

## 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

1. Do you agree with the proposal to introduce after-hours futures trading?

Yes, please state your views: \_\_\_\_\_

- Hedging – Participants might do trades just before the market closes and there might not be enough time or liquidity to hedge because other participants tend to pull out earlier for the same reason. By introducing after-hours futures trading, participants will be comfortable trading all the way till the regular market closes because they know they can find a hedge 30 minutes later.
- Reaction to after-hours news – Many companies announce results/dividends after the market closes. Also, there are market sensitive news (i.e. interest rate changes) that comes out after the close. Participants need to react in a timely manner for these.
- Reaction to US/European market movements
- ADR hedging – Gives participant an opportunity to hedge part of their exposure in ADRs.
- Staying competitive – Pretty much all of the Asia exchanges have after-hours trading. In order to stay competitive and keep investors interested in HK markets, we need to offer this.

No, please specify your concerns and impact to you or to the market:

2. Do you have any comments or concerns on:

a) the proposed trading arrangements?

It would be best if the Exchange can offer this round the clock. There might not be a huge demand for it at the moment but we think the Exchanges around the world will eventually go to that direction.

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b) the proposed clearing arrangements?

No comments.

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c) the proposed risk management arrangements?

No comments.

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

No comments.

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

It would be best if the Exchange asks market makers to provide reasonable liquidity. We don't think the Exchange wants to introduce this and find out there is very little liquidity and participants or investors lose their interests in it.

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