30 | If you will target investors other than those in Hong Kong, do you have any written policies and control procedures to ensure compliance with applicable rules and regulations of such other jurisdictions? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Part II: Securities or Futures Brokerage**

|  |
| --- |
| **Section 1: Business Profile** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No** |

**Brokerage activities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.1 | Please indicate whether you will provide | | |  |  |
|  |  | | |  |  |
|  | a) | securities brokerage services; and | |  |  |
|  |  | i) | as an exchange participant |  |  |
|  |  | ii) | by relaying or routing clients' orders to other execution brokers |  |  |
|  |  | iii) | as an introducing broker, introducing clients to other execution brokers in order that they may effect dealing in securities or make offers to deal in securities |  |  |
|  |  | iv) | as an introducing broker, communicating offers to effect dealings in securities to other execution brokers, in the names of the clients from whom those offers are received |  |  |
|  |  | v) | others, please specify: |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | futures brokerage services. | |  |  |
|  |  | i) | as an exchange participant |  |  |
|  |  | ii) | by relaying or routing clients' orders to other execution brokers |  |  |
|  |  | iii) | as an introducing broker, introducing clients to other execution brokers in order that they may effect dealing in futures contracts or make offers to deal in futures contracts |  |  |
|  |  | iv) | as an introducing broker, communicating offers to effect dealings in futures contracts to other execution brokers, in the names of the clients from whom those offers are received |  |  |
|  |  | v) | others, please specify: |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1.2 | | If you have applied or will apply for a trading right as an exchange participant, please state the exchange(s). | | | | | | | | | |  | |  | |
|  | |  | |  | | | | | | | |  | |  | |
|  | | a) | | The Stock Exchange of Hong Kong Limited ("SEHK") | | | | | | | |  | |  | |
|  | |  | | type of participantship: | | | |  | | | |  | |  | |
|  | |  | | date of application: | | | |  | | | |  | |  | |
|  | |  | | date of approval: | | | |  | | | |  | |  | |
|  | |  | |  | | | |  | | | |  | |  | |
|  | |  | |  | | | | | | | |  | |  | |
|  | | b) | | Hong Kong Futures Exchange Limited ("HKFE") | | | | | | | |  | |  | |
|  | |  | | type of participantship: | | | |  | | | |  | |  | |
|  | |  | | date of application: | | | |  | | | |  | |  | |
|  | |  | | date of approval: | | | |  | | | |  | |  | |
|  |  | |  | |  |  |  | |  |  |  | | **Yes** | | **No** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | c) | others, please specify the exchange(s): |  |  |  |
|  |  | type of participantship: |  |  |  |
|  |  | date of application: |  |  |  |
|  |  | date of approval: |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.3 | If you have applied or will apply for exchange participantship of SEHK, HKFE or both, please provide a letter undertaking that you will not commence your Type 1 regulated activity, Type 2 regulated activity or both as an exchange participant, until (i) your application for memberships and trading rights are approved by SEHK or HKFE respectively; and (ii) you have taken out and maintained the appropriate insurance in the manner prescribed by the Securities and Futures (Insurance) Rules. |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1.4 | | Please indicate the types of products that will be covered. | | | | | | | | | | | |  |  |
|  | |  | | | | | | | | | | | |  |  |
|  | | a) | | | listed stocks | | | | | | | | |  |  |
|  | |  | | | i) | | listed in Hong Kong | | | | | | |  |  |
|  | |  | | | ii) | | listed in Mainland China, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | | iii) | | listed overseas, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | |  | | | | | | | | |  |  |
|  | | b) | | | debt securities | | | | | | | | |  |  |
|  | |  | | | i) | | corporate bonds | | | | | | |  |  |
|  | |  | | | ii) | | sovereign bonds, bonds issued by public sector entity or multilateral development banks | | | | | | |  |  |
|  | |  | | | iii) | | others, please specify: | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | |  | | | | | | | | |  |  |
|  | | c) | | | exchange-traded derivatives | | | | | | | | |  |  |
|  | |  | | | i) | | listed stock futures or options, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | | ii) | | listed warrants or callable bull/bear contracts, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | | iii) | | listed index futures or options, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | | iv) | | listed currency futures or options, please specify the exchange(s): | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  | |  | | |  | |  | | | | | | |  |  |
|  |  | | |  | | | |  |  |  |  |  |  | **Yes** | **No** |
|  | |  |  | | |  | | | | | | | |  |  |
|  | |  | v) | | | listed commodity futures or options, please specify the exchange(s): | | | | | | | |  |  |
|  | |  |  | | |  | | | | | | | |  |  |
|  | |  | vi) | | | listed interest rates futures or options, please specify the exchange(s): | | | | | | | |  |  |
|  | |  |  | | |  | | | | | | | |  |  |
|  | |  | vii) | | | others, please specify: | | | | | | | |  |  |
|  | |  |  | | |  | | | | | | | |  |  |
|  | |  |  | | | | | | | | | | |  |  |
|  | | d) | structured products, please specify: | | | | | | | | | | |  |  |
|  | |  |  | | | | | | | | | | |  |  |
|  | |  |  | | | | | | | | | | |  |  |
|  | | e) | others, please specify: | | | | | | | | | | |  |  |
|  | |  |  | | | | | | | | | | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.5 | Please indicate the channel through which you will onboard your clients. | |  |  |
|  |  | |  |  |
|  | a) | face-to-face |  |  |
|  |  |  |  |  |
|  | b) | your website |  |  |
|  |  |  |  |  |
|  | c) | mobile applications |  |  |
|  |  |  |  |  |
|  | d) | other non face-to-face approach, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.6 | Please indicate the channel through which you will receive orders from clients. | | |  |  |
|  |  | | |  |  |
|  | a) | by electronic trading system | |  |  |
|  |  | i) | internet trading |  |  |
|  |  | ii) | direct market access |  |  |
|  |  | iii) | algorithmic trading |  |  |
|  |  |  |  |  |  |
|  | b) | by mobile applications | |  |  |
|  |  |  | |  |  |
|  | c) | by telephone recording system | |  |  |
|  |  |  | |  |  |
|  | d) | by mobile phone | |  |  |
|  |  |  | |  |  |
|  | e) | by email | |  |  |
|  |  |  | |  |  |
|  | f) | by fax | |  |  |
|  |  |  | |  |  |
|  | g) | by short message service ("SMS") or other instant messaging ("IM") applications | |  |  |
|  |  |  | |  |  |
|  |  |  | | **Yes** | **No** |  |
|  |  |  | |  |  |
|  | h) | by client in person in the office premises | |  |  |
|  |  |  | |  |  |
|  | i) | others, please specify: | |  |  |
|  |  |  | |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.7 | If you will relay or route clients' orders or refer clients to execution brokers, please provide details of each of the execution broker(s) to which you will relay or route clients' orders or refer clients. |  |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Name** | **Country of operation** | **Is it a member of any exchange?** | | **Is it your group company or affiliated company?** | |  |  |
|  | **Yes** | **No** | **Yes** | **No** |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.8 | Please indicate the channel through which you will place orders to the execution brokers. | | |  |  |
|  |  | | |  |  |
|  | a) | by electronic trading system | |  |  |
|  |  | i) | internet trading |  |  |
|  |  | ii) | direct market access |  |  |
|  |  | iii) | algorithmic trading |  |  |
|  |  |  |  |  |  |
|  | b) | by telephone recording system | |  |  |
|  |  |  | |  |  |
|  | c) | by email | |  |  |
|  |  |  | |  |  |
|  | d) | by fax | |  |  |
|  |  |  | |  |  |
|  | e) | by SMS or other IM applications | |  |  |
|  |  |  | |  |  |
|  | f) | others, please specify: | |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.9 | Please indicate whether you will route client orders to an alternative liquidity pool ("ALP").  If yes, please specify the name of the ALP and its operator: | |  |  |
|  | |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No** |
|  |  | |  |  |
| 1.10 | If you will act as an introducing broker, please indicate the contractual relationships among execution brokers, clients and you. | |  |  |
|  | a) | bilateral agreements between you and clients and between you and execution brokers |  |  |
|  |  |  |  |  |
|  | b) | tripartite agreement among execution brokers, clients and you |  |  |
|  |  |  |  |  |
|  | c) | others, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.11 | Please indicate how you will settle the transactions. | |  |  |
|  | a) | as a clearing member of the clearing house or central counterparty |  |  |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | b) | through group companies which are clearing members of the clearing house or central counterparty, please specify: | | | | | | |  |  |
|  |  |  | | | | | | |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  | c) | through third party intermediaries which are clearing members of the clearing house or central counterparty or clearing agent, please specify: | | | | | | |  |  |
|  |  |  | | | | | | |  |  |
|  |  |  | | | | | | |  |  |
|  | d) | others, please specify: | | | | | | |  |  |
|  |  |  | | | | | | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.12 | If you conduct futures brokerage activities, please indicate the forms of collateral that you will accept. | |  |  |
|  | a) | cash |  |  |
|  |  |  |  |  |
|  | b) | approved debt securities as defined under the HKFE Rules issued by HKFE |  |  |
|  | c) | approved securities as defined under the HKFE Rules |  |  |
|  |  |  |  |  |
|  | d) | others, please specify: |  |  |
|  |  |  |  |  |

