

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.	<p>Do you agree with the proposal to introduce after-hours futures trading?</p> <p><input checked="" type="checkbox"/> Yes, please state your views: _</p> <p><u>It is a global trend to provide round-the-clock trading service as the effects of globalization has influenced not only our personal lifestyle but also the financial markets. As HK has become one of the major financial centres in the world, extension of trading hours is unavoidable. In fact, we are already lagging behind compared to other countries and it is now time for us to catch-up and live up to our status as one of the leading financial centres in the world.</u></p>
a)	<p>2. Do you have any comments or concerns on:</p> <p>a) the proposed trading arrangements?</p> <p><u>Starting the T+1 session 30 minutes after T session is fine. However, ending at 11:15pm may not be sufficient to cover the full swing of global activity. A step by step approach is understandable but it is highly recommended that HKEx considers a full 24-hour service (with 30 minutes – 1 hour break in between for system/data uploading) in due course.</u></p> <p>b) the proposed clearing arrangements?</p>

Classifying the extended hours as T+1 session may be a common arrangement. However, in order to streamline workflow and encourage reduction of risk exposure, we would like to suggest for the clearing and settlement arrangement of T Session and T+1 Session to be combined into one on the following trading day. i.e opening a position in T Session and closing that position in T + 1 Session should not be subject to additional margin deposit.

c) the proposed risk management arrangements?

Similar to section 2b above, credit checking completion is a key issue to ensure all risk measurements have been quantified before the trading session opens. In addition, strong guidelines by HKEx on liquidation of client position under Margin Call would provide enormous support and unification to member participants as well as avoid any unnecessary disputes.

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?

Will there be any promotional plans scheduled along with the introduction of this extended trading hours? If so, can member participants participate in the program(s)?