

Guiding Note on Alternate Quote Meter Audit Report

Securities and Derivatives Market Data

(for licensed real-time data vendors and end-users)

PURPOSE

In order to assist IVs and EUs in their business administration, this Guiding Note sets out the requirements for HKEX-IS licensed real-time information vendors (IVs) and end-users (EUs) to submit an Alternate Quote Meter Audit Report, which is prepared by qualified accountants within the company, on an annual basis in lieu of the 3rd Party Quote Meter Audit Report (the "Policy").

DETAILS

Each authorized IV or EU who provides or uses real-time Usage Based services (including Per Quote Access and/or Charge Per Unit Time services) on Securities and/or Derivatives market data, is entitled to submit a duly signed Alternate Quote Meter Audit Report (the "Alternate Audit Report") on an annual basis in lieu of the 3rd Party Quote Meter Audit Report (except for the terminating financial year in which a 3rd Party Quote Meter Audit Report must be submitted). For the entitlement of the Policy, any interested IV or EU must comply with all of the following requirements:-

1. Eligibility: IV or EU who has submitted a clean initial 3rd Party Quote Meter Audit Report within 90 days upon the financial year-end during which the subject service launch or any subsequent annual 3rd Party Quote Meter Audit Report within 60 days upon financial year-end in certifying proper rectification of all irregularities is eligible.
2. Application: Interested IVs and EUs must seek prior written approval from HKEX-IS before entitling to submit the Alternate Audit Report and are required to make a one-off application with duly completed application form submitted by no later than 90 days upon the commencement of their financial year. The application form for the Policy is set out as attached.
3. Reporting: IV or EU who has been approved for the Policy must submit a duly signed Alternate Audit Report within 60 days upon each financial year-end date (except for the terminating financial year during which the Market Data Vendor and/or End-User Licence Agreement (as applicable) is terminated in which a 3rd Party Quote Meter Audit Report must be submitted). The Report must be prepared by qualified accountants who possess HKICPA, ACCA, ICAEW or equivalent qualification and must be signed off jointly with an Authorised Officer with respective full name, title and position held clearly mentioned. The Report must document the specific audit works performed, the audit period covered, the types of services reviewed with names as per the Memorandum of Permitted Purpose of the respective Licence agreement and those samples selected for the certification. The Report must certify if the IV or EU fully complies with our Guiding Note for Audit Metering System or otherwise report all identified weaknesses with proposed rectification plan for our consideration.
4. IV or EU who fails to submit the Alternate Audit Report on time or does not fulfill any of the above requirements or with weaknesses identified in last submission not rectified is required to resume submission of a 3rd Party Quote Meter Audit Report for the immediate coming financial year until rectification action taken.

For IV or EU who are interested in the Policy, please refer to the attached application form for more details. HKEX-IS reserves the right to introduce, refine or amend the requirements for the entitlement at any time. Applications will be processed within two weeks upon receipt of a completed application form.

Should IVs or EUs have any additional concerns or queries, please contact the Data Client Audit team of Market Data Department via DataClientAudit@hkex.com.hk.

Application for Submission of Alternate Quote Meter Audit Report

Per Quote Access and Charge Per Unit Time services are collectively regarded as Usage Based services. Applications will be processed within two weeks upon receipt of a completed application form.

(Please check box with a tick & provide details where it is requested)

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|------------------------------------|--|
| Application Submission Date | Please fill in the date when you filed this form to HKEX-IS. |
|------------------------------------|--|

| A. Name of the Licensee | Licensee's Financial Year-end Date | Target submission date for the Alternate Quote Meter Audit Report |
|--------------------------------|---|--|
| | | Must be within 60 days from the licensee's financial year-end date. |

B. Details of Usage Based Services

| Service Name(s) of the Usage Based service to be covered by the Alternate Quote Meter Audit Report (English) | Chinese Service Name(s), if any | Types of Datafeed and Fees in MOPP | Launch Date(s) | Respective Submission date of a clean initial 3rd Party Quote Meter Audit Report. Otherwise, please provide reasons |
|---|--|---|-----------------------|---|
| 1. | | | | |

