

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.

Question

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

Yes, please state your views: _

We agree that this will help strengthen Hong Kong's global financial centre status and can better serve investors' interests. The proposed arrangement will also help attract US and European futures investors and provide mainland China investors with access to global futures market. All of these initiatives are consistent with the goal of ██████████ ██████████ (the "Company") and we look forward to working closely with HKEx on this new endeavour.

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?

We see the proposed trading arrangements positively. We have a diversified client base and anticipate global demands for investing / hedging / arbitraging activities covering products such as commodities and foreign exchanges as well.

However, since the Company has just been granted the Type 2 and Type 5 licenses by the SFC this April, our effort is currently committed to the commencement of business operation of the Company. We will therefore adopt a moderate and steady approach focusing on developing the business of trading HKFE products during the normal trading hours in the initial phase of business commencement. Subject to our business development and the Company's policy, we will develop in the second phase the business of trading global futures products during the after-hours trading session.

b) the proposed clearing arrangements?

The changes to trading arrangements will entail changes to the clearing arrangements. We will need to have a full review of our manpower and resources.

Also there is a concern as to whether the duration of 30 minutes after the close of the T+1 session is sufficient for day end processing. While we understand the T clearing session would start one hour earlier, we are slightly concerned that there may be transition problems associated with people working for different shifts where any complicated issues arise.

c) the proposed risk management arrangements?

We are concerned as to whether a client's position should be closed out where the client's net equity falls below the maintenance margin level during the after-hours futures trading. Would HKEx suggest that EPs should issue a margin call notification to clients immediately in that period or issue it in the morning of the next trading day?

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

None.

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

None.