**Supplementary information**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | | |
|  | | |  | |
|  | | | | | | | **Yes** | | **No** |
| **Investment advisory activities** | | | | | | |  | |  |
| 1.13 | | Please indicate whether you will engage in the following advisory activities. | | | | |  | |  |
|  | | a) | | securities advisory services | | |  | |  |
|  | |  | | i) | | giving customised investment advice to individual clients |  | |  |
|  | |  | | ii) | | giving customised investment advice to institutional clients |  | |  |
|  | |  | | iii) | | providing robo advisory services |  | |  |
|  | |  | | iv) | | issuing analyses or research reports |  | |  |
|  | |  | | v) | | others, please specify: |  | |  |
|  | |  | |  | |  |  | |  |
|  | |  | |  | | |  | |  |
|  | | b) | | futures advisory services | | |  | |  |
|  | |  | | i) | | giving customised investment advice to individual clients |  | |  |
|  | |  | | ii) | | giving customised investment advice to institutional clients |  | |  |
|  | |  | | iii) | | providing robo advisory services |  |  | |
|  | |  | | iv) | | issuing analyses or research reports |  |  | |
|  | |  | | v) | | others, please specify: |  |  | |
|  | |  | |  | |  |  |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.14 | Please indicate whether your proposed investment advisory activities will be subordinate to the carrying on of your | |  |  |
|  | a) | securities brokerage services; and |  |  |
|  |  |  |  |  |
|  | b) | futures brokerage services. |  |  |

**Supplementary information**

|  |
| --- |
|  |

|  |  |  |
| --- | --- | --- |
|  | **Yes** | **No** |

**Discretionary account management activities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.15 | Please indicate whether you will manage a discretionary account | |  |  |
|  | a) | with full discretion; or |  |  |
|  |  |  |  |  |
|  | b) | without full discretion. |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.16 | Please indicate whether your proposed discretionary account management activities will be subordinate to the carrying on of your | |  |  |
|  | a) | securities brokerage services; and |  |  |
|  |  |  |  |  |
|  | b) | futures brokerage services. |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.17 | Please indicate the intended number of discretionary accounts that you will manage and their total amount of asset under management ("AUM") during the first 12 months of your proposed business. | |  |  |
|  | a) | total number of discretionary accounts |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | b) | total amount of AUM (HK$'000) |  |  |
|  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.18 | Please indicate the major asset classes^ of the discretionary account that you will manage will invest in. | |  |  | |
|  | a) | listed securities and exchange-traded funds ("ETF") |  |  | |
|  |  |  |  |  | |
|  | b) | exchange-traded derivatives |  |  | |
|  |  |  |  |  | |
|  | c) | private equity |  | |  |
|  |  |  |  | |  |
|  | d) | bonds |  | |  |
|  |  |  |  | |  |
|  | e) | over-the-counter derivatives |  | |  |
|  |  |  |  | |  |
|  | f) | cash and money market instruments |  | |  |
|  |  |  |  | |  |
|  | g) | funds other than ETF |  | |  |
|  |  |  |  | |  |
|  | h) | virtual assets |  | |  |
|  |  |  |  | |  |
|  | i) | others, please specify: |  | |  |
|  |  |  |  |  | |
|  |  |  |  |  | |
|  | ^ accounting for more than 10% of AUM of the discretionary account | |  |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No** |
|  |  | |  |  |
| 1.19 | Please indicate the investment strategy of the discretionary account that you will manage. | |  |  |
|  | a) | long only |  |  |
|  |  |  |  |  |
|  | b) | equity long/short |  |  |
|  |  |  |  |  |
|  | c) | multi-strategy |  |  |
|  |  |  |  |  |
|  | d) | global macro |  |  |
|  |  |  |  |  |
|  | e) | distressed securities |  |  |
|  |  |  |  |  |
|  | f) | quantitatives (e.g. programmed algorithms) |  |  |
|  |  |  |  |  |
|  | g) | others, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.20 | Please indicate whether the discretionary account that you will manage will | |  |  |
|  | a) | have leverage; and |  |  |
|  |  |  |  |  |
|  | b) | engage in securities borrowing and lending, repurchase agreement ("repo") and reverse repo transactions. |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.21 | Please indicate whether you, as an asset manager, will have soft dollar, cash rebate or commission sharing arrangement. |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.22 | Please indicate whether you are the execution broker and custodian of the discretionary account that you will manage.  If not, please indicate their names. | |  |  |
|  | a) | execution broker: |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | b) | custodian: |  |  |
|  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

|  |
| --- |
| **Section 2: Internal Controls** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Brokerage activities**

Receiving orders

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.1 | Do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | order instructions for both agency orders or internally generated orders (e.g. proprietary account and staff account) are recorded and time stamped promptly upon receipt or initiation; |  |  |  |
|  | b) | your staff members are prohibited from receiving client order instructions through mobile phones when they are on the trading floor, in the trading room, usual place of business where order is received or usual place where business is conducted; |  |  |  |
|  | c) | your staff members are required to call back your telephone recording system immediately and record the time of receipt and the details of orders received outside the trading floor, the trading room, usual place of business where order is received or usual place where business is conducted; |  |  |  |
|  | d) | validity and authority of the orders are checked if in doubt; |  |  |  |
|  | e) | order instructions (other than orders received through telephone) are fully recorded and properly maintained for a period of not less than two years; |  |  |  |
|  | f) | order instructions received through telephone are recorded in a telephone recording system and telephone recordings are maintained as part of your records for at least six months; and |  |  |  |
|  | g) | reasonable due diligence is demonstrated in handling client instructions? |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.2 | | If you will use IM applications to receive client orders, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | | a) | messages relating to client order and the IM accounts and devices for storing and processing are properly maintained and centrally managed; |  |  |  |
|  | | b) | appropriate arrangements are in place and sufficient capacity is available to store and back up order messages in a form which could not be inappropriately modified or erased; |  |  |  |
|  | |  |  |  |  |  |
|  | | c) | identities of clients who send order messages are properly authenticated and validated; |  |  |  |
|  | d) | | adequate and appropriate safeguards are implemented to prevent unauthorised access or security attack; and |  |  |  |
|  | e) | | appropriate and adequate trainings on the use of IM applications are provided to staff members? |  |  |  |
|  | |  | | **Yes** | **No\*** | **N/A#** |
|  | |  | |  |  |  |
| 2.3 | | If you will route client orders to an ALP for execution, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | | a) | these orders are only placed or originated by "qualified investors" as defined under paragraph 19.2 of the Code of Conduct; and |  |  |  |
|  | | b) | ALP guidelines prepared by the ALP operator will be brought to your client's attention prior to routing any order to the ALP on his behalf for the first time? |  |  |  |

