

## 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:

We are supportive as many other Asian markets already has this after hours trading arrangement (ASX, OSE, KOPSI, TFEX etc.) and there is increasing client demand for night offering. It would also be beneficial to be able to cross options during after hours session.

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?

We are supportive. It is similar to arrangements in other night session markets by reporting the trades as T+1 Trades. We would like to clarify whether un-filled T session orders will be carried to T+1 session, vice versa also whether for un-filled T+1 session orders will be carried to the next session.

b) the proposed clearing arrangements?

operations had a meeting and discussed the following. We are generally supportive in view of the below.

- There will be a 30mins post trade allocation window given to all participants, ie 23:15 – 23:45
- There is at least 1 hour available the next morning before market opens to perform post trade allocation.
- Screenshot of participants' position will be taken between 08:45 – 09:00, Exchange will then calculate the IM and VM for the participant's margin call requirement. Debit to be taken from participant's account by 11am and excess to be withdrawn via CCASS terminal by 11am.
- For any give up trades not being picked up by counterparty at 09:00am, trades will be sitting in our book and being included on the morning margin call.
- Night Session indicator would be tagged with the trade which carries along the lifetime of the trade.
- Tentative Go live would be 4th Quarter of 2012, trading for HSI, HHI and Gold Futures

c) the proposed risk management arrangements?

We are generally supportive. However, we would like to clarify requirements on monitoring CBPL during T+1 session in terms of reporting, alerts & staffing.

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

No comments.

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

We also would like to hear Exchange's view in relation to the support model of night trading. It would be helpful if the night session could be supported by the participant's offshore desk, operations and technology teams.

We also suggest the Exchange to extend night trading coverage to all other liquid products (esp. Index options and China/RMB products).