

**Legislative Council Panel on Financial Affairs
Disruption of HKExnews Website Services and
Suspension of Trading of Certain Issuers on 10 August 2011
Supplementary Information Note**

Background

1. This note, prepared by the Hong Kong Exchanges and Clearing Limited (“HKEx”), sets out HKEx’s response to the follow-up information request from the Panel on Financial Affairs (“Panel”). The Panel requested HKEx to provide information on (a) the findings of its internal and external reviews conducted in relation to the enhancements made to the HKExnews websites since 2008; (b) the respective comments of its internal audit team and external auditor regarding the security of the information technology systems of HKEx; and (c) follow-up actions taken by HKEx in the light of the review/audit findings.
2. HKEx attaches great importance to the security, reliability, and integrity of its information technology systems, and as part of the management process, has put in place a vigorous system review programme. All the key information technology systems operated by HKEx are subject to periodic review by the internal audit team and external independent consultants. HKEx management considers issues identified in these system reviews very seriously and is committed to taking appropriate actions to address such issues raised as soon as practicable. Our internal audit team also maintain a tracking system to monitor implementation and resolution of the issues raised in these system reviews. They perform tracking reviews every six months to monitor follow up on and verify the resolution status of the system review issues for independent reporting to the Chief Executive and the Audit Committee.

HKExnews Related Reviews

3. In August 2008, HKExnews related systems were reviewed by an independent external consultant. Four issues were raised and they were related to internet security controls, system configurations, and Business Continuity Plan. Three issues were addressed by management within three months after the review and the fourth one was addressed in nine months. In August 2009, the internal audit team completed a follow-up review to the implementation of the independent external review and reaffirmed that all issues raised by the external consultant had been addressed.
4. In February 2011, the internal audit team completed another review on HKExnews related systems. One issue was identified and the issue was addressed within three months.

HKEx Information Technology System Reviews

5. HKEx conducted 38 reviews (inclusive of the above HKExnews related system reviews) on its information technology systems between 2008 and August 2011 – four by external consultants and 34 by the internal audit team. A total of 21 of these system reviews involved review of system security. The systems under review covered HKEx's Internet systems, market systems (trading systems, clearing and settlement systems, and market data dissemination systems), corporate networks, and dedicated networks connecting HKEx market systems to its Participants and Information Vendors.
6. Out of the 21 system reviews, a total of 57 security related issues were raised as a result of these reviews.

Follow-up Actions Taken

7. Out of the 21 system security related reviews, over 75% of the review issues were addressed within three months from the issue date of review report. The remaining issues were addressed within nine months, and they were generally not high risk items and required substantive testing or implementation efforts.
8. As of 8 September 2011, there were five review issues outstanding. These issues were related to the two reviews completed respectively on 27 June and 31 August this year. The two reviews were initiated before the HKExnews incident, and the review areas were not related to HKExnews service. None of the five outstanding review issues are high risk items and works are in progress to address these outstanding issues.

**Hong Kong Exchanges and Clearing Limited
September 2011**