Pre-trade controls

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.4 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | different factors (e.g. the types of products to be traded, client's financial situation, investment objectives, investment experience and trading frequency, etc.) are taken into account when setting the following limits; | |  |  |  |
|  |  | i) | trading limits (including maximum day trade limits, where applicable) |  |  |  |
|  |  | ii) | credit limits |  |  |  |
|  |  | iii) | position limits |  |  |  |
|  |  | iv) | others, please specify: |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | b) | approval is required for granting the above limits; | |  |  |  |
|  |  | i) | how often will you review such limits? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for the approval of such limits? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | c) | compliance with clients' position limits maintained with you are monitored; | |  |  |  |
|  |  | i) | how often will you monitor clients’ position limits? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for performing such monitoring? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | d) | your clients are informed of the applicable derivative position and reporting limits; and | |  |  |  |
|  |  |  | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |
|  | e) | senior management approval is required for overriding trading, credit or position limits? | |  |  |  |
|  |  | i) | who will be responsible for the approval of the overridden trading, credit or position limits? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.5 | Do you have any written policies and control procedures to ensure that pre-trade checking is performed by designated staff members or system prior to executing a client order, taking into account the following? | | |  |  |  |
|  | a) | | status of the account (e.g. active, closed or being on an internal watch list, etc.) |  |  |  |
|  | b) | | sufficiency and availability of securities or the existence of necessary securities borrowing arrangements (for sell order) |  |  |  |
|  | c) | | sufficiency of initial margin deposit in clients' accounts (for clients who are not classified as established clients under Rule 617(b) of the HKFE Rules ("Established Clients")) |  |  |  |
|  | d) | | client's trading limit (including maximum day trade limit, if any) |  |  |  |
|  | e) | | client's credit limit |  |  |  |
|  | f) | | client's position limit |  |  |  |
|  | g) | | client's order size limit |  |  |  |
|  | h) | | any outstanding margin calls |  |  |  |
|  | | i) | unusual or questionable transactions (e.g. changes in trading patterns or trading large volumes of low turnover stocks) |  |  |  |
|  | | j) | price deviation from market |  |  |  |
|  | | k) | authorisation of the person placing the order |  |  |  |
|  | | l) | services and products that account is authorised to use or trade |  |  |  |
|  | | m) | others, please specify: |  |  |  |
|  | |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.6 | Who will be responsible for monitoring the pre-trade checking performed by designated staff members or system? (Please specify title and name if available.) | |  |  |  |
|  | |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No\*** | **N/A#** |
| Order execution | | |  |  |  |
| 2.7 | Do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | your best execution policy covers different assets and classes; |  |  |  |
|  | b) | due diligence will be carried out on your affiliated companies, connected parties or third parties before engaging them for order execution and the execution outcomes will be continuously monitored; |  |  |  |
|  | c) | sufficient steps are taken to obtain the best available terms when executing client orders; |  |  |  |
|  | d) | methods used to determine the acceptable price at which a transaction or part of the transaction may be executed are set out; |  |  |  |
|  | e) | orders are transmitted to the dealer, execution broker or operator of terminal for automated trading system within a reasonable time period, normally immediately, otherwise, permitted circumstances under which a client order is not required to be immediately exposed to the applicable market for execution are established; |  |  |  |
|  | f) | executed trades are confirmed with clients upon order execution; and |  |  |  |
|  | g) | clear and comprehensive audit trail for orders through execution and settlement (including the time of transmission and reference to the originating order) are maintained? |  |  |  |

Post-trade controls

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.8 | Do you have any written policies and control procedures to ensure that post-trade review covering the following areas will be conducted? | |  |  |  |
|  | a) | execution quality of trades (including execution outcomes) and anomalies |  |  |  |
|  |  |  |  |  |  |
|  | b) | order recording |  |  |  |
|  |  |  |  |  |  |
|  | c) | fair allocation |  |  |  |
|  |  |  |  |  |  |
|  | d) | non-adherence to your dealing policies and control procedures |  |  |  |
|  |  |  |  |  |  |
|  | e) | irregularities, inconsistencies, potential malpractice and unusual or questionable transactions |  |  |  |
|  |  |  |  |  |  |
|  | f) | errors, fraud, and other unauthorised and improper activities |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No\*** | **N/A#** |
|  |  | |  |  |  |
| 2.9 | Do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | executed trades are allocated promptly in a fair and equitable manner; |  |  |  |
|  | b) | executed trades are allocated to clients in accordance with the client priority and sequence of order receipt; |  |  |  |
|  | c) | executed trades are allocated to clients on a pro-rata basis if orders of different clients are aggregated; and |  |  |  |
|  | d) | executed trades are prohibited to reallocate to different clients? |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.10 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | exception reports identifying error, mismatched and unusual trades, and non-compliance of best execution, etc. are generated promptly for review and follow-up; | |  |  |  |
|  |  | i) | who will be responsible for reviewing such exception reports? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for ensuring that appropriate follow-up actions have been taken? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | b) | senior management approval is required for trade cancellation or amendment; and | |  |  |  |
|  |  | i) | who will be responsible for the approval of such trade cancellation or amendment? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | c) | trade errors are allocated to an "error" or "suspense" account for prompt correction or closure of position? | |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

Contract limits and position limits monitoring and reporting

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.11 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | the number of futures contracts or stock options contracts held or controlled by you or each of your clients do not exceed the prescribed limits as specified in the CLRP Rules except as otherwise authorised by HKFE or SEHK in accordance with section 4(2) of the CLRP Rules, or by the Commission in accordance with section 4(4) of the CLRP Rules; and | |  |  |  |
|  |  | i) | who will be responsible for monitoring the number of futures contracts or stock options contracts held or controlled by you or each of your clients? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | b) | relevant reports or notice are filed or lodged with HKFE or SEHK within the prescribed time frame when you or any of your clients hold or control open positions in futures contracts or stock options contracts in excess of the respective reporting level as specified in the CLRP Rules? | |  |  |  |
|  |  | i) | who will be responsible for monitoring the open positions in futures contracts or stock options contracts held or controlled by you or each of your clients? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for monitoring your compliance with the reporting requirements under the CLRP Rules? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

Client money placed with overseas brokers

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.12 | If you will conduct transactions for clients in other jurisdictions and place client money with overseas brokers, do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | the risks to which you and your clients are exposed when conducting overseas transactions are properly managed; | |  |  |  |
|  | b) | the risks of transacting through overseas brokers are timely evaluated and monitored; | |  |  |  |
|  |  | i) | who will be responsible for evaluating and monitoring such risks? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  | | |  |  |  |
|  | c) | placing excessive client money with overseas brokers is avoided; and | |  |  |  |
|  |  | | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  |  |  |  |
|  | d) | risks associated with overseas trading activities (including the risk that client assets held overseas may not be subject to the protections given to client assets held in Hong Kong) are explained to your clients? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Specific to stock options trading activities**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.13 | If you will be an options exchange participant of SEHK, do you have any written policies and control procedures to ensure that an options trade confirmation provided to clients includes | |  |  |  |
|  | a) | the number of client contracts or options broker client contracts purchased or sold, the underlying security, expiry month, strike price, option type (put or call), version number and whether they were closing contracts or opening contracts; |  |  |  |
|  | b) | the price and the number of securities comprised in each lot being stated in the client contract or options broker client contract; |  |  |  |
|  | c) | a risk disclosure statement to the following effect: "Options can involve a high degree of risks and may not be suitable for every investor. Investors should ensure they understand those risks before participating in the options market."; |  |  |  |
|  |  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  |  |  |  |
|  | d) | a statement that one or more options contracts on the same terms as the client contracts or options broker client contracts were executed by you on SEHK; |  |  |  |
|  | e) | a statement that, in the event of a default committed by you resulting in the client suffering pecuniary loss, the client shall have a right to claim under the Investor Compensation Fund established under the Ordinance, subject to the terms of the Investor Compensation Fund from time to time; and |  |  |  |
|  | f) | a statement that all exchange traded options business as defined under the Options Trading Rules ("Exchange Traded Options Business") made for or on behalf of a client shall be subject to the relevant provisions of the constitution, Rules of SEHK, regulations, the Articles of Association of SEHK, customs and usages of SEHK, the Options Trading Rules, the Clearing Rules of The SEHK Options Clearing House Limited, the General Rules of the Central Clearing and Settlement System Rules and of the laws of Hong Kong, which shall be binding on both the client and you? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.14 | If you will be an options exchange participant and will accept a client who is engaging in Exchange Traded Options Business on behalf of other persons, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | one or more omnibus account(s) in the name of the client is opened; and |  |  |  |
|  | b) | the client, to the fullest extent possible, calculates and collects appropriate amounts of margin as defined under the Options Trading Rules and premium as defined under the Options Trading Rules from such other persons? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Yes** | **No\*** | **N/A#** |

