

Overview of After-Hours Futures Trading (AHFT)

March 2013





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★ Overview of AHFT

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Overview of AHFT (1)

Products

- Hang Seng Index (HSI) Futures
- H-shares Index (HHI) Futures

Trading – Trading Hours

5:00 pm to 11:00 pm

Trading – Price Limit

5% of the last traded price for the spot month contract in the T Session



Overview of AHFT (2)

Clearing

Trades will be registered as AHFT trades and cleared on the following Business Day.

Risk Management

- Regular monitoring of net CBPL utilization during AHFT session; and
- Mandatory intra-day variation adjustment and margin call following the opening of the regular trading session on the next business day and payable by 12:00 noon, subject to \$2 million threshold



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Regulatory Requirements

Reporting of Large Open Positions

- The SFC will regard it as acceptable for trades transacted in the T+1 Session to be combined with trades transacted in the T Session on the following business day for the purpose of meeting the requirements for reportable positions under the Securities and Futures (Contracts Limits and Reportable Positions) Rules (CLR).
- Participants should monitor the positions during the T+1 Session to ensure that they comply with the prescribed limits under the CLR and the position limits established by HKFE.



Regulatory Requirements

Treatment on Client statements

- The SFC will regard it as acceptable for Participants to report trades transacted in the T+1 Session as T+1 trades in contract notes, daily and monthly statements of account prepared under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules.
- Participants which provide AHFT services and intend to report trades transacted in the T+1 Session as T+1 trades in contract notes, daily and monthly statements of account should inform their clients accordingly.



Regulatory Requirements

Client Margining Procedures

Initial Margin Requirements

- In determining whether an account has sufficient excess net equity to meet the initial margin requirements, equity shall be calculated as of the close of the T session of the relevant Market.
- For established clients* who have not historically transacted exclusively in day trades, a call for initial margin may be cancelled if the positions to which the initial margin call relates are closed out on the same trading session.
- Established clients shall not be allowed to establish new position when he has outstanding initial margin as a result of margin calls made from brokers.

* who have demonstrated a record of consistently meeting margin obligations and maintaining a sound financial position



Regulatory Requirements

Client Margining Procedures

Day trade definition

- A day trade is establishment and closure of a futures or options position within the same T session or within the same T+1 Session.

Maintenance Margin Requirements

- Maintenance margin is required on each and every open position held at the end of each T Session.
- In determining whether an account has sufficient net equity to meet the maintenance margin requirement, equity shall be calculated as of the close of the T Session.
- The outstanding initial margin call for the T+1 Session of the previous business day should be included in determining whether the equity in the account is above the maintenance margin level.



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Trading – Trading Hours (Current)



Business Day

Regular Trading (T Session)

