



Client Electronic Trading Services Representation Template
Updated July 2019

On March 22, 2013, the Hong Kong Securities and Futures Commission (“SFC”) issued its *Consultation conclusions on the regulation of electronic trading*,¹ amending the Code of Conduct for Persons Licensed by or Registered with the SFC (“Code of Conduct”) and the Fund Manager Code of Conduct (“FMCC”)² to apply the new regulatory requirements to investment managers who conduct electronic trading on behalf of the funds which they manage. The Code of Conduct requires intermediaries registered with the SFC to establish minimum client requirements with respect to their direct market access (“DMA”) services.³

To assist investment manager members who use DMA services with streamlining the representations they will need to make to intermediaries pursuant to the Code of Conduct, MFA has developed the below template for members’ consideration.

Based on [Firm’s] (“the Company”) interpretation of the Hong Kong Securities and Futures Commission’s (SFC) (“the SFC”) rules on the regulation of electronic trading (“the New rules”), which are due to come into effect as of January 1, 2014 - particularly Schedule 7 of the Code of Conduct for Persons Licensed by or Registered with the SFC, the Company, [insert either clause 1 or clause 2 below, as applicable]

- 1. [as an unregulated, non-licensed entity under Hong Kong law, is subject only to the requirements of Paragraph 2.2 of Schedule 7 of the New Rules absent a sub-delegation of the DMA services to another person.]*
- 2. [is subject only to requirements of the New Rules that apply to license holders.]*

While the Company understands it necessary for [Intermediary] to conduct due diligence on its clients before providing DMA services to them, the intermediary bears the ultimate responsibility for the orders sent to the market using its identifier. With respect to the establishment of minimum client requirements for [Intermediary’s] DMA services and assessment of whether each client meets the requirements, the Company can attest to the following:

** The Company has appropriate arrangements in place to ensure that its users are proficient and competent in using the system for the DMA services;*

¹ SFC “[Consultation conclusions on the regulation of electronic trading](#)”, 22 March 2013.

² On 16 November 2017, the SFC issued its “[Consultation Conclusions on Proposals to Enhance Asset Management Regulation and Point-of-Sale Transparency and Further Consultation on Proposed Disclosure Requirements Applicable to Discretionary Accounts](#)” to revise the structure of the FMCC and refine the definition or interpretation of a number of its terms. These amendments make it clear all licensed persons are required to comply with the Code of Conduct. As a result, the section on Electronic Trading in the FMCC became redundant and was therefore removed (with effect from 17 November 2018).

³ Code of Conduct, Schedule 7, Section 2.2.

* *The Company understands and has the ability to comply with applicable regulatory requirements; and*

* *The Company has adequate arrangements to monitor the orders entered through the DMA services.*

Please do not hesitate to call or email should you have any questions or concerns. Thank you very much.

Disclaimer: The above representations are for informational purposes only. The Company shall not be liable for any informational errors, incompleteness, or for any actions taken in reliance on information contained herein.