**Specific to futures brokerage activities**

Setting-off arrangement

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.15 | In respect of the setting-off arrangement between a client’s futures trading account maintained with you and the client’s other trading accounts maintained with you or your affiliated companies, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | all relevant terms (including additional charges that may be borne by the clients) and risks (including the market risks involved in holding open positions) of such setting-off arrangements are disclosed to clients; and |  |  |  |
|  | b) | the circumstances under which transfer of funds between the client’s accounts can be effected are communicated to clients (e.g. whether the client's consent will be obtained before each fund transfer, etc.)? |  |  |  |

Segregation of accounts for HKFE trades and non-HKFE trades

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.16 | If you will be an exchange participant of HKFE which will transact HKFE trades and non-HKFE trades, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | at least two segregated bank accounts are maintained; |  |  |  |
|  | b) | all client money relating to HKFE trades is paid into a segregated bank account designated as an "HKFE Trade" account; |  |  |  |
|  | c) | client money relating to non-HKFE trades is paid into a different segregated bank account designated as an "Non-HKFE Trade" account; and |  |  |  |
|  | d) | ledger accounts for every client in respect of all HKFE trades, all non-HKFE trades and all other trades which are unrelated to the business of dealing in futures contracts are separated? |  |  |  |

Established Clients assessment

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2.17 | If you will classify your clients as Established Clients, do you have any written policies and control procedures to ensure that | | | | | | | | | |  | |  | |  |
|  | a) | your clients fulfil the following criteria before treating them as Established Clients; | | | | | | | | |  | |  | |  |
|  |  | i) | demonstrated a record of consistently meeting margin obligations | | | | | | | |  | |  | |  |
|  |  |  | |  |  |  |  |  |  | **Yes** | | **No\*** | | **N/A#** | |
|  |  |  | |  |  |  |  |  |  |  | |  | |  | |
|  |  | ii) | maintained a sound financial position | | | | | | |  | |  | |  | |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | b) | ongoing review of the eligibility of Established Clients are performed; | |  |  |  |
|  |  | i) | how often will you perform such review? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for performing such review? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | c) | day trade will not be conducted on behalf of your Established Clients if they have history of transacting day trades exclusively unless and until you have received from them collateral adequate to cover their minimum margin requirements; and | |  |  |  |
|  | d) | assessment and approval of Established Clients are properly documented and maintained? | |  |  |  |
|  |  | i) | who will be responsible for the assessment and approval of the Established Clients? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

Margin policy

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.18 | Do your margin policy and procedures covering the following areas are clearly defined, documented and enforced? | |  |  |  |
|  | a) | the types of margin which may be called, the applicable margin rates and the method of calculating the margin |  |  |  |
|  | b) | acceptable methods of margin payment and forms of collateral |  |  |  |
|  | c) | the methods of margin calls |  |  |  |
|  | d) | circumstances under which your clients may be required to provide margin and additional margin and the consequence of a failure to meet a margin call (including the actions which you may be entitled to take) |  |  |  |
|  | e) | the ways in collecting margin shortfall from clients |  |  |  |
|  | f) | applicable escalation procedures where your clients fail to meet successive margin calls |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.19 | Do you have any written policies and control procedures to ensure that the margin rate for initial margin charged to your client is set taking into account | |  |  |  |
|  | a) | the initial margin requirements set by the exchanges; |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |
|  | b) | the following individual circumstances of your clients; and | |  |  |  |
|  |  | i) | credit worthiness |  |  |  |
|  |  | ii) | financial status |  |  |  |
|  |  | iii) | investment objectives |  |  |  |
|  |  | iv) | investment experience and trading record |  |  |  |
|  | c) | types of products? | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.20 | Do you have any written policies and control procedures to ensure that the margin rate for maintenance margin charged to your client is set taking into account | | |  |  |  |
|  | a) | the maintenance margin requirements set by the exchanges; | |  |  |  |
|  | b) | the following individual circumstances of your clients; and | |  |  |  |
|  |  | i) | credit worthiness |  |  |  |
|  |  | ii) | financial status |  |  |  |
|  |  | iii) | investment objectives |  |  |  |
|  |  | iv) | investment experience and trading record |  |  |  |
|  | c) | types of products? | |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.21 | Who will be responsible for (Please specify title and name if available.) | | |  |  |  |
|  | a) | the approval of the margin rates for initial margin; | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | reviewing the margin rates for initial margin granted to clients; | |  |  |  |
|  |  |  | |  |  |  |
|  |  | i) | how often will you perform such review? |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | c) | the approval of the margin rates for maintenance margin; and | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  | d) | reviewing the margin rates for maintenance margin granted to clients? | |  |  |  |
|  |  |  | |  |  |  |
|  |  | i) | how often will you perform such review? |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |

Margin calls

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.22 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | triggering levels for making margin calls are prudently set, please specify: | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  | b) | margin calls are issued for new positions, which have been opened by Established Clients prior to depositing the minimum requirements, by the close of that business day; | |  |  |  |
|  | c) | margin calls will be made immediately when triggering levels are reached; | |  |  |  |
|  |  | i) | who will be responsible for monitoring your client's margin position? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for making margin calls? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  | iii) | who will be responsible for overseeing margin calls? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | d) | margin calls are followed up on a timely basis; | |  |  |  |
|  |  | i) | who will be responsible for following up the margin calls? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | e) | your clients' ability to meet any margin calls is continuously monitored; | |  |  |  |
|  |  | i) | how often will you monitor your clients’ ability to meet margin calls? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for performing such monitoring? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | f) | maximum discretionary time limit for the settlement of margin call is appropriately set; | |  |  |  |
|  |  | i) | who will be responsible for setting the time limit for the settlement of margin call? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |
|  | g) | where you will be an exchange participant of HKFE, notification (including details of the account number and the number of contracts in respect of which default has been made (where applicable) and the market in which they were transacted) is made to HKFE if your client has failed to meet two or more excessive margin calls or demands for variation adjustment as defined under the HKFE Rules ("Variation Adjustment”) which in aggregate exceed HK$150,000; | |  |  |  |
|  | h) | where your client fails to meet a margin call or demands for Variation Adjustment, impact analysis on compliance with the Securities and Futures (Financial Resources) Rules and liquidity management are performed; and | |  |  |  |
|  |  | i) | who will be responsible for reviewing the impact analysis and overseeing the liquidity management? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | i) | records which are sufficient to show particulars of all margin calls made to every clients (including the initiation of each margin call, particulars of margin calls made, the client's response to margin call, and any follow-up actions taken) are maintained? Who will be responsible for reviewing your margin call records? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.23 | Please indicate the methods of margin calls. | |  |  |  |
|  | a) | by email |  |  |  |
|  |  |  |  |  |  |
|  | b) | by SMS or other IM applications |  |  |  |
|  |  |  |  |  |  |
|  | c) | by letter |  |  |  |
|  |  |  |  |  |  |
|  | d) | by fax |  |  |  |
|  |  |  |  |  |  |
|  | e) | by phone |  |  |  |
|  |  |  |  |  |  |
|  | f) | in person |  |  |  |
|  |  |  |  |  |  |
|  | g) | others, please specify: |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.24 | Do you have any written policies and control procedures to ensure that your margin call policies are properly communicated to clients?  If yes, how will you communicate your margin call policies to clients? | |  |  |  |
|  | a) | included in the client agreement |  |  |  |
|  |  |  |  |  |  |
|  |  | | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | b) | included in the website |  |  |  |
|  |  |  |  |  |  |
|  | c) | included in a separate letter or document issued to clients |  |  |  |
|  |  |  |  |  |  |
|  | d) | others, please specify: |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.25 | Do you have any written policies and control procedures to ensure that management reports are generated for monitoring your client's position on an ongoing basis, readily showing | |  |  |  |
|  | a) | the financial position of each client's trading account; |  |  |  |
|  |  |  |  |  |  |
|  | b) | open positions of each client; |  |  |  |
|  |  |  |  |  |  |
|  | c) | margin position of each client's trading account; |  |  |  |
|  |  |  |  |  |  |
|  | d) | margin call status of each client; and |  |  |  |
|  |  |  |  |  |  |
|  | e) | any exception noted from each client's trading account? |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 2.26 | Who will be responsible for reviewing the reports as indicated in section 2.25? (Please specify title and name if available.) | |  |
|  | |  |  |

