

LONDON NOTICE No. 3324

ISSUE DATE: 25 August 2010
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ACCESS TO LIFFE CONNECT[®] IN HONG KONG

Executive Summary

This Notice explains the basis on which Members and Affiliates in Hong Kong may obtain direct access to LIFFE CONNECT[®].

1. Introduction

1.1 The Hong Kong Securities and Futures Commission (“the Commission”) has granted the Exchange authorisation to provide Automated Trading Services (“ATS”) in Hong Kong with immediate effect in relation to products which are available for trading on the London market of NYSE Liffe.

2. Scope

2.1 Firms may obtain direct access to LIFFE CONNECT[®] from Hong Kong in one of three ways. These are as follows:

- (a) firms in Hong Kong who are not Members of the London market may apply to become Non-Clearing Members in the normal manner (please note that the authorisation does not yet allow the Exchange to admit Clearing Members in Hong Kong);
- (b) where a legal entity is both a Member operating on the London market from outside Hong Kong and has offices in Hong Kong, the legal entity may obtain direct access to LIFFE CONNECT[®] from its offices in Hong Kong, provided post-trade/clearing activities are undertaken outside Hong Kong; or
- (c) firms in Hong Kong who are affiliated to Members of the London market may operate through such Members if they do not wish to obtain membership themselves.

2.2 The basis on which Members and their Affiliates are able to obtain direct access to LIFFE CONNECT[®] from Hong Kong is explained in the remainder of this Notice.

Web site: www.nyx.com/liffe

The **Euronext Derivatives Markets** comprise the markets for derivatives operated by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE Administration and Management, referred to respectively as the Amsterdam, Brussels, Lisbon, Paris and London markets. Euronext is part of the NYSE Euronext group.

3. Terms and Conditions

3.1 Members of the London market and their Affiliates who wish to have direct access to LIFFE CONNECT[®] from Hong Kong will need to comply with and/or be subject to the following terms and conditions:

- (a) the Member or Affiliate (as the case may be) must satisfy the definition of a corporation licensed by the Commission under Part V or authorized under Part III of the Securities and Futures Ordinance (the “SFO”) unless the Commission agrees otherwise;
- (b) consistent with the approach taken generally in relation to Exchange business, Members/Affiliates who are authorised in Hong Kong to conduct client business may provide indirect access to clients in Hong Kong provided that all client business is subject to appropriate pre-trade risk management checks prior to its submission to LIFFE CONNECT[®];
- (c) access for Members’ Affiliates is subject to the requirements set out in sections 4 and 5 of this Notice; and
- (d) only the products listed in the Attachment to this Notice may be made directly available to Members/Affiliates in Hong Kong. In summary, these are all of the products which are currently made available for trading in the London market on the LIFFE CONNECT[®] Financials Trading Engines. At present, UK Individual Equity Options may not be made directly available.
- (e) Members should note that Bclear may not currently be used from Hong Kong. Members will be informed if and when Bclear access is approved.

4. Access for Members’ Affiliates

4.1 Consistent with its general approach, the Exchange is willing to enable Members to provide a form of “direct access” to those firms who are affiliated to Members of the London market and who do not wish to become Members in their own right. This would involve Affiliates accessing LIFFE CONNECT[®] through, and with the explicit agreement of, the Member. Where this Notice refers to direct access for Affiliates, the reference is to such an arrangement.

4.2 Specifically, the Exchange is willing to consider applications from Members to allow their Affiliates in Hong Kong to have direct access to LIFFE CONNECT[®] on the following basis:

- (a) the Member registers with the Exchange in its name one or more Responsible Persons, as appropriate, who will supervise the business being submitted by the Affiliate. The Responsible Person(s) will be required to operate from the office of the Affiliate unless the Member can demonstrate in advance, and to the satisfaction of the Exchange, that it could meet its obligations under the Rules and Trading Procedures if the Responsible Person(s) operated from the office of the Member;
- (b) all business undertaken by the Affiliate on LIFFE CONNECT[®] will be done in the name of the Member and the Member remains ultimately responsible for the conduct of LIFFE CONNECT[®] business submitted by the Affiliate; and
- (c) for the purposes of LIFFE CONNECT[®], the premises of the Affiliate will be treated as if they were the premises of the Member and, pursuant to the Rules, the Exchange

will be afforded access to such premises for any purpose considered necessary by the Exchange including, without limitation, any regulatory or systems inspection purpose in respect of business conducted on LIFFE CONNECT®.

