

## 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: Investors can use Hang Seng Index futures and H-shares Index futures to perform hedging in response to market developments after Hong Kong regular trading hours. In the absence of such after-hours futures trading, they have to use S&P futures for hedging, which is not a perfect hedge to Hong Kong stocks. Hang Seng Index futures and H-shares Index futures provide better instruments for hedging.

In contrast to the extension of trading hours, which have negative impacts on market liquidity and investor participation, the after-hours futures trading will not have negative impacts on regular trading hours' market liquidity, and may indeed increase investor participation on regular trading hours. Investors knowing they can perform better hedges after trading hours likely participate more comfortably during normal trading hours. Increased comforts also benefit market liquidity during normal trading hours.

Moreover, since there is no overlapping between the after-hours futures trading and A-share market trading hours, the futures in the after-hours can more truly reflect the fair value of the market because it will not be led by the intra-day movement of the A-share market, which is a relatively under-developed and irrational market. This is where HKEx can add value to the development of the stock market in Hong Kong.

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?

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b) the proposed clearing arrangements?

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c) the proposed risk management arrangements?

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

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

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