



NOTICE OF AUTHORIZATION TO PROVIDE AUTOMATED TRADING SERVICES

Pursuant to section 95(2) of the Securities and Futures Ordinance (**SFO**), the Securities and Futures Commission (**Commission**) hereby authorizes Chicago Mercantile Exchange Inc. (**CME**) to provide automated trading services (**ATS**) in Hong Kong via the CME Clearing system for the purposes of facilitating the conduct of clearing and settlement of trades executed on or which are subject to the rules of CME, The Board of Trade of the City of Chicago, Inc., The New York Mercantile Exchange, Inc., and The Commodity Exchange, Inc. (collectively "**CME Group Exchanges**"), and Dubai Mercantile Exchange Limited. The authorization is subject to the following conditions—

1. CME may only provide ATS in Hong Kong—
 - 1.1. in respect of trades executed on or which are subject to the rules of the CME Group Exchanges and Dubai Mercantile Exchange Limited; and
 - 1.2. which are not transferred or liquidated pursuant to a mutual offset program with other exchanges or clearing houses.
2. CME may only provide ATS in Hong Kong to those of its clearing members that are corporations licensed by the Commission under Part V of the SFO. Additionally, such corporations must not be admitted as clearing members unless CME has first proactively notified the Commission of its intention to admit them.
3. For the purposes of any inquiry or investigation by the Commission into the conduct of any of CME's Hong Kong clearing members, CME must provide the Commission with information relating to transactions cleared by that member via the CME Clearing system. Such information disclosure can be facilitated by (i) the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions for the purposes of cross-border cooperation, exchange of information and investigatory assistance, to which the regulatory authorities of Hong Kong and the United States are signatories; as well as (ii) the Memorandum of Understanding between the Commodity Futures Trading Commission and the Commission signed in December 2015 concerning cooperation and the exchange of information related to the supervision of cross-border covered entities.
4. CME must notify the Commission of any material change to the matters set out in paragraphs 55(a) to 55(n) of the Guidelines for the Regulation of ATS issued by the Commission, and particularly to the matters specified below, prior to the changes taking effect –



- 4.1. CME's company structure, any substantial shareholders and, where a substantial shareholder is a corporation, the directors and substantial shareholders of that corporation;
 - 4.2. the CME Clearing system (including changes in hardware, software, and other technology);
 - 4.3. contractual documentation, if these result, or may result, in direct or indirect changes to the contractual responsibilities of CME's Hong Kong clearing members;
 - 4.4. criteria for admitting persons as Hong Kong clearing members of CME, or for revoking such membership;
 - 4.5. markets and products that may be cleared via the CME Clearing system by CME's Hong Kong clearing members; and
 - 4.6. clearing risk management framework, policies and procedures that have implications to CME's Hong Kong clearing members.
5. CME must put in place appropriate business continuity plans and disaster recovery programs for CME's activities in Hong Kong subject to this ATS authorization and notify the Commission of any material change to the plans or programs.
 6. CME must provide the Commission with the following **monthly** statistics on a **quarterly** basis:
 - 6.1. the total volume of all trades (in number of contracts) cleared and settled during that month directly through the CME Clearing System, by each of CME's Hong Kong clearing members, with a breakdown in respect of each product cleared by that member via the CME Clearing system;
 - 6.2. the open interest at month end, with a breakdown in respect of each product, of each CME's Hong Kong clearing member; and
 - 6.3. the margin and collateral balances, and the guaranty fund contribution at month end of each CME's Hong Kong clearing member.

The statistics in sections 6.1 and 6.2 must be provided within **two** weeks after the end of the relevant calendar quarter or within such other period as the Commission may



agree in writing. The statistics in section 6.3 must be provided within **four** weeks after the end of the relevant calendar quarter or within such other period as the Commission may agree in writing. A nil return is required if no trade was cleared and settled in the relevant reporting period.

7. CME must provide **monthly** reports of the identity and location of its clearing members in Hong Kong as at the end of the relevant month, and such reports must be provided to the Commission within two weeks after the end of the relevant month or within such other period as the Commission may agree in writing.
8. CME must provide its **annual** audited financial statements to the Commission within four months after the end of each financial year or within such other period as the Commission may agree in writing.

DATED: 24 November 2016