

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:

Agree. The after-hours trading session can cover the most active period in the European and US morning market in which enable investors to hedge or adjust their positions in case of any material financial news or events are noted.

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?

b) the proposed clearing arrangements?

- Suggest having at least 1 hour for clearing arrangements before the after-hours trading session begins.

- To improve the DCASS clearing efficiency after market close, suggest processing the "Net down position" and "Transfer position" by uploading an instruction text file daily, instead of manual input in the DCASS terminal.

c) the proposed risk management arrangements?

- To monitor updated risk exposure, suggest having one more span margin file at 4:30 p.m.

- Propose to have one more span margin file at the close of the after-hours trading session for intraday risk monitoring purpose.

- Not enough trading products for hedging purpose during the after-hours trading session. Suggest adding HSI constituent stock futures and/or stock options and/or HSI constituent stocks during the after-hours trading session as well.

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

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

- Please clarify what is the position base for calculating the intraday margin call for the after-hours trading session, gross position or net position.

- Exchange participant ("EP") can only arrange money for settling their intraday margin call in next day morning bank hours, please advise whether HKEx has additional policies and/or mechanism on regulating the EP's activities and open positions under extremely volatile market conditions, which are far out of normal expectation, during the after-hours trading session.