

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: After-hours futures trading can enable our investors to hedge their positions during night time in response to major financial news in Europe/US .It would also be a source of our company business growth. And more importantly , we believe it would strengthen Hong Kong's competitiveness as one of the major financial center in the world.

- 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?

Sufficient notice period should be given before after-hours futures trading is implemented so that we can have enough time to make necessary operational/ system changes .In addition ,enough MR should be given to ensure our trading staff familiar with the work flow .Lastly ,spread trading should be included in the AHFT session.

b) the proposed clearing arrangements?

One hour settlement deadline is tight for our settlement operation and we believe at least two hours would be more appropriate. Market rehearsal is needed to test if trades on relevant date (T /T+1) can be correctly shown on client's statement.

c) the proposed risk management arrangements?

As there is a need for us to monitor client's risk exposures during the AHFT session which should cost extra operational / manpower requirement to us. And the tight schedule to meet the VA requirement may induce extra financial cost when facing volatile market condition .

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

Agree. Calculated Opening Price as the basis is a mark to market measurement which can truly reflect our client's exposure.

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

1. There shouldn't be any Ad hoc Intra-day Call during the AHFT session.

2. In between the last trading day of a particular month and the first trading day of the following month, T+1 trades should be charged for new margin during the AHFT session.

3. HKEx/HKFE should provide enquiry services / technical support hotline during the AHFT session.