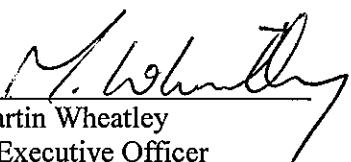
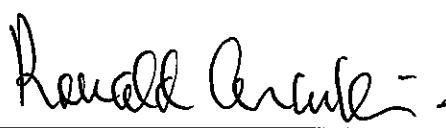


Side Letter to the Memorandum of Understanding between the Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEx”) dated and signed on 20 February 2001 on matters relating to SFC oversight, supervision of exchange participants and market surveillance as supplemented by 8 side letters and amended by 3 amendment agreements dated 23 January 2007, 24 September 2007 and 23 June 2008 respectively (collectively the “MOU”).

This side letter sets out the information and the exception reports for data extracted from the financial returns submitted by market participants which are licensed corporations to the SFC pursuant to the Securities and Futures (Financial Resources) Rules which, pursuant to Clause 5 of Appendix III of the MOU, are to be provided by the SFC to HKEx. This side letter supersedes the side letter dated 23 June 2008 which sets out the information and the exception reports to be provided by the SFC to HKEx pursuant to Clause 5 of Appendix III of the MOU.

Date : 21 April 2010


Mr Martin Wheatley
Chief Executive Officer
For the Securities and Futures Commission


Mr Ronald Arculli
Chairman
For Hong Kong Exchanges and Clearing Limited

The following information is provided to HKEx under section 378 of the Securities and Futures Ordinance. The provision of this information is made on the understanding that such information shall be used only for the purposes of assisting HKEx, the recognized exchange companies and the recognized clearing houses in the performance of their functions under the relevant provisions and Memorandum of Understanding, or as expressly permitted by the SFC. HKEx shall not disclose such information to any third party (save for its directors, staff and professional advisors where the information is relevant to the performance of their services to HKEx) without the prior written consent of the SFC. HKEx shall establish and maintain such safeguards as are necessary and appropriate to protect the confidentiality of information provided to it by the SFC.

Provision to HKEx of data extracted from the financial returns submitted by market participants which are licensed corporations to the SFC pursuant to the Securities and Futures (Financial Resources) Rules

Part I: Provision of First Round information

Timing for provision of information to HKEx

The SFC will endeavour to provide the information in question within 3 days (excluding Saturdays, Sundays and Public Holidays) after the financial returns for a reporting month are due for submission to the SFC.

Mode of provision of information

The information will be forwarded in Excel spreadsheet format.

Definition of First Round information (comprising sections A and B below)

Section A: In respect of data cells extracted from the financial returns of market participants which are licensed corporations

1. Name of licensed corporations (Form 1 – Cell 1001)
2. CE number (Form 1 – Cell 1002)
3. Reporting month (Form 1 – Cell 1004)
4. Type of regulated activity / activities for which the licensed corporation is licensed:
 - (i) Type 1
 - Dealing in securities and it does not provide securities margin financing (Form 1 - Cell 1006A)

- Dealing in securities and it provides securities margin financing (Form 1 - Cell 1006B)
 - Dealing in securities solely as a trader (Form 1 - Cell 1006C)
 - Dealing in securities solely as an approved introducing agent (Form 1 - Cell 1006D)
- (ii) Type 2
- Dealing in futures contracts (Form 1 - Cell 1006E)
 - Dealing in futures contracts as a futures non-clearing dealer (Form 1 - Cell 1006F)
 - Dealing in futures contracts solely as a trader (Form 1 - Cell 1006G)
 - Dealing in futures contracts solely as an approved introducing agent (Form 1 - Cell 1006H)
- (iii) Type 3
- Leveraged foreign exchange trading (Form 1 - Cell 1006I)
 - Leveraged foreign exchange trading solely as an approved introducing agent (Form 1 - Cell 1006J)
- (iv) Type 4
- Advising on securities and it is subject to specified licensing condition (Form 1 - Cell 1006K)
 - Advising on securities and it is not subject to specified licensing condition (Form 1 - Cell 1006L)
- (v) Type 5
- Advising on futures contracts and it is subject to specified licensing condition (Form 1 - Cell 1006M)
 - Advising on futures contracts and it is not subject to specified licensing condition (Form 1 - Cell 1006N)
- (vi) Type 6
- Advising on corporate finance and it is subject to specified licensing condition (Form 1 - Cell 1006O)
 - Advising on corporate finance and it is not subject to specified licensing condition (Form 1 - Cell 1006P)
- (vii) Type 7
- Providing automated trading services (Form 1 - Cell 1006Q)
- (viii) Type 8
- Securities margin financing (Form 1 - Cell 1006R)
- (ix) Type 9
- Asset management and it is subject to specified licensing condition (Form 1 - Cell 1006S)