- 4.3 For the purposes of the policy set out in paragraph 4.2 above, and pursuant to the Rules, “Affiliate” means a Person who:
- (a) owns 95 per cent or more of the Member; or
 - (b) is owned 95 per cent or more by the Member; or
 - (c) is owned 95 per cent or more by a third party who also owns 95 per cent or more of the Member.
- 4.4 The Exchange has not discussed with the Commission whether there would be any regulatory or tax implications in Hong Kong for Members based outside Hong Kong who wish to provide direct access to their affiliates in Hong Kong. Members may, therefore, wish to take professional advice on these points before providing such access.

5. Filing of Notice with the Exchange

- 5.1 Members who wish to provide direct access to LIFFE CONNECT® to their affiliates in Hong Kong are required to obtain the Exchange’s approval and to file a notice with the Exchange, which is available from the NYSE Liffe Membership Department (derivativesmembership@nyx.com). Pursuant to paragraph 4.2(c), the notice states that, for the purposes of LIFFE CONNECT®, the premises of the Affiliate will be treated as if they were the premises of the Member. It also provides that, pursuant to the Rules, Exchange officials will be granted access to such premises for any purpose considered necessary by the Exchange including, without limitation, any regulatory or systems inspection purpose in respect of business conducted on LIFFE CONNECT®. The notice further provides that the Member accepts full responsibility for all matters relating to the conducting of LIFFE CONNECT® business by the Member and its Affiliate.
- 5.2 Members should file the notice with the NYSE Liffe Membership Department (Cannon Bridge House, 1 Cousin Lane, London, EC4R 3XX) prior to granting their Affiliates in Hong Kong direct access to LIFFE CONNECT®.

For further information in relation to this Notice, Members should contact their account manager or one of the following:

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Contracts available for trading on the London market which are directly available in Hong Kong through LIFFE CONNECT[®] as at 25 August 2010

Short Term Interest Rate Products

- Three Month Euro (EURIBOR) Interest Rate Futures
- Options on Three Month Euro (EURIBOR) Interest Rate Futures
- One Year and Two Year Mid-Curve Options on Three Month Euro (EURIBOR) Interest Rate Futures
- Three Month Sterling (Short Sterling) Interest Rate Futures
- Options on Three Month Sterling (Short Sterling) Interest Rate Futures
- One Year and Two Year Mid-Curve Options on Three Month Sterling (Short Sterling) Interest Rate Futures
- Three Month Euro Swiss Franc (Euroswiss) Interest Rate Futures
- Options on Three Month Euro Swiss Franc (Euroswiss) Interest Rate Futures
- Three Month Euroyen (TIBOR) Interest Rate Futures
- Three Month Eurodollar Interest Rate Futures
- Options on Three Month Eurodollar Interest Rate Futures
- One Year Mid-Curve Options on Three Month Eurodollar Interest Rate Futures
- One-Month Euro Overnight Index Average EONIA Indexed Futures
- Three Month EONIA Swap Index Futures

Bond and Swapnote[®] Products

- Long, Short and Medium Gilt Futures
- Options on Long Gilt Futures
- Japanese Government Bond (JGB) Futures
- Two, Five and Ten Year Euro Swapnote[®] Futures
- Options on Two, Five and Ten Year Euro Swapnote[®] Futures
- Two, Five and Ten Year U.S. Dollar Swapnote[®] Futures

Equity and Equity Index Products

- Universal Stock Futures Contracts on Continental European and U.S. Stocks
- FTSE 100 Index Futures
- FTSE 100 Dividend Index Futures
- FTSE 100 Index Options (European-Style Exercise)
- FTSE 250 Index Futures
- FTSE Eurotop 100 Index Futures
- MSCI Euro Index Futures
- MSCI Pan-Euro Index Futures

Commodity Products

- Cocoa Futures
- Options on Cocoa Futures
- Robusta Coffee Futures
- Options on Robusta Coffee Futures
- White Sugar Futures
- Options on White Sugar Futures
- Raw Sugar
- Option on Raw Sugar
- Wheat Futures
- Options on Wheat Futures