9:15

16:15

*HSI & HHI Futures
Open for T Session*

*HSI & HHI Futures
Close for T Session*

HSI Futures & HHI Futures

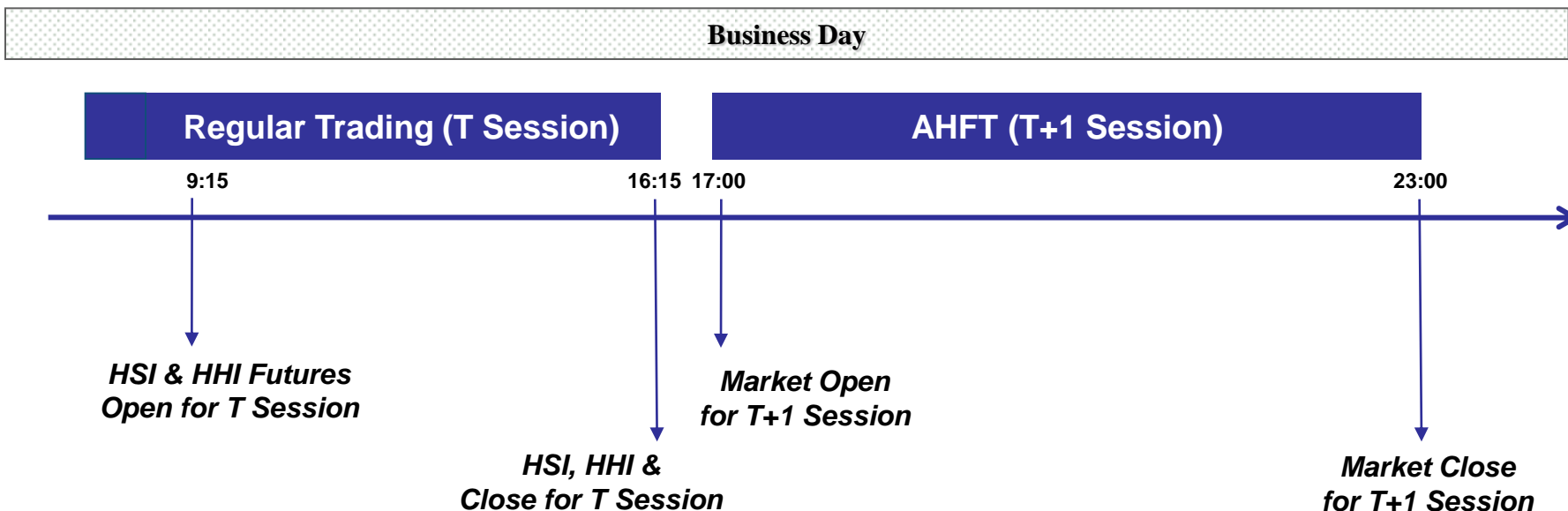
T Session: 9:15am – 4:15pm

Last Trading Time on Last Trading Day for Spot Month:

HSI Futures & HHI Futures: 4:00pm



Trading – Trading Hours (with AHFT)



HSI Futures & HHI Futures

T Session: 9:15am – 4:15pm

T+1 Session: 5:00pm – 11:00pm

Last Trading Time on Last Trading Day for Spot Month:

HSI Futures & HHI Futures: 4:00pm

Note: NO Pre-Market Opening (Auction) Session for AHFT



Trading – Holidays & Typhoons/Rainstorms



No T+1 Session trading if:

Holidays

- Hong Kong public holidays
- Half-day trading (Eves of Christmas, New Year & Lunar New Year)
- Bank holidays in both UK and US

Typhoons & Black Rainstorms

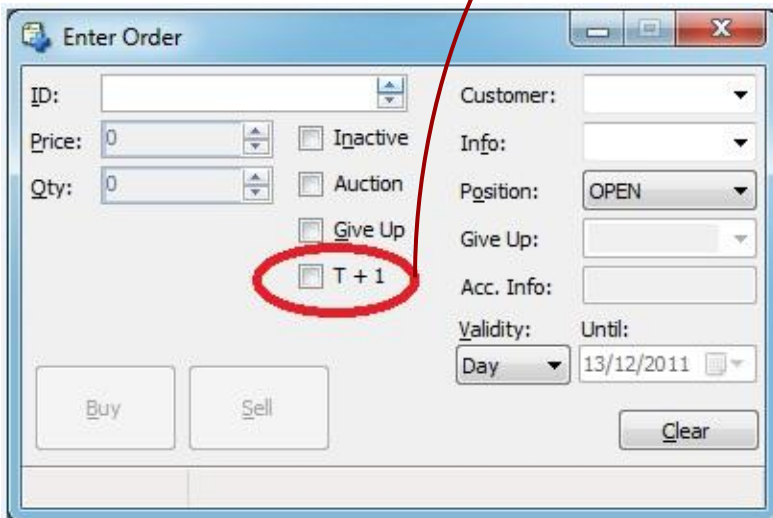


Typhoon Signal No. 8 or above and/or Black Rainstorm Warning is:

