

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: Yes, we welcome this proposal by the exchange, and would certainly be happy to participate. We agree with most of the reasoning stated in the pdf:

(<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201105.pdf>)

in favour of the AHFT. Being a global market participant, it provides us opportunity to trade futures during European and partial US hours. We are already making markets on many exchanges during their T+1 session, and we think we should be able to do the same in Hong Kong as well. Given the high inter-correlation with major markets, AHFT will certainly bring a good business proposition for both market participants and the exchange. We are certain that this will help grow this market further, and will reach many more investors/participants.

- 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?

No, the trading arrangements are fine, and our system should be able to adopt T+1 with minimal changes.

b) the proposed clearing arrangements?

No, the proposed clearing arrangements are standard across exchanges, and it should be fine for us.

c) the proposed risk management arrangements?

No, the risk management arrangements look fine.

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

No, the arrangements look fine.

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

Although we believe the AHFT could certainly be successful, there could be slight liquidity risk in the initial period. So, it would be great if the exchange can engage in a discussion with various market participants and incentivise them to attract more participants during European/US hours. We will certainly consider becoming a market maker in the AHFT market if an appropriate incentive is available.