- Asset management and it is not subject to specified licensing condition (Form 1 - Cell 1006T)
5. Amounts receivable from margin clients (Form 1 - Cells 1011 and 1012)
 6. Amounts receivable from rolling balance cash clients (Form 1 – Cells 1015 and 1016)
 7. Amounts receivable from licensed corporations licensed for securities margin financing (Form 1 - Cells 1019 and 1020)
 8. Proprietary positions in securities and specified investments (Form 1 - Cell 1021)
 9. Proprietary positions in exchange traded options contracts (Form 1 - Item Cell 1023)
 10. Short positions in securities and specified investments held for own account (Form 1 - Cell 1055)
 11. Provisions for contingent liabilities and floating losses (Form 1 – Cell 1083)
 12. Ranking liabilities relating to
 - (i) gearing adjustment in respect of securities margin financing (Form 1 – Cell 1086)
 - (ii) futures & options contracts (Form 1 – Cell 1088)
 - (iii) concentration of margin clients (Form 1 – Cell 1089)
 - (iv) concentrated proprietary positions (Form 1 – Cell 1091)
 13. Liquid capital (Form 1 - Cell 1103)
 14. Required liquid capital (Form 1 - Cell 1104)
 15. Excess liquid capital / (Required liquid capital deficit) (Form 1 - Cell 1105)
 16. Cash and bank balance in liquid assets relating to bank balances
 - (i) Encumbered or pledged (Form 1 – Cell 1107)
 - (ii) Unencumbered (Form 1 – Cell 1108)
 17. Analysis of shareholders' funds relating to paid up share capital (Form 1 – Cell 1113)
 18. Credit facility summary as of the end of the reporting month (Form 3)
 - (i) Credit facility group
 - (ii) Code of financial institution

- (iii) Name of financial institution
- (iv) Credit facility code
- (v) Nature of credit facility
- (vi) Maturity or expiry date of credit facility
- (vii) Limit of credit facility
- (viii) Amount drawn or utilized by the licensed corporation
- (ix) Security code
- (x) Type of security provided
- (xi) Name of provider and its relationship with the licensed corporation
- (xii) Market value of security provided
- (xiii) Acceptable discounted value of security provided
- (xiv) Total financial accommodation obtained by the licensed corporation wholly or partly secured by collateral provided by margin clients as stated in Note 1 (Form 3 - Cell 3004)

19. Margin client analysis – By unadjusted loan balance as of the end of the reporting month (Form 4- Table 1)

For top 20 margin clients with the largest unadjusted loan balances as of reporting date

- (i) Name of client
- (ii) Ranking
- (iii) Unadjusted loan balance
- (iv) Collateral market value
- (v) Adjusted loan balance
- (vi) In respect of each of the top 3 collateral
 - Name
 - Stock code / sedol no.
 - Market value

For other borrowing clients

- (vii) Unadjusted loan balance (Form 4 – Cell 4003)
- (viii) Collateral market value
- (ix) Adjusted loan balance (Form 4 – Cell 4005)

For all margin clients

- (x) General provision for bad or doubtful debts - on unadjusted loan balance (Form 4 - Cell 4006)
- (xi) General provision for bad or doubtful debts - on adjusted loan balance (Form 4 - Cell 4007)
- (xii) Total loan balance after general provision for bad or doubtful debts - on unadjusted loan balance (Form 4 - Cell 4008)
- (xiii) Total loan balance after general provision for bad or doubtful debts - on collateral market value
- (xiv) Total loan balance after general provision for bad or doubtful debts - on adjusted loan balance (Form 4 - Cell 4010)

- 20.- Margin client analysis - By adjusted loan balance as of the end of the reporting month (Form 4 - Table 2)

Margin clients with adjusted loan balances larger than 10% of total adjusted loan balance as of reporting date

- (i) Group number
- (ii) Name of client
- (iii) Adjusted loan balance

21. Analysis of securities collateral as of the end of the reporting month (Form 5)

- (i) Shares or warrants subject to 80% illiquid collateral haircut
 - Name
 - Stock code / sedol no.
 - Market value
- (ii) Shares or warrants whose concentration discounting factor is below 1
 - Name
 - Stock code / sedol no.
 - Concentration discounting factor
 - Market value
- (iii) Market value of other securities collateral (Form 5 - Cell 5001)

22. Rolling balance cash client analysis as of the end of the reporting month (Form 6)

For top 20 rolling balance cash clients with the largest net debit balances as of reporting date

- (i) Ranking
- (ii) Name of client
- (iii) Account balance
- (iv) Market value of securities holdings
- (v) Adjusted balance

For other clients with net debit balances

- (vi) Account balance (Form 6 - Cell 6003)
- (vii) Market value of securities holdings
- (viii) Adjusted balance (Form 6 - Cell 6005)

For all rolling balance cash clients

- (ix) General provision for bad or doubtful debts - on account balance (Form 6 - Cell 6006)
- (x) General provision for bad or doubtful debts - on adjusted balance (Form 6 - Cell 6007)
- (xi) Total balance after general provision for bad or doubtful debts - on account balance (Form 6 - Cell 6008)