C. Licensee Confirmations

- C1. We confirm that the Alternate Quote Meter Audit Report (the "Report") is prepared by qualified accountants who possess HKICPA, ACCA, ICAEW or equivalent qualification and is signed off jointly with a duly Authorised Officer with respective full name, title and position held clearly mentioned.
- C2. We confirm that we fully understand and comply with the Guiding Note for Audit Metering System in certifying the integrity, validity, accuracy and completeness of the Metering System that covers quote meter logging, billing and reporting systems during preparation of the Report. We also confirm that the Report will report all weaknesses identified with a proposed rectification plan.
- C3. We confirm that the Report must document the specific audit works performed, the audit period covered, the types of services reviewed with names as per the MOPP of the Market Data Vendor or End-User Licence agreement (as applicable) and those samples selected for the certification.
- C4. We confirm that we will maintain complete and accurate records of how the Subscriber or Individual User Fee is calculated, including those as mentioned in section D below, and undertake to submit such records to HKEX-IS within 10 working days upon written request.
- C5. We confirm that the Report will be duly signed and delivered to HKEX-IS within the Deadline as specified above (i.e. 60 days from the financial year-end date) unless written approval is obtained from HKEX-IS for the extension in submission.
- C6. We confirm that we need to obtain prior HKEX-IS approval before we can launch any additional Usage Based Services and undertake that the Report will cover all Usage Based services launched during the audit period.
- C7. We confirm that we need to resume submission of annual 3rd Party Quote Meter Audit Report shall we fail to comply with any of the requirements as mentioned in the Guiding Note or with weaknesses identified in last submission not rectified.
- C8. We confirm that we need to submit a 3rd Party Quote Meter Audit Report for the terminating financial year, during which the Market Data Vendor or End-User Licence Agreement (as applicable) is terminated, in certifying if we have fully complied with the Guiding Note for Audit Metering System.
- C9. If you did not check all the boxes above, please provide reasons and your alternative setup in place:

Note: Concurrent access can only be permitted for those Usage Based Services without capping facilities provided that the licensee can ensure adequate measures to count and collect Subscriber / Individual User Fees of all authorized data Accesses under a single Subscriber / Individual User account.

D. Record keeping for Usage Based Services

- D1. We will maintain records for reporting the unique subscriber / individual user ID, the subscriber / individual user name, Address, Country Code, Product Name, the time of each quote accessed, the details of quote requested for Per Quote Access service, the respective usage time in minutes and/or respective number of quotes accessed for each Subscriber / Individual User, total Subscriber / Individual User Fees payable, the date that service commenced and/or terminated if monthly capping is entitled. Such records together with the executed Subscriber Agreement, termination notices and billing invoices, if any, shall also be kept for 7 years for audit trail purpose.
- D2. Please elaborate if the record you will maintain is different from the above _____

For HKEX-IS use only

| Documents provided to the Licensee | Date |
|------------------------------------|------|
| | |

| Official Approval | | |
|-------------------|---------------|-----------------------|
| Checked by: | Reviewed by : | Approved by : Date |

Frequently Asked Questions (“FAQ”) Alternate Quote Meter Audit Report

- 1. Is it compulsory for all licensees to apply for submission of Alternate Quote Meter Audit Report in lieu of the 3rd Party Quote Meter Audit Report? When and how to apply?**

Only qualified licensees are eligible to apply for submission of an Alternate Quote Meter Audit Report, which is prepared by qualified accountants within the company, in lieu of annual 3rd Party Quote Meter Audit Report. All interested qualified licensees are required to submit a one-off application with duly completed Application form by no later than 90 days upon the commencement of their financial year for our written approval. Any late application will not be entertained.

