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, please state your views: We agree with the proposal__ __to introduce after-hours____ trading. We believe investors will benefit from having an after-__ __hours futures trading platform to hedge or adjust their positions in response to market news__ __and events in the European and US time zones. In addition, we believe after-hours futures__ __trading should be a source of business growth.__

   ☐ 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?

Firstly, we propose HKEx should provide more information on the click trading terminal such as the market price of ADR and the market price of the spot gold.

Secondly, apart from the HSI, HHI and the GLD futures will be launched at the first phase of the after hours futures trading, we propose HKEx also launch the MHI futures at the first phase of the after hours futures trading. This is because most of the individual investors will think it would be less risky for them to trade the mini futures (i.e. MHI futures) at the initial stage and they will be more willing to participate in the after-hours futures trading market. In our opinion, more individual investors participating in the market will enhance the depth of the after-hours futures trading market.

Thirdly, as we expect the market liquidity may be thin at the initial stage, we just wonder if HKEx will set a price limit (e.g. 5 percent) for the market. For example, the 5 percent limit is initiated if the lead month futures contract is limit offered. Once this has occurred, the limit is in effect for 10 minutes. This means investors cannot trade below the limit, but it does allow investor to trade at or above it. Once the 10 minutes has expired one of two things can happen. If the lead month futures contract is not limit offered after 10 minutes, trading will continue with the 10 percent limit in effect. If the lead month futures contract is limit offered after 10 minutes, trading will halt for two minutes. Once the two minutes has expired, trading will resume with the 10 percent limit in effect.

Finally, we propose standard combo order can be placed at the after-hours futures trading session.

b) the proposed clearing arrangements?

We just wonder if HKEx will provide an updated Risk Parameter File (RPF) during (T+1 session) to facilitate brokers' client margin estimation for risk management purposes. If yes, can the broker firm issue a margin call to clients during (T+1 session)? And if yes, is it necessary for HKEx to amend the trading and clearing rules?

c) the proposed risk management arrangements?

According to the proposal, CPs breaching their capital based position limit ("CBPL") during T+1 session may be requested to reduce their exposure to re-establish compliance with their CBPL and risk being disconnected from the HKEx trading system and closing out action should they fail to comply with such request or further increase their exposure.

Firstly, we do not agree with the proposal that the exposures of those CPs participating in the after hours trading must be commensurate with their financial strength in terms of their liquid capital. In our opinion, CPs participating in the after hours trading should be

commensurate with their financial strength in terms of their margins at HKCC, not the liquid capital. It is not fair to limit our clients to trade during the T+1 session if they have adequate margins (some of our clients may have 200% of the required margins).

For the current CBPL (i.e. Liquid Capital * 3 for net margins limit and Liquid Capital * 6 for gross margins limit), in our opinion, this is an out-of-date rules not applicable to nowadays electronic trading market. Let's take I-Access Investors Limited as an example, we got over 17,000 clients and we do our best to promote the derivatives market in the past few years with strong records (i.e. our clients trade over 15,000 futures and options contracts per day). I think the above figures cannot be reached by a local brokerage firm in 5 years ago. We are indeed a cash rich company with prudent risk management. Thus, it is not appropriate to limit our business expansion with the CPBL.

We propose the CBPL should be changed to Liquid Capital * 5 for net margins limit and Liquid Capital * 10 for gross margins limit respectively. Currently, if the CPs breach the CPBL, remedial action must be taken within these ten days in accordance with HKCC Procedures; otherwise, all positions in excess of the CBPL may be subject to a compulsory close out. In order to enhance the flexibility of CPs, we propose if the CPs breach the CPBL for more than ten days, 50% additional margin requirements could be required by HKEx instead of being compulsory close out.

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

We agree that the use of the Calculated Opening Price as a basis for mandatory market open VA and margin call is acceptable.

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