- not lowered / cancelled before 12:00 noon on a Business Day



Trading – Order Entry and Validity (1)



Enter Order

ID:

Price: Inactive

Qty: Auction

Give Up

T + 1

Customer:

Info:

Position:



Give Up:

Acc. Info:

Validity: Until:

➤ **Default** for all order types: **Unchecked**

[Unchecked]

- Only for **T Session** trading
- Day/GTC/GTD order will be temporarily inactivated after T Session close 
- GTC/GTD order will be shown again in Pre-Market Opening/market open on next business day 

[Checked]

- **T+1 Session** trading enabled
- Day order will be withdrawn after T+1 Session close
- GTC/GTD order will be shown in ALL Sessions until it is executed or cancelled

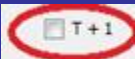
Block Trade Orders: **NOT** allowed for T+1 Session

Bulletin Board Orders: **NOT** allowed for T+1 Session



Trading – Order Entry and Validity (2)



T+1 Box 	T Session	T+1 Session	Next Day T Session
[Stock Index Futures]			
Unchecked – Day Order	Enabled	Cancelled	-
Unchecked – GTC Order	Enabled	Inactivated	Activated/Enabled
Unchecked – GTD Order	Enabled	Inactivated	Activated/Enabled
Checked – Day Order	Enabled	Enabled	Cancelled
Checked – GTC Order	Enabled	Enabled	Enabled
Checked – GTD Order	Enabled	Enabled	Enabled
[Other Order Types]			
Block Trade Orders	Enabled	NOT allowed	-
Bulletin Board Orders	Enabled	NOT allowed	-



Trading – Price Limit Mechanism

Price Limit Mechanism

- 5% price limit up/down mechanism will be introduced during the T+1 session. Features of the mechanism as follow:
 - **NO** sell order of price below 95% and **NO** buy order of price above 105% of the last traded price of the spot month contract in the T Session will be allowed.
 - Trading (for all contract months) will be allowed only within the price limit range during the T+1 Session.
- Dynamic Price Banding mechanism which is now applied in Regular Trading hours (including HSI and HHI futures) **will not be extended to AHFT session.**



Trading – Error Trade & Price Limit (1)

Error Trade (same as T Session today):

HSI Futures & HHI Futures

3% of Notation Price

Notation Price – Reference:

http://www.hkex.com.hk/eng/market/dv_trad_finfo/etpp1.htm

Price Limit (for T+1 Session only):

HSI Futures & HHI Futures



Buy Order: 105% of T Session Last Traded Price

Sell Order: 95% of T Session Last Traded Price

[Example]

T Session Last Traded Price of Spot Month:
20,000

Buy Limit  21,000 

Sell Limit 19,000  



Trading – Error Trade & Price Limit (2)

Price Limit (for T+1 Session only):

HSI Futures & HHI Futures

Buy Order: 105% of T Session Last Traded Price (21,000)

Sell Order: 95% of T Session Last Traded Price (19,000)

[Example]

T Session Last Traded Price of Spot Month: 20,000

Bid Orders				Ask Orders			
BTrd	BCmp	BQty	Bid	Ask	AQty	ACmp	Attd
		2	21000	21001	2		
		2	21000	21002	2		
		2	21000	21004	2		
		2	20998	21008	2		
		2	20995				
		2	20990				

Buyers can only place orders up to upper limit price

Sellers can sell at 21,000 or below

Buyers cannot take these orders as they are above upper limit



Trading – Error Trade & Price Limit (3)

Price Limit (for T+1 Session only):

HSI Futures & HHI Futures

Buy Order: 105% of T Session Last Traded Price (21,000)

Sell Order: 95% of T Session Last Traded Price (19,000)

[Example]

T Session Last Traded Price of Spot Month: 20,000

Orders		Ask Orders			
BQty	Bid	Ask	AQty	ACmp	ATrd
2	18998	19000	2		
5	18998	19000	2		
2	18995	19000	2		
2	18995	19002	2		
2	18992	19003	2		
2	18990				