Forced liquidation

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.27 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | your forced liquidation policies are properly communicated to clients;  If yes, how will you communicate your forced liquidation policies to clients? | |  |  |  |
|  |  | i) | included in the client agreement |  |  |  |
|  |  | ii) | included in the risk disclosure statement |  |  |  |
|  |  | iii) | included in the website |  |  |  |
|  |  | iv) | verbally explained to the client by staff members |  |  |  |
|  |  | v) | others, please specify: |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | b) | triggering level for forced liquidation is prudently set, please specify: | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | c) | triggering level for forced liquidation will be regularly reviewed; | |  |  |  |
|  |  | i) | how often will you perform such review? |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | d) | prior approval is required for forced liquidation; and | |  |  |  |
|  |  | i) | who will be responsible for the approval of forced liquidation? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | e) | notification is made to clients before carrying out forced liquidation?  If yes, how will you notify the clients? | |  |  |  |
|  |  | i) | by email |  |  |  |
|  |  | ii) | by SMS or other IM applications |  |  |  |
|  |  | iii) | by letter |  |  |  |
|  |  | iv) | by fax |  |  |  |
|  |  | v) | by phone |  |  |  |
|  |  | vi) | in person |  |  |  |
|  |  | vii) | others, please specify: |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.28 | Who will be responsible for overseeing forced liquidation? (Please specify title and name if available.) | |  |  |  |
|  | |  |  |  |  |

Books and accounts

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.29 | If you will be an exchange participant of HKFE, do you have any written policies and control procedures to ensure that proper books and records which, inter alia, correctly and clearly record the following are maintained? | |  |  |  |
|  | a) | the financial position of each client's trading account |  |  |  |
|  | b) | particulars of all the open positions of you and each of your clients (i.e. not simply the net open positions) |  |  |  |
|  | c) | the amount of margin deposited from time to time by you with the clearing house and each executing agent |  |  |  |
|  | d) | the amount of Variation Adjustment paid by you to the clearing house and each executing agent |  |  |  |
|  |  |  |  |  |  |
|  | e) | the amount of margin deposited or required to be deposited by each client |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |
|  |  |  |  |  |  |
|  | f) | the amount of Variation Adjustment collected or required to be collected from clients |  |  |  |
|  | g) | all payments and assets received or held by you to satisfy margin requirements |  |  |  |
|  | h) | particulars of all margin calls and demands for Variation Adjustment made |  |  |  |
|  |  |  |  |  |  |
|  | i) | any other particulars from time to time required by HKFE to be kept in your books and records |  |  |  |

Discretionary account management activities

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.30 | If you will provide discretionary account management services to clients, do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | in the event that the net equity in a discretionary account falls below such sum as is specified by the client in writing or if, in any period of three or fewer consecutive trading days, it falls by more than 50% from the level at which it stood at the beginning of that period, | |  |  |  |
|  |  | i) | your client are notified in writing of the level of net equity; and |  |  |  |
|  |  | ii) | no new trades in respect of that discretionary account (except in order to close out existing open positions) are initiated until such time as the net equity in that discretionary account exceeds the specified amount or is restored to the level at which it stood at the beginning of the period, except with the prior written consent of the client to every subsequent transaction; |  |  |  |
|  | b) | not more than two day trades in any market are accepted, carried or initiated on behalf of a discretionary account; and | |  |  |  |
|  | c) | no short options positions in a discretionary account can be opened? | |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Other matters**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.31 | If you will target overseas investors other than those in Hong Kong, do you have any written policies and control procedures to ensure compliance with applicable rules and regulations of such other jurisdictions? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.32 | Do you have any written policies and control procedures to ensure, where you solicit your client, that the suitability of the solicitation for that client is reasonable in all the circumstances, having regard to information about the client of which you will be or should be aware through the exercise of due diligence? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.33 | If you will provide investment advice to clients, please also complete sections 2.26 and 2.27 in Part I of this questionnaire. |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.34 | If you will provide discretionary account management services to clients, please also complete the applicable questions in sections 2.1 to 2.22 in Part I of this questionnaire. |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Part III: Securities Margin Financing**

|  |
| --- |
| **Section 1: Business Profile** |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.1 | Please indicate the expected margin loan size during the first six months of your securities margin financing business (please state in Hong Kong dollars). | |  |  |
|  | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1.2 | Please indicate the source of funding for your securities margin financing business. | | |  |  |
|  | a) | bank borrowing  If yes, please indicate the type of security provided in relation to the bank borrowings. | |  |  |
|  |  | i) | unsecured (i.e. clean facility) |  |  |
|  |  | ii) | guarantee by your group companies or shareholders |  |  |
|  |  | iii) | guarantee by others, please specify: |  |  |
|  |  |  |  |  |  |
|  |  | iv) | securities provided by your group companies or shareholders |  |  |
|  |  | v) | securities provided by you |  |  |
|  |  | vi) | securities provided by margin clients |  |  |
|  |  | vii) | others, please specify: |  |  |
|  |  |  |  |  |  |
|  |  |  | |  |  |
|  | b) | your own funds | |  |  |
|  |  |  | |  |  |
|  | c) | financial support obtained from your group companies | |  |  |
|  |  |  | |  |  |
|  | d) | others, please specify: | |  |  |
|  |  |  | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.3 | Please indicate whether you will repledge clients' securities collateral.  If yes, please indicate the party(ies) that you will repledge clients' securities collateral to. | |  |  |
|  |  | |  |  |
|  | a) | authorized financial institution |  |  |
|  |  |  |  |  |
|  | b) | licensed intermediary |  |  |
|  |  |  |  |  |
|  | c) | others, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No** |
|  |  | |  |  |
| 1.4 | Please indicate the forms of collateral accepted by you. | |  |  |
|  | a) | Hong Kong listed stocks |  |  |
|  |  |  |  |  |
|  | b) | overseas listed stocks, please specify the exchange(s): |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | c) | other forms of collateral, please specify: |  |  |
|  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

