

## 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: *It will allow HKEx to develop and provide more futures products that can attract the international investors' trading interests and promote HKEx to become an international exchange. It will raise its competitiveness among other international exchanges. Also, it can help some local brokers to expand their business activities internationally.*

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

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2. Do you have any comments or concerns on:

a) the proposed trading arrangements?

It is suggested that HKEx can extend the time interval between the close of the T session and the opening of the T+1 session to 1 hour so that the brokers will have sufficient time to handle their internal operations.

b) the proposed clearing arrangements?

The brokers might need to increase manpower (settlement staff) to handle the clearing operation after the close of the T+1 session.

c) the proposed risk management arrangements?

The price movement during the T+1 session might be volatile or choppy as there is no cash market available for reference. The brokers will face additional credit risk from their clients who suffer huge losses due to the drastic price movement. Also, there is no banking facility available during the T+1 session.

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

No Comment

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

Since there is no cash market available for reference during the T+1 session, the futures market will be relatively easier to be maneuvered by the big players. <sup>any</sup> Are there measures to safeguard the interests of the public investors? that HKEx needs to assist and give more time to the brokers so they can make the appropriate adjustments to their systems (both front and back).