Sellers cannot take these orders as they are below lower price limit

Sellers can only place orders down to lower price limit

Buyers can buy at 19,000 or above

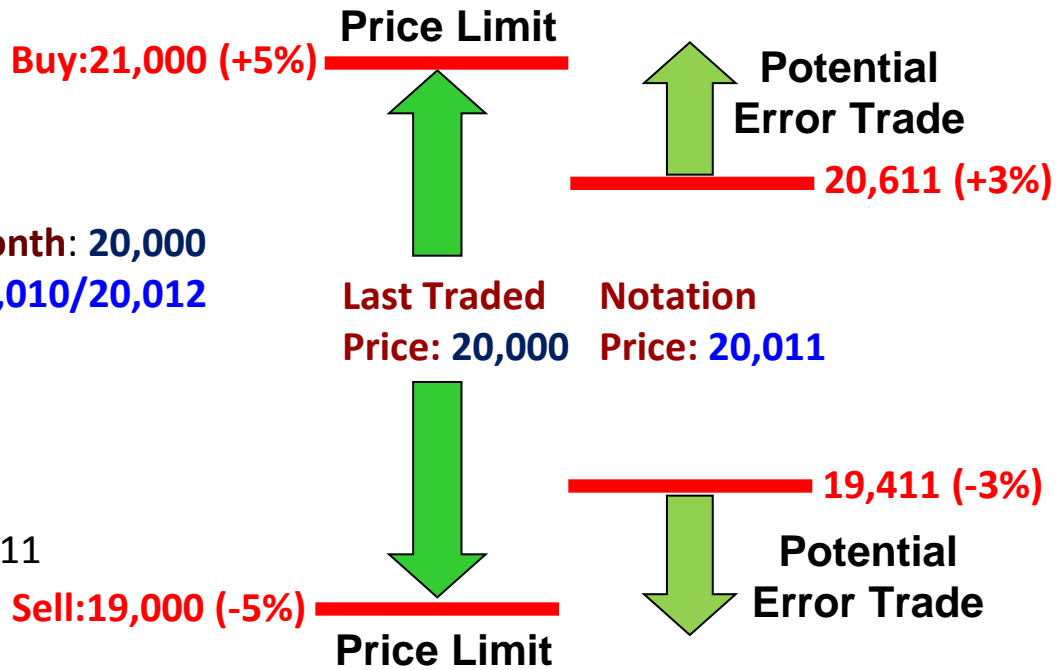


Trading – Error Trade & Price Limit (4)

Error Trade & Price Limit – Combined Consideration (Case 1)

[Example]

T Session Last Traded Price of **Spot Month**: 20,000
Best Bid/Ask Prices in T+1 Session: 20,010/20,012



1) Error Trade Parameter

3% of Notation Price -> 19,411 to 20,611

2) Price Limit

Buy Order: 105% of T Session Last Traded Price -> 21,000

Sell Order: 95% of T Session Last Traded Price -> 19,000

Note: Spot Month on Last Trading Day

- Next Month Futures contract will be the reference



Trading – Error Trade & Price Limit (5)

Error Trade & Price Limit – Combined Consideration (Case 2)

[Example]

