

## 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: \_\_\_\_\_

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No, please specify your concerns and impact to you or to the market:

① Prolong trading period does not mean there will be higher trading volume.  
② In addition, based on the fact that the market had become sluggish recently after the extension of trading hours being introduced. I believe that market will become even more sluggish when the T+1 session being carried out.

③ Hedging in the T+1 session may not be wise. As there are so many cases that the US market drops vigorously at early session then it bounces back to the previous closing level or even higher at the end of the T+1 session provide a platform for international hedge funds to make profits out of our local investors.

So the

2. Do you have any comments or concerns on:

a) the proposed trading arrangements?

① All rest of day orders, until expiry orders and specified date orders, by default, should be effective in both T session & T+1 session and outstanding orders will be carried forward to the next T session and so on whilst outstanding. It is confusing that the above mentioned orders can be selected to be effective in T session only or in both T & T+1 sessions. It is not an international practice. We should treat the T+1 session as a normal trading session. I am sure that there will be errors arising because of the above confusion. In order to avoid affecting the EPs who do not participate in the T+1 session, the exchange should inactivate the above mentioned orders in T+1 session & activate them again in the next T session for those EPs.

② The break time between the T session & T+1 session should be longer than 30 minutes as there is not enough time for the staffs of front and back offices to finish the work from T session. I would suggest ONE HOUR for the break time.

③ I believe the mini HSI futures and mini HSCEI futures should both also be introduced in T+1 session together with HSI and HSCEI futures at the same time. It is because there are players in the market who normally trade mini futures against normal size futures in T session. By introducing the mini futures with normal size futures will certainly increase the volume being traded during the T+1 session. Soon after the T+1 session is running smoothly and stabilized, the Hang Seng Index options should be introduced in the T+1 session as soon as possible.

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

I strongly recommend that the pre-market mechanism (AUCTION) which establishes the Calculated Opening Price (COP) before market open in each morning and afternoon session should also be carried in the extended T+1 session. This pre-market mechanism (AUCTION) can ensure an orderly market open and enhance market efficiency.