|  |
| --- |
| **Section 2: Internal Controls** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Credit limit**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.1 | Do you have a written margin lending policy and control procedures to ensure that | |  |  |  |
|  | a) | a prudent total margin loans limit is implemented taking into account your liquidity profile and capital, risk profile of your margin loan portfolio and prevailing market conditions; |  |  |  |
|  | b) | the total margin loans limit is subject to review on a regular basis; and |  |  |  |
|  | c) | compliance with the total margin loan limits is closely monitored, and any material breach of limit will be promptly followed up and escalated to the senior management? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.2 | Do you have a written margin lending policy and control procedures to ensure that | |  |  |  |
|  | a) | a credit limit is granted to margin client taking into account the net worth or net income of that margin client; |  |  |  |
|  | b) | the margin client credit limit is subject to review on a regular basis; and |  |  |  |
|  | c) | compliance with the margin client credit limit is closely monitored, and any material breach of limit will be promptly followed up and escalated to the senior management? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | | **Yes** | **No\*** | **N/A#** |
|  |  | |  |  |  |
| 2.3 | Do you have a written margin lending policy and control procedures to ensure that | |  |  |  |
|  | a) | group of related margin clients is properly identified; and |  |  |  |
|  | b) | exposures to individual margin clients or groups of related margin clients by a client concentration limit(s) is properly monitored to avoid building up excessive exposures to each margin client or each group of related margin clients? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.4 | How often will your senior management review | |  |  |  |
|  | a) | the total margin loan limit; and |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | the margin client credit limit? |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.5 | Who will be responsible for the functions of (Please specify title and name if available.) | |  |  |  |
|  | a) | margin loan limit monitoring; |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | margin client credit limit monitoring; and |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | c) | margin client concentration risk management? |  |  |  |
|  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Margin calls and forced liquidation**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.6 | Do you have a written margin lending policy and control procedures to ensure that | | |  |  |  |
|  | a) | triggering level for making margin calls and stopping further advances to clients is prudently set; | |  |  |  |
|  | b) | margin calls will be made immediately when an outstanding margin loan exceeds the margin value of securities collateral held or credit limit granted to the client; | |  |  |  |
|  | c) | no further advances will be provided to margin clients where | |  |  |  |
|  |  | i) | there are outstanding margin calls yet to be met; and |  |  |  |
|  |  | ii) | client's outstanding margin loan balance is higher than the market value of the underlying collateral; |  |  |  |
|  | d) | appropriate detailed records are maintained so that case history of margin calls for each individual client can be readily established; and | |  |  |  |
|  | e) | triggering level for making margin calls and stopping further advances will be regularly reviewed by your senior management? | |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2.7 | Do you have a written margin lending policy and control procedures to ensure that | | | | | | | | | | | | |  |  |  |
|  | a) | | | your forced liquidation policies are properly communicated to margin clients; | | | | | | | | | |  |  |  |
|  |  | | | If yes, how will you communicate your forced liquidation policies to margin clients? | | | | | | | | | |  |  |  |
|  |  | | | i) | | included in the client agreement | | | | | | | |  |  |  |
|  |  | | | ii) | | included in the risk disclosure statement | | | | | | | |  |  |  |
|  | |  |  | | | | |  |  |  |  |  |  |  |  |  |
|  | |  |  | | | | |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |
|  |  | | |  | |  | | | | | | | |  |  |  |
|  |  | | | iii) | | included in the website | | | | | | | |  |  |  |
|  |  | | | iv) | | verbally explained to the client by staff members | | | | | | | |  |  |  |
|  |  | | | v) | | others, please specify: | | | | | | | |  |  |  |
|  |  | | |  | |  | | | | | | | |  |  |  |
|  |  | | |  | | | | | | | | | |  |  |  |
|  | b) | | | triggering level for forced liquidation is prudently set; | | | | | | | | | |  |  |  |
|  | c) | | | triggering level for forced liquidation will be regularly reviewed; | | | | | | | | | |  |  |  |
|  | d) | | | notification is made to clients before carrying out forced liquidation; and | | | | | | | | | |  |  |  |
|  |  | | | If yes, how will you notify your margin clients? | | | | | | | | | |  |  |  |
|  |  | | | i) | | by email | | | | | | | |  |  |  |
|  |  | | | ii) | | by short message service or other instant messaging applications | | | | | | | |  |  |  |
|  |  | | | iii) | | by letter | | | | | | | |  |  |  |
|  |  | | | iv) | | by fax | | | | | | | |  |  |  |
|  |  | | | v) | | by phone | | | | | | | |  |  |  |
|  | |  | | | vi) | | in person | | | | | | |  |  |  |
|  | |  | | | vii) | | others, please specify: | | | | | | |  |  |  |
|  | |  | | |  | |  | | | | | | |  |  |  |
|  | |  | | |  | | | | | | | | |  |  |  |
|  | | e) | | | forced liquidation is executed on the best available terms to margin clients? | | | | | | | | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.8 | How often will you review | |  |  |  |
|  | a) | triggering level for making margin calls and stopping further advances; and |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | triggering level for forced liquidation? |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.9 | Who will be responsible for overseeing (Please specify title and name if available.) | |  |  |  |
|  | a) | margin calls and stopping further advances; and |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | forced liquidation? |  |  |  |
|  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Collateral management**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.10 | Do you have a written margin lending policy and control procedures to ensure that | |  |  |  |
|  | a) | a list of acceptable securities collateral is maintained; |  |  |  |
|  | b) | appropriate haircuts are applied to each securities acceptable as collateral having regard to their liquidity and volatility in prevailing market conditions, financial situation of the issuer of the securities concerned; |  |  |  |
|  | c) | concentration limits are set to avoid building up excessive exposure to individual securities collateral or groups of highly correlated securities collateral; and |  |  |  |
|  | d) | changes in concentrated collateral positions are monitored? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.11 | If you repledge clients' securities collateral, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | your margin client is informed that you will repledge securities collateral upon opening a margin account for the client; |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  | |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** | |
|  |  | | |  | | | | | | |  |  |  |
|  | b) | | | risk disclosure statement in relation to the provision of authority to repledge securities collateral which is included in a prominent position in a written notice is given to your margin client; | | | | | | |  |  |  |
|  | c) | | | proper written authorisations are obtained from margin clients for repledging their securities collateral; and | | | | | | |  |  |  |
|  | d) | | | the amount of repledged securities collateral is monitored and maintained below 140% of the amount of aggregate margin loans? | | | | | | |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 2.12 | Who will be responsible for the function of securities collateral concentration risk management? (Please specify title and name if available.) | |  |
|  | |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 2.13 | Who will be responsible for the overall supervision of the securities margin lending business? (Please specify title and name if available.) | |  |
|  | |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |
| --- |
| **Section 3: Others** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  | **Yes** | **No\*** | **N/A#** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 3.1 | Does your margin client agreement contain | |  |  |  |
|  | a) | details of margin requirements, interest charges, margin calls and the circumstances under which a client's positions may be closed without client's consent as required under paragraph 6.2(f) of the Code of Conduct; |  |  |  |
|  | b) | risk disclosure statement in relation to "risk of margin trading" as specified in Schedule 1 to the Code of Conduct; and |  |  |  |
|  | c) | risk disclosure statement in relation to the provision of any authority to repledge securities collateral as specified in Schedule 1 to the Code of Conduct? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 3.2 | If bank borrowing is one of your source of funding for your securities margin financing business, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | you do not place excessive reliance on bank borrowing as your source of funding; |  |  |  |
|  | b) | the aggregate outstanding balance of borrowings drawn under your bank credit facilities is monitored; and |  |  |  |
|  | c) | the Commission is notified in writing within one business day whenever for a continuous period of two weeks when the aggregate outstanding balance of borrowings drawn under your bank credit facilities equals or exceeds 80% of the total credit limit of the bank credit facilities? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Part IV: Electronic Trading or Automated Trading Services**

|  |
| --- |
| **Section 1: Business Profile** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | |  |  |  |
|  |  |  | |  | **Yes** | **No** |
|  |  |  | |  |  |  |
| 1.1 | Please indicate the types of services that your electronic trading system will provide. | | | |  |  |
|  | a) | routing orders of | | |  |  |
|  |  | i) | securities | |  |  |
|  |  | ii) | futures contracts | |  |  |
|  |  |  |  | |  |  |
|  | b) | operating an alternative liquidity pool ("ALP") | | |  |  |
|  |  |  | | |  |  |
|  | c) | operating a pre-IPO trading platform | | |  |  |
|  |  |  | | |  |  |
|  | d) | trading of leveraged foreign exchange contracts | | |  |  |
|  |  |  | | |  |  |
|  | e) | placing orders for fund subscription, switching and redemption | | |  |  |
|  |  |  | | |  |  |
|  | f) | electronic subscription service (e.g. eIPO) | | |  |  |
|  |  |  | | |  |  |
|  | g) | portfolio tracking | | |  |  |
|  |  |  | | |  |  |
|  | h) | market price quotation | | |  |  |
|  |  |  | | |  |  |
|  | i) | others, please specify: | | |  |  |
|  |  |  | | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.2 | Please indicate the nature of your system. | |  |  |
|  | a) | order routing system |  |  |
|  |  |  |  |  |
|  | b) | electronic communication network |  |  |
|  |  |  |  |  |
|  | c) | internet portal |  |  |
|  |  |  |  |  |
|  | d) | trading platform |  |  |
|  |  |  |  |  |
|  | e) | others, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.3 | Please indicate the types of electronic trading services that you intend to provide to your clients. | |  |  |
|  | a) | internet trading |  |  |
|  |  |  |  |  |
|  | b) | direct market access ("DMA") |  |  |
|  |  |  |  |  |
|  |  |  | **Yes** | **No** |
|  |  |  |  |  |
|  | c) | algorithmic trading |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1.4 | | Please indicate whether your electronic trading system is | | |  |  |
|  | | a) | self-developed; or | |  |  |
|  | |  |  | |  |  |
|  | | b) | provided by a third party service provider. Please specify the name of | |  |  |
|  | |  | i) | system developer or application service provider: |  |  |
|  | |  |  |  |  |  |
|  | |  | ii) | entity responsible for cybersecurity management: |  |  |
|  | |  |  |  |  |  |
|  |  | | | |  |  |
| 1.5 | If your electronic trading system is provided by a third party service provider, please indicate whether you have entered into a formal service-level agreement with the service provider which specifies the terms of service and the responsibilities of the provider. | | | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.6 | Please indicate the location of your | |  |  |
|  | a) | host server; and |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | b) | backup server. |  |  |
|  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.7 | Please provide a flow diagram illustrating the operation of the electronic trading services that you intend to provide. In the diagram, please | |  |
|  | a) | depict key features of the electronic trading system; |  |
|  | b) | show how different parties interact with the system (e.g. you, clients, the exchange); and |  |
|  | c) | describe all steps pertaining to the acceptance, execution, clearing and settlement (where applicable) of an order to be processed through the system. |  |