T Session Last Traded Price of **Spot Month**: 20,000

Best Bid/Ask Prices in T+1 Session: 19,010/19,012

1) Error Trade Parameter

3% of Notation Price -> 18,441 to 19,581

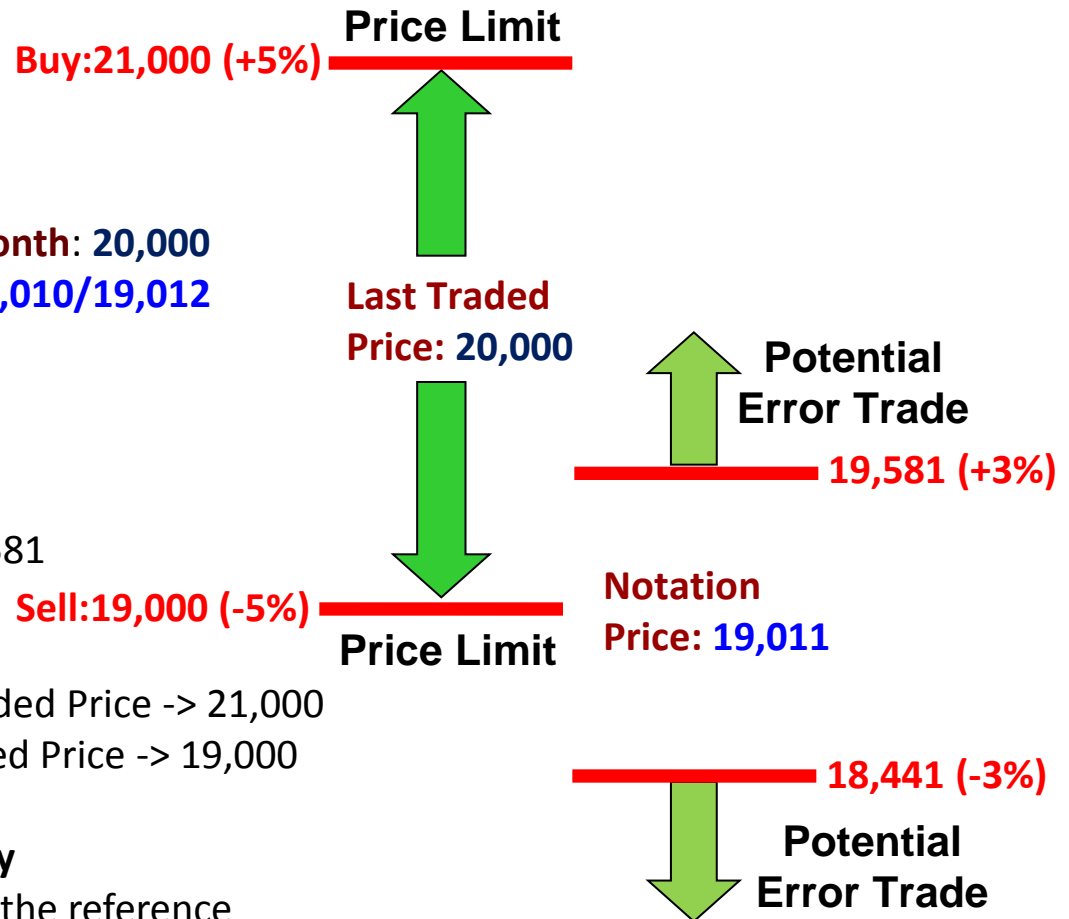
2) Price Limit

Buy Order: 105% of T Session Last Traded Price -> 21,000

Sell Order: 95% of T Session Last Traded Price -> 19,000

Note: Spot Month on Last Trading Day

- Next Month Futures contract will be the reference





Trading – Other Arrangements

Application for Erroneous Trade (Form 7)

- Application for erroneous trade (Form 7) will not be applicable to AHFT Products.

SOS center

- The backup SOS center in 6/F Two Exchange Square will be provided to EPs who need the services during T+1 session. The service level and facilities will be the same as the existing SOS center in IP.

Emergency Contact/Authorized Signatories List

- All the emergency contact and authorized signatories list for T+1 trading must be returned to CLICK support team at least 2 weeks before commence trading.



Trading – Other Arrangements

AHFT New OAPI Program

- EPs could rollout their OAPI program anytime from now.
- Contact CLICK support for connectivity test if needed.

Simulation Test

- Small scale simulation test for trading will be arranged on 14 to 15 March 2013.