- (xii) Total balance after general provision for bad or doubtful debts - on market value of securities holdings
 - (xiii) Total balance after general provision for bad or doubtful debts - on adjusted balance (Form 6 - Cell 6010)
23. Analysis of client securities as of the end of the reporting month (Form 8 - Table 1)
- (i) Market value of cash clients' securities (Form 8 - Cell 8000)
 - (ii) Market value of margin clients' securities (Form 8 - Cell 8001)
 - (iii) Market value of futures and options clients' securities (Form 8 - Cell 8002)
 - (iv) Market value of all clients' securities (Form 8 - Cell 8006)
24. Analysis of client segregated funds as of the end of the reporting month (Form 8 - Table 2)
- (i) Excess / (deficiency) in segregated funds (Form 8 - Cell 8124)
 - (ii) Explanation for stated circumstances in Note 4 (e.g. excess or deficiency in segregated funds) (Form 8 - Cell 8126)
25. Report on proprietary derivative positions - Analysis of gross notional amounts of derivative contracts by underlying exposures as of the end of the reporting month (Form 10 - Table 1)
- (i) Total OTC contracts
 - (ii) Total exchange-traded contracts
26. Report on proprietary derivative positions - Analysis of derivative contracts by market values and unrealized values as of the end of the reporting month (Form 10 - Table 2)
- (i) Gross positive market value of OTC contracts (Form 10, Table 2 – Cell A205)
 - (ii) Gross negative market value of OTC contracts (Form 10, Table 2 – Cell A211)
 - (iii) Gross unrealized gains of exchange-traded contracts (Form 10, Table 2 – Cell A217)
 - (iv) Gross unrealized losses of exchange-traded contracts (Form 10, Table 2 – Cell A223)
27. Client profile and aggregate net value of assets under management as of the end of the reporting month (Form 12)
- (i) Number of active securities cash clients (other than clients dealing in stock options contracts) (Form 12 – Cell C100)
 - (ii) Number of active securities margin clients (other than clients dealing in stock options contracts) (Form 12 – Cell C101)
 - (iii) Number of active futures and options clients (Form 12 - Cell C103)

For current month figures only

28. Total value of transactions in securities dealing (other than transactions in stock options contracts) (Form 7 - Cell 7006)
29. Total number of contracts of dealing in futures and options contracts (Form 7 - Cell 7015)
30. Total gross principal value of contracts in leveraged foreign exchange trading (Form 7 - Cell 7018)
31. Net commission income from securities dealing (Form 7 - Cell 7027)
32. Net commission income from futures and options dealing (Form 7 - Cell 7036)
33. Net commission income from leveraged foreign exchange trading (Form 7 - Cell 7045)
34. Trading profit and loss (Form 7 - Cell 7066)
35. Income arising from other activities (Form 7 - Cell 7090)
36. Total income (Form 7 - Cell 7093)
37. Total overheads (Form 7 - Cell 7126)
38. Net profit / (loss) before tax (Form 7 - Cell 7129)
39. Net profit / (loss) after tax (Form 7 - Cell 7135)
40. Retained profit / (accumulated losses) at the beginning of the period (Form 7 - Cell 7138)
41. Dividend declared during the period (Form 7 - Cell 7141)
42. Retained profit / (accumulated losses) at the end of the period (Form 7 - Cell 7144)

Section B: In respect of data cells extracted from the financial returns of HKFE participants and/or HKCC participants which are licensed corporations

1. Other assets arising from amounts receivable from group companies or other related parties (Form 1 – Cell 1049)
2. Other payables and liabilities relating to
 - (i) loans and overdrafts from authorized financial institutions (Form 1 – Cell 1075)
 - (ii) loans and overdrafts from other financial institutions (Form 1 – Cell 1077)

- (iii) amounts payable to group companies or other related parties (Form 1 – Cell 1079)
 - (iv) accruals, amounts payable and other liabilities other than approved subordinated loan (Form 1 – Cell 1081)
3. Approved subordinated loan (Form 1 – Cell 1085)
 4. Analysis of shareholders' funds relating to
 - (i) Retained Profit/ (accumulated losses) (Form 1 – Cell 1114)
 - (ii) Other reserves (Form 1 – Cell 1115)
 - (iii) Amounts included in cell 1106 (Form 1 – Cell 1116)

Part II: Provision of Second Round information

Timing for provision of information to HKEx

The SFC will endeavour to provide the information in question within 9 days (excluding Saturdays, Sundays and Public Holidays) after the financial returns for a reporting month are due for submission to the SFC.

Mode of provision of information

The information will be forwarded in Excel spreadsheet format.

Definition of Second Round information (comprising sections C and D below)

Section C: All of the First Round information

Section D: In respect of data analyses derived from the financial returns of market participants which are licensed corporations

Data analyses highlighting market participants which are licensed corporations meeting one or more of the following assessment criteria:

1. Having deficiency in liquid capital
2. If the liquid capital held for the current reporting month < 120% and > or = 100% of required minimum liquid capital requirement
3. If the liquid capital held for the current reporting month < 50% of the liquid capital for the previous month
4. If the paid up share capital < the highest corresponding amount of the required paid-up share capital for all regulated activities which a market participant is licensed for