

**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? <input checked="" type="checkbox"/> Yes, please state your views: <i>We have set up the overseas derivative trading business. It is utilization of existing manpower for this T+1 Session trading. We also agree that global financial markets are inter-related and clients will be beneficial to hedge or adjust their position in this proposal. Anyway, we will agree with this proposal if and only if all the vendors of trading and clearing systems are ready for it.</i> <input type="checkbox"/> 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?

- ① AO period needed
- ② Any suspense trading mechanism for sharp fluctuation in the thin-volume market in order to eliminate the fraud trades

b) the proposed clearing arrangements?

- ① As the system, Lynx, is classified trades by market, not by time, all trades in T+1 Session are fed & treated as T-day transaction now. It is a program and need time to fix it
- ② There are 3 calls in each morning (9:00, 11:00, 1:30) Is it too frequent? Can the call for trades in T+1 Session extend to 1:30 because the system cannot report to next day before 12:00pm?

c) the proposed risk management arrangements?

- ① RPF provide time should be ready before T+1 Session
- ② Banking support is a must for risk mat. Real-time on-line assess to check money deposit must be available in order to lessen the conflict with clients who are in margin call during T+1 Session.

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

- ① No method are perfect

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

- ① MHI/<sup>MHI</sup> is designed for hedging HSI/HSIO and HHI. It is deprive the investors' participation in T+1 Session. Therefore, Min-size futures should be introduced in 1st Stage.

- ② How to monitor and adjust positions for option traders' and investors' if options are not introduced in T+1 Session.

- ③ T+1 Session is traded in T-day. It is more suitable to treat T+1 transactions as T Session within the same calendar day.

- ④ Vendors will enhance their system for all compulsory proposal of HKEx.