

## SECTION 2: QUESTIONS FOR RESPONSE

Please indicate your views by providing comments as appropriate. Where there is insufficient space, please use additional sheets of paper as necessary.

### **HKEx's Proposal:**

- HKEx is proposing an after-hours trading session for the futures market (T+1 Session). The opening time of the T+1 Session will be 30 minutes after the close of the regular trading session (T Session), i.e. 4:45 p.m. for Hang Seng Index futures and H-shares Index futures and 5:30 p.m. for gold futures. The T+1 Session will end at 11:15 p.m.
- All trades transacted in the T+1 Session will be registered as T+1 Trades and will be cleared and settled on the following trading day.
- At the initial stage, Hang Seng Index futures, H-shares Index futures and gold futures will be traded in the T+1 Session. Other derivatives products might be considered at a later stage.
- HKEx will manage the risk of after hours trading through appropriate regular, ad-hoc and/or real time monitoring during the T+1 Session and via a new mandatory variation adjustment and margin call following the market open of each T Session and payable by 11:00 a.m.

Questions
<p>1. Do you agree with the proposal to introduce after-hours futures trading?</p> <p><input checked="" type="checkbox"/> Yes, please state your views: <u>We are pleased to agree with this proposal. Hong Kong as one of the important financial centre in Asia with considerable growth in local derivatives market, the AHFT is essential. It aligns Hk futures market with other leading derivatives exchanges and allows investors to response to any needs or events here and overseas by hedging or adjusting their positions in a timely manner. Just like other exchanges such as CME or SGX, the introduction of AHFT enable the HKEx to be more competitive among the peers. As a participant of HKEx, we are glad that Hk derivatives market to be more prosperous in future.</u></p> <p><input type="checkbox"/> No, please specify your concerns and impact to you or to the market:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

2. Do you have any comments or concerns on:

a) the proposed trading arrangements?

We are satisfied with both proposed trading hours and other related arrangements. It allows investors in HK market to trade during most of Europe's business day and part of the business day in US. We strongly recommend to introduce MHI futures in AHFT at the initial stage, as most of our clients are dealing with this product and more investors can participate in it.

b) the proposed clearing arrangements?

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c) the proposed risk management arrangements?

As there will be no intra-day variation adjustment of margin call during T+1 session, it would be risky in large price fluctuation during T+1 session even the introduce of proposed mandatory call. Furthermore, if there a large price fluctuation during T+1 session, the price deviation will be large between the market price in T+1 session and the closing price in T session. It is inappropriate that we cannot take any action to

d) the use of the Calculated Opening Price as the basis for the proposed margin call at this time mandatory variation adjustment and margin call?

It would be a fair value for the spot month contracts, as there is a considerable trading volume in the pre-market auction period. However, it would not be a good reference for the back-months contracts, as the trading volume in the pre-market auction period for those back-months contracts are not enough to represent the market equilibrium.

3. Are there any other issues regarding the Proposal that HKEx should consider?

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