- 2. Who are the “Qualified licensees” in submission of Alternate Quote Meter Audit Report?**

Qualified licensees are those vendors and end-users who provide or use real-time Usage Based services (including Per Quote Access and/or Charge Per Unit Time services) on Securities and/or Derivatives market data and who have submitted a clean initial 3rd Party Quote Meter Audit Report within 90 days upon the financial year-end during which the subject service launch or with any subsequent annual 3rd Party Quote Meter Audit Report within 60 days upon financial year-end in certifying proper rectification of all irregularities are eligible for the application.

- 3. What are the requirements and qualifications of the “Authorised Officer”?**

Authorised Officer includes any person who purports to act for or on behalf of the company. Any document signed by such person shall bind the company and its successors and all other parties thereto. Such person includes a director, manager or secretary of the company. Licensees are required to specify clearly the full name and the position held of the designated Authorised Officer who jointly signed off in the Alternate Quote Meter Audit Report.

- 4. Will the Alternate Quote Meter Audit Report be extended to replace the submission of the LAQ Statement and/or the Audited Statement as required under the Market Data Vendor or End-User Licence Agreement?**

The Alternate Quote Meter Audit Report only certifies the quote meter logging mechanism on Usage Based services. HKEX-IS has no plan to replace the contractual obligation for the submission of the LAQ Statement and/or the Audited Statement, which is required upon HKEX-IS' request.

- 5. Will there be any penalty if licensees failed to submit the Alternate Quote Meter Audit Reports on time (i.e. not within 60 days after its financial year-end) or did not comply with any of the requirements of the Guiding Note?**

Licensees are reminded that there is not any penalty imposed. However, any late submission of the Alternate Quote Meter Audit report is considered as failure in complying with our requirements and we reserve the right to resume licensees' obligation to submit 3rd Party Quote Meter Audit Report for the immediate coming financial year until rectification action taken.

6. Are licensees entitled to submit an Alternate Quote Meter Audit Report on a continuous basis once their one-off application is approved by HKEX-IS?

Yes, all licensees are entitled to submit an Alternate Quote Meter Audit Report on a continuous basis (except for the terminating financial year during which the Market Data Vendor or End-User Licence Agreement (as applicable) is terminated and the licensee are automatically required to submit a 3rd Party Quote Meter Audit Report) provided that there is not any violation of the requirements of the Guiding Note as mentioned in Q5 above.

7. Is it necessary to submit an additional initial 3rd Party Quote Meter Audit report if licensees plan to launch an additional Usage Based service?

No, it is not necessary to submit an additional initial 3rd Party Quote Meter Audit report for the additional Usage Based service if it is built on the same quote meter logging mechanism as previously certified. Licensees are required to declare properly about the adoption of the same quote meter logging mechanism in the Service Application Form and obtain our prior written approval during the new service application.

8. Is it acceptable to prepare the Alternate Quote Meter Audit Report by an internal staff under close supervision of its Audit Division Head?

Yes, it is acceptable provided that the internal staff member is under the close supervision of a qualified accountant who possesses HKICPA, ACCA, ICAEW or equivalent qualification. The Report must certify if the licensee fully complies with our Guiding Note for Audit Metering System or alternatively report all identified weaknesses with proposed rectification plan for our consideration and it must be jointly signed off by a qualified accountant and an Authorised Officer with respective full names, titles and position held clearly mentioned.

9. What kinds of audit trails shall be maintained from the Metering System?

All licensees shall maintain complete and accurate records of how the Subscriber or Individual User Fee is calculated. Such records shall include but not limit to the unique Subscriber/Individual User ID, the Subscriber/Individual User name, Address, Country Code, Product Name, the stock code requested and the time of each quote accessed, the usage time in minutes and/or respective number of quotes accessed for each request, the total Subscriber or Individual User fees payable, the date that service commenced and/or terminated if monthly capping is entitled. Such records together with the executed Subscriber Agreement, termination notices and/or billing invoices, if any, shall be kept for 7 years as audit trails.