|  |  |  |
| --- | --- | --- |
| Internet trading (please complete sections 1.8 and 1.9 if you answer "Yes" to section 1.3a)) |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1.8 | Please indicate how your clients could access to the electronic trading system. | | |  | |  |
|  | a) | your website, please specify the website address: | |  | |  |
|  |  |  | |  | |  |
|  |  |  | |  | |  |
|  | b) | mobile application, please specify the name of your mobile application: | |  | |  |
|  |  |  | |  | |  |
|  |  | | | **Yes** | | **No** |  |
| 1.9 | Please indicate whether your website or mobile application | | |  | |  |  |
|  | a) | discloses your name, licence or registration status, central entity number, and exchange trading participantship (if any); | |  | |  |  |
|  | b) | has any hyperlinks to overseas websites which target the Hong Kong investors; and | |  | |  |  |
|  | c) | has any hyperlinks to other entities which facilitate clients to open accounts with these entities. | |  | |  |  |
| DMA (please complete section 1.10 if you answer "Yes" to section 1.3b)) | | |  | |  | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.10 | Please indicate whether you intend to permit your clients to sub-delegate the DMA services to other persons.  If yes, please specify the nature of other persons (e.g. fund houses): | |  |  |
|  | |  |  |  |

|  |  |  |
| --- | --- | --- |
| Algorithmic trading (please complete section 1.11 if you answer "Yes" to section 1.3c)) |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.11 | Please indicate the types of algorithmic strategies that you intend to employ. | |  | |
|  | a) | volume weighted average price |  |  |
|  |  |  |  |  |
|  | b) | time-weighted average price |  |  |
|  |  |  |  |  |
|  | c) | others, please specify: |  |  |
|  |  |  |  |  |

|  |  |  |
| --- | --- | --- |
| ALP (please complete sections 1.12 and 1.13 if you answer "Yes" to section 1.1b)) |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.12 | Please indicate whether your ALP will handle your "proprietary orders" as defined under paragraph 19.2 of the Code of Conduct. |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1.13 | Please indicate whether you intend to route client orders in your ALP to other external venues for execution.  If yes, please specify the venues: | |  |  |
|  | |  |  |  |

|  |  |  |
| --- | --- | --- |
| Pre-IPO trading platform (please complete section 1.14 if you answer "Yes" to section 1.1c)) |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| 1.14 | Please indicate the proposed trading hours operated by your pre-IPO trading platform. | |  |
|  | |  |  | |

**Supplementary information**

|  |
| --- |
|  |

|  |
| --- |
| **Section 2: Internal Controls** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No\*** | **N/A#** |

**General controls**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.1 | In respect of the operation of your electronic trading system, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | a formalised governance process is implemented with input from dealing, risk and compliance functions; |  |  |  |
|  | b) | clearly identified reporting lines with supervisory and reporting responsibilities assigned to appropriate staff member are established; and |  |  |  |
|  | c) | there are managerial and supervisory controls that are designed to manage the risk associated with the use of the electronic trading system? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.2 | Do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | a cybersecurity risk management framework is established, setting out key roles and responsibilities of cybersecurity management; |  |  |  |
|  | b) | suspected or actual cybersecurity incidents are escalated and reported internally and externally (e.g. to clients, the Commission and other enforcement bodies); and |  |  |  |
|  | c) | adequate cybersecurity awareness training to all internal system users are provided at least annually? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.3 | Who will be responsible for (Please specify title and name if available.) | |  |  |  |
|  | a) | overall management and supervision of the electronic trading system; and |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | cybersecurity management and supervision? |  |  |  |
|  |  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.4 | Please indicate whether the person(s) as stated in section 2.3a) above is/are your responsible officer(s)? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No\*** | **N/A#** |

**System security**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.5 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | a secure network infrastructure through proper network segmentation (i.e. a Demilitarised Zone with multi-tiered firewalls) is deployed; | |  |  |  |
|  | b) | system or user access right is granted on a need-to-have basis; | |  |  |  |
|  | c) | reliable techniques to authenticate or validate the identity and authority of the system users are implemented; | |  |  |  |
|  |  | i) | minimum password length |  |  |  |
|  |  | ii) | periodic reminders for clients to change password at regular interval |  |  |  |
|  |  | iii) | minimum password complexity (i.e. alphanumeric) and history |  |  |  |
|  |  | iv) | appropriate controls on invalid login attempts |  |  |  |
|  |  | v) | session timeout after a period of inactivity |  |  |  |
|  |  | vi) | client login password be randomly generated by system during the account activation and password reset processes |  |  |  |
|  |  | vii) | two-factor authentication solution |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |
|  |  | viii) | others, please specify: |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | d) | remote access to internal network is granted on a need-to-have basis and security controls over such access are implemented; | |  |  |  |
|  | e) | security patches or hotfixes released by software providers are monitored and evaluated on a timely basis; | |  |  |  |
|  | f) | anti-virus and anti-malware solutions are implemented and updated on a timely basis to detect malicious applications and malware on critical system servers and workstations; | |  |  |  |
|  |  | i) | how often will you update anti-virus and anti-malware solutions? |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | g) | operating controls are implemented to prevent and detect unauthorised intrusion, security breach and security attack; | |  |  |  |
|  | h) | critical system components (e.g. system servers and network devices) are placed in a locked room accessible by authorised persons only; and | |  |  |  |
|  | i) | business records, client and transaction database, servers and supporting documentation are backed up in an off-line medium on at least a daily basis? | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.6 | Please indicate the two-factor authentication solution that you will implement for clients’ login of internet trading. | |  |  |  |
|  |  |  |  |  |  |
|  | a) | hardware token |  |  |  |
|  |  |  |  |  |  |
|  | b) | software token |  |  |  |
|  |  |  |  |  |  |
|  | c) | short message service one-time-password |  |  |  |
|  |  |  |  |  |  |
|  | d) | biometrics (e.g. fingerprint) |  |  |  |
|  |  |  |  |  |  |
|  | e) | others, please specify: |  |  |  |
|  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | | | |
|  |  |  |  |  |
|  |  | **Yes** | **No\*** | **N/A#** |

**System control, capacity and reliability**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.7 | In respect of the integrity of your electronic trading system, do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | you can, when necessary | |  |  |  |
|  |  | i) | immediately prevent the system from generating and sending orders to the markets; and |  |  |  |
|  |  | ii) | cancel any unexecuted orders that are in the market; |  |  |  |
|  | b) | electronic trading system and all modifications to the system are tested before deployment; | |  |  |  |
|  | c) | electronic trading system and all modifications to the system are regularly reviewed to ensure that they are reliable; | |  |  |  |
|  |  | i) | how often will you review the electronic trading system? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for conducting such review? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | d) | the Commission is promptly notified of any material service interruption or other significant issues related to the electronic trading system; | |  |  |  |
|  |  |  | |  |  |  |
|  |  |  | | **Yes** | **No\*** | **N/A#** |
|  |  |  | |  |  |  |
|  | e) | capacity usage of the electronic trading system is regularly monitored and appropriate capacity planning is developed; | |  |  |  |
|  |  | i) | how often will you review the capacity usage of the electronic trading system? |  |  |  |
|  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | f) | capacity of the electronic trading system is regularly stress tested under different simulated market conditions; and | |  |  |  |
|  |  | i) | how often will you conduct the stress test? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for conducting the stress test? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | g) | electronic trading system has sufficient capacity to handle any foreseeable increase in business and market turnover? | |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Contingency**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.8 | Do you have a written contingency plan to cope with emergencies and disruptions related to electronic trading system which covers | |  |  |  |
|  | a) | a suitable backup facility which enables provision of electronic trading services or alternative arrangements for order execution in the event of emergency; |  |  |  |
|  | b) | backup arrangements (including order execution, maintenance of business record, client and transaction database, servers and other supporting documents); |  |  |  |
|  | c) | a plan for dealing with client and regulatory enquiries by trained staff members; |  |  |  |
|  | d) | offsite storage subject to proper security measures; |  |  |  |
|  | e) | arrangement to ensure that material system delay or failure is rectified, and inform clients the causes or possible causes of the material system delay or failure and how client orders are handled in a timely manner; and |  |  |  |
|  | f) | policies to encounter possible cyber-attack scenarios? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.9 | Do you have any written policies and control procedures to ensure that your contingency plan is periodically tested and viable? | |  |  |  |
|  | a) | how often will you test the contingency plan? |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  | b) | who will be responsible for testing the contingency plan? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Yes** | **No\*** | **N/A#** |

