

**GUIDELINES ON THE ESTABLISHMENT OF ELECTRONIC  
ACCESS FACILITIES BY UNIVERSAL BROKERS AND  
ELIGIBLE NON-UNIVERSAL BROKERS**  
**Practice Note 1**

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**ADDITIONAL ACTIVITIES ALLOWED TO BE UNDERTAKEN AT THE  
LOCATION OF THE ELECTRONIC ACCESS FACILITY**

**1. INTRODUCTION**

- 1.1 This Practice Note is intended to clarify the additional activities allowed to be undertaken at the electronic access facilities.
- 1.2 While this Practice Note is intended as a supplement to the Guidelines, nothing contained herein should be construed as prejudicing the powers of the Securities Commission (SC) under the Guidelines.

**2. ADDITIONAL ACTIVITIES ALLOWED AT THE ELECTRONIC ACCESS FACILITIES**

- 2.1 In addition to the current activities allowed to be undertaken at the electronic access facilities, eligible stockbroking companies may undertake the following additional activities at the electronic access facilities:

Front-office activities

- (a) The placement of dealer's representatives, futures broker's representatives and dual licence holders at the electronic access facilities
- (b) Opening, closing and operation of trading accounts and/or securities accounts at the electronic access facilities.
- (c) Placing and utilising a CDS terminal(s) at the electronic access facilities.
- (d) Marketing and selling of approved financial products and services offered by the Universal Brokers.
- (e) Placing and utilising a broker-front-end terminal(s) or server(s) at the electronic access facilities.

### Back-office activities

- (f) Receiving and paying clients monies.
- 2.2 The back-office activities of the electronic access facilities may be undertaken at the principal office or a designated branch office (the identification of which shall be made to the SC and the relevant exchange(s)).
- 2.3 The additional activities allowed to be undertaken at the electronic access facilities shall be subject to the following conditions:
- (a) The eligible stockbroking company is able to demonstrate that it has the necessary resources to offer these additional activities to the satisfaction of the SC and the relevant exchange(s) and/or the relevant central depository.
  - (b) The eligible stockbroking company is to ensure that adequate internal control procedures and safeguards are put in place at the electronic access facilities. These procedures and safeguards should be at levels which are satisfactory to the SC and the relevant exchange(s) and/or the relevant central depository.
  - (c) Compliance functions shall be undertaken by the eligible stockbroking company's Compliance Department to monitor and enforce compliance with the regulatory requirements. The compliance functions may be undertaken by the principal office, or a designated branch office (the identification of which shall be made known to the SC and the relevant exchange(s)). The Monthly Compliance Report that is submitted to the relevant exchange(s) shall include the compliance status of the electronic access facilities and the conclusion on whether or not a full time compliance officer is required to be placed at each of the electronic access facilities.
  - (d) The internal audit department of the eligible stockbroking company shall conduct an audit of each of the electronic access facilities on an annual basis.
  - (e) The eligible stockbroking company shall submit to the SC and relevant exchange(s) a compliance program to supervise and monitor the activities undertaken at the electronic access facilities.

- (f) The name of the relevant officer of the eligible stockbroking company that has been designated to handle all complaints lodged by clients or the public shall be displayed at a prominent place at the electronic access facilities.
- (g) The dealer's representatives placed at the location of the electronic access facilities shall report to the Executive Director Dealing at the principal office, or the Branch Head of Dealing at a designated branch office (the identification of which shall be made known to the SC and the relevant exchange(s)).
- (h) The dealer's representatives, futures broker's representatives and dual licence holders placed at the location of the electronic access facilities shall be prohibited from carrying out any back-office activities.
- (i) Any back-office activities to be carried out at the location of the electronic access facilities shall be carried out by dedicated back-office personnel who shall report to the Executive Director Operations at the principal office, or the Branch Head of Operations at a designated branch office (the identification of which shall be made to the SC and the relevant exchange(s) and/or the relevant central depository).
- (j) The eligible stockbroking company is strongly advised to link the back-office systems of the electronic access facilities with that of the principal office and/or the designated branch office.
- (k) The eligible stockbroking company shall ensure that daily reporting and reconciliation are carried out between the back office system of the electronic access facilities and the principal office and/or the designated branch office.
- (l) The electronic access facilities shall be subject to the relevant business rules and requirements of the relevant exchange(s) and/or the relevant central depository respectively.

### **3. APPLICATION FOR ADDITIONAL ACTIVITIES**

- 3.1 The establishment of the electronic access facilities, the placement of dual licence holders and futures broker's representatives, placing

and utilising a CDS terminal(s) and a broker-front-end terminal(s) or server(s), shall be subject to a readiness audit by the relevant exchange(s) and/or the relevant central depository.

- 3.2 The eligible stockbroking company is prohibited from carrying out the additional activities or discontinuing existing activities at an existing electronic access facilities without due prior notification to the SC and the relevant exchange(s) and/or the relevant central depository.
- 3.3 In the event that an eligible stockbroking company elects to convert an existing branch into an electronic access facility, or vice versa, the said eligible stockbroking company shall submit its application for conversion to the SC, the relevant exchange(s) and the relevant central depository at least three months prior to the proposed date of conversion. The Universal Broker is required to notify its clients in writing of the proposed conversion at least two months prior to the proposed date of conversion.
- 3.4 If in the course of subsequent audits or reviews by the SC or the relevant exchange(s) or the relevant central depository, it is found that the internal control procedures and safeguards at the electronic access facilities are not effective, the SC or the relevant exchange(s) or the relevant central depository reserves the right to impose additional conditions and requirements.
- 3.5 Without derogation to the above, the SC, or the relevant exchange(s) or the relevant central depository in consultation with the SC, reserves the right to impose any other conditions from time to time based on the complexity and scope of additional activities conducted at the electronic access facilities.