Target Group for the Test

- EPs who have completed either simulation test 1 or 2 with positive result for both trading and clearing, AND
- They have some new Program that not take part in these simulation test before.
- Contact CLICK Support (email address: ClickSupport@hkex.com.hk) for registration.



Trading – Eligibility of joining AHFT

AT Launch: during the 2-week Stabilization Period

- There will be a two-week stabilization period starting from 8-19 April 2013.
- During this period, only the Participants who complied with the following requirements are allowed for AHFT at launch :
 - Complete all related system tests for trading and clearing systems, as prescribed by HKEx, including certification and simulation test.
 - Complete and return the AHFT Launch Participation Registration Form **on/before 15 Mar.**

AFTER Launch: end of 2-week Stabilization Period

- Participants who completed the following requirements are allowed for conducting AHFT:
 - Complete and pass the certification test.
 - Complete and return AHFT Registration Form **at least 2 days before commences trading.**



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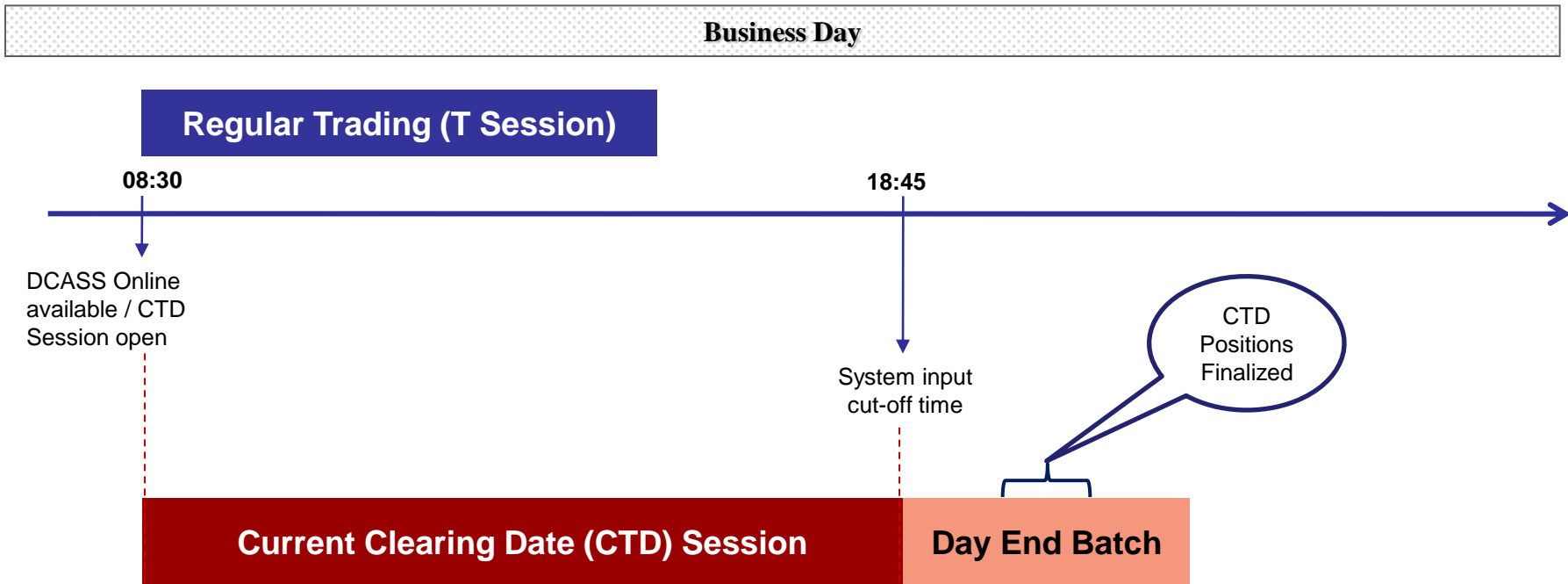
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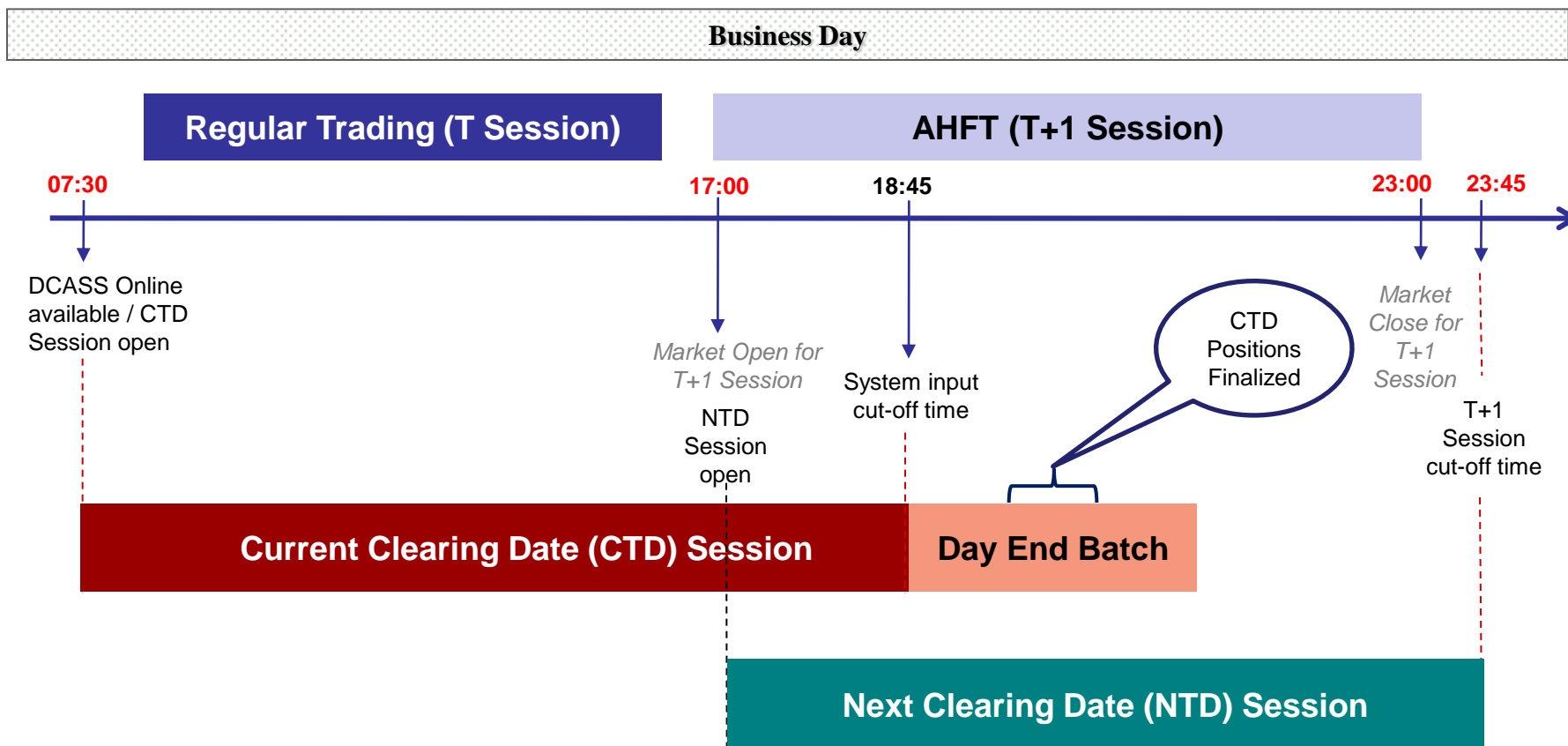
Clearing – Current Operational Flow



* The Day End Batch run is an existing process, which runs from Mondays to Fridays including whole day typhoon.



Clearing – Operational Flow with AHFT

