

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: _____

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

Please see the attachment _____

2. Do you have any comments or concerns on:

a) the proposed trading arrangements?

b) the proposed clearing arrangements?

c) the proposed risk management arrangements?

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

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

1. [25.b.iv] It is related to validity (GTC, GTD) from frontoffice trading system point of view:
 - a. Does it support GTC/GTD with T+1 session
 - b. Is there any ways to indicate the validity specific to T+1 session. So for GTC/GTD validity the order can carry forward to T+1 session
 - c. Changes in OAPI needs our vendor [REDACTED] to perform enhancement
2. [25.b.v] Change ways in handling price checking (introduction of price banding mechanism) will impact on algorithm engine. Need to introduce price rejection handling and resending logic. Also, need to re-test on all algorithms. Need to check with [REDACTED] about the impact
3. When should changes in corporate actions apply into system, T or T+1. There is not enough time if these changes need to be performed before T+1 session
4. Front office/Backoffice enhancement is needed if [REDACTED] wants to increase the margin for after hour session only.
5. Introducing after hour session probably requires dedicated reports for AH session to support operations. And according to the doc, Frontoffice/Backoffice also needs to keep position for each session. And the system needs to include previous days T+1 transaction into T day statement. Enhancement in Frontoffice/Backoffice are needed
6. One point wants to clarify: a) Do all T+1 transaction need to wait till next day and settle together with trades in next day (after 16:30 next day)? Or b) these T+1 transaction should settle before next day morning (e.g. 8am). If it is a) As backoffice need to perform matching and day end process before it can generate day begin file for frontoffice [REDACTED]. Not sure how the day begin file can be generated when we cannot perform dayend after T+1 session and before next day begin. If b), backoffice needs to enhance to show T+1 trades only in next day statement even it is settled in the previous day.
7. Although T+1 clearing session are available between 16:45 to 23:45, but the actual post-trade operation can only take place after market close (23:15). When having smooth operation, 30 mins window probably enough, however, when there is system or operation issues, 30 mins window is definitely not enough to solve the problem. Then all the post trade operations need to be performed in next morning. This inherits a very high risk on system healthiness for next day trading.
8. Existing I.T. staff are on call for night shift, however, given that the volume for after hour session is high, I.T. need to introduce a formal night shift which increase cost
9. To sum, there is a lot of changes involved. A long UAT and lot of market rehearsal

are needed and if exchange decided to go-ahead

0

0