**Record keeping**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.10 | Do you have any written policies and control procedures to ensure maintenance of proper record of the following documentations? | |  |  |  |
|  | a) | design and development, including any testing, reviews, modifications, upgrades or rectifications of your system for a period of not less than two years after the system ceased to be used |  |  |  |
|  | b) | risk management controls of your system for a period of not less than two years after the system ceased to be used |  |  |  |
|  | c) | audit logs on the activities of your system for a period of not less than two years |  |  |  |
|  | d) | incident reports for all material system delays or failures of your system for a period of not less than two years |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Yes** | **No\*** | **N/A#** |

**Risk management**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.11 | Do you have any written policies and control procedures to ensure client orders that are transmitted to the infrastructure are subject to | | |  |  |  |
|  | a) | appropriate automated pre-trade risk management controls designed to | |  |  |  |
|  |  | i) | prevent entry of any orders that would result in exceeding appropriate trading and credit thresholds prescribed for each client or proprietary account; |  |  |  |
|  |  | ii) | alert user to entry of potential erroneous orders and prevent the entry of erroneous orders; |  |  |  |
|  |  | iii) | prevent entry of orders that are not in compliance with regulatory requirements; and |  |  |  |
|  |  | iv) | others, please specify: |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  | |  |  |  |
|  | b) | regular post-trade monitoring to identify any order instructions and transactions which may be manipulative or abusive in nature? | |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.12 | Who will be responsible for risk management function of the electronic trading system? (Please specify title and name if available.) | |  | |
|  | |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Yes** | **No\*** | **N/A#** |

**DMA**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.13 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | before granting DMA services to a client, the client is assessed whether it could meet the minimum client requirements which include | |  |  |  |
|  |  | i) | the client has appropriate arrangement in place to ensure that its users are proficient and competent in using the system for the DMA services; |  |  |  |
|  |  | ii) | the client understands and has the ability to comply with applicable regulatory requirements; and |  |  |  |
|  |  | iii) | the client has in place adequate arrangement to monitor the orders entered through the DMA services; |  |  |  |
|  |  |  |  |  |  |  |
|  | b) | minimum client requirements are evaluated from time to time in light of market conditions; and | |  |  |  |
|  |  |  | |  |  |  |
|  | c) | the client using the DMA services is regularly assessed whether it continues to meet the minimum client requirements? | |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.14 | If you answer "Yes" to section 1.10, do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | the orders of such person will flow through the systems of your client and will be subject to appropriate risk management and supervisory controls; |  |  |  |
|  | b) | such person meets your minimum client requirements; and |  |  |  |
|  | c) | a written agreement that sets out the terms of the DMA services being sub-delegated between your client and such person is in place? |  |  |  |
|  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Yes** | **No\*** | **N/A#** |

**Algorithmic trading**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.15 | Do you have any written policies and control procedures to ensure that the person involved in the design and development of your algorithmic trading system and trading algorithms are suitably qualified? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.16 | Do you have any written policies and control procedures to ensure that the person who is approved to use your algorithmic trading system | |  |  |  |
|  | a) | has a good understanding of the operation of the algorithmic trading system and trading algorithms; |  |  |  |
|  | b) | has a good understanding of the compliance and regulatory issues which may arise from the use of the algorithmic trading system and trading algorithms; |  |  |  |
|  | c) | is timely informed and provided with training in respect of any changes to the design and development of the algorithmic trading system and trading algorithms; and |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | | | **Yes** | **No\*** | **N/A#** |
|  |  | | |  |  |  |
|  | | d) | is provided with up-to-date documentation for operating the algorithmic trading system? |  |  |  |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2.17 | Who will be responsible for granting the approval for the use of the algorithmic trading system? (Please specify title and name if available.) | |  | |  |  | |
|  | |  |  |  | | |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2.18 | Do you have any written policies and control procedures to ensure that | | |  |  |  |
|  | a) | the algorithmic trading system and trading algorithms, and any subsequent developments and modifications are adequately tested before deployment; and | |  |  |  |
|  | b) | the algorithmic trading system and trading algorithms are regularly reviewed and tested for the system's ability to handle sizable trading volume and the algorithms' ability to execute orders without interfering the operation of a fair and orderly market? | |  |  |  |
|  |  | i) | how often will you conduct the review of the algorithmic trading system and trading algorithms? |  |  |  |
|  |  |  |  |  |  |  |
|  |  | ii) | who will be responsible for performing such review? (Please specify title and name if available.) |  |  |  |
|  |  |  |  |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Yes** | **No\*** | **N/A#** |

**ALP**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.19 | Do you have any written policies and control procedures to ensure that only "qualified investors" as defined under paragraph 19.2 of the Code of Conduct are permitted to be the users of your ALP? |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2.20 | Do you have any written policies and control procedures to ensure that | |  |  |  |
|  | a) | comprehensive and accurate ALP guidelines relating to your ALP are prepared and published on your website; |  |  |  |
|  | b) | your ALP guidelines are provided to users so that they are fully informed as to the manner in which your ALP operates; and |  |  |  |
|  | c) | your ALP guidelines will be revised or updated as necessary so that they remain comprehensive, accurate and current? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.21 | Do you have any written policies and control procedures to ensure that orders of users which are not proprietary orders have priority over proprietary orders when such orders are being transacted at the same price? |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.22 | Do you have any written policies and control procedures to ensure that the information concerning transactions conducted on your ALP is appropriately reported or made available to your ALP's users, exchanges, the Commission and other regulators? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Yes** | **No\*** | **N/A#** |

**Pre-IPO trading platform**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 2.23 | Do you have any written policies and control procedures to ensure assurance has been obtained that the seller of pre-IPO stock has sufficient shares available for settlement? |  |  |  |

**Supplementary information**

|  |
| --- |
|  |

**\* Where the answer to any question above is "No", please describe in detail in the space provided below any alternative or compensating controls which can meet the same objective as the controls mentioned in the question.**

|  |
| --- |
|  |

**# Where the answer to any question above is "N/A", please explain in the space provided below why the question is not applicable.**

|  |
| --- |
|  |

**Part V: Declaration**

**We:**

* **Declare** that all the information provided in this questionnaire and any associated documentation is complete, true and correct.
* **Understand** that providing false or misleading information in, or in support of this questionnaire could be an offence under section 383 and/or 384 of the Ordinance.
* **Understand** that the Commission may take criminal and/or disciplinary action against a person who has made a false or misleading representation in, or in support of, this questionnaire.
* **Understand** that if any information contained in this questionnaire, or any associated documentation changes prior to the Commission making a decision in respect of any relating application, we should notify the Commission in writing immediately of the changes.
* **Understand** that the Commission may make such enquiries and seek such further information as it thinks appropriate.

**(To be signed by two directors\* or persons authorised by the board of directors of the corporation.)**

|  |  |
| --- | --- |
| **For and on behalf of:** |  |
|  | Name of corporation applying for a licence/licensed corporation | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Name of director/person authorised by the board of directors\*\* |  | Signature |  | Date |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Name of director/person authorised by the board of directors\*\* |  | Signature |  | Date |

\* Can be signed by one director if the corporation has only one director.

\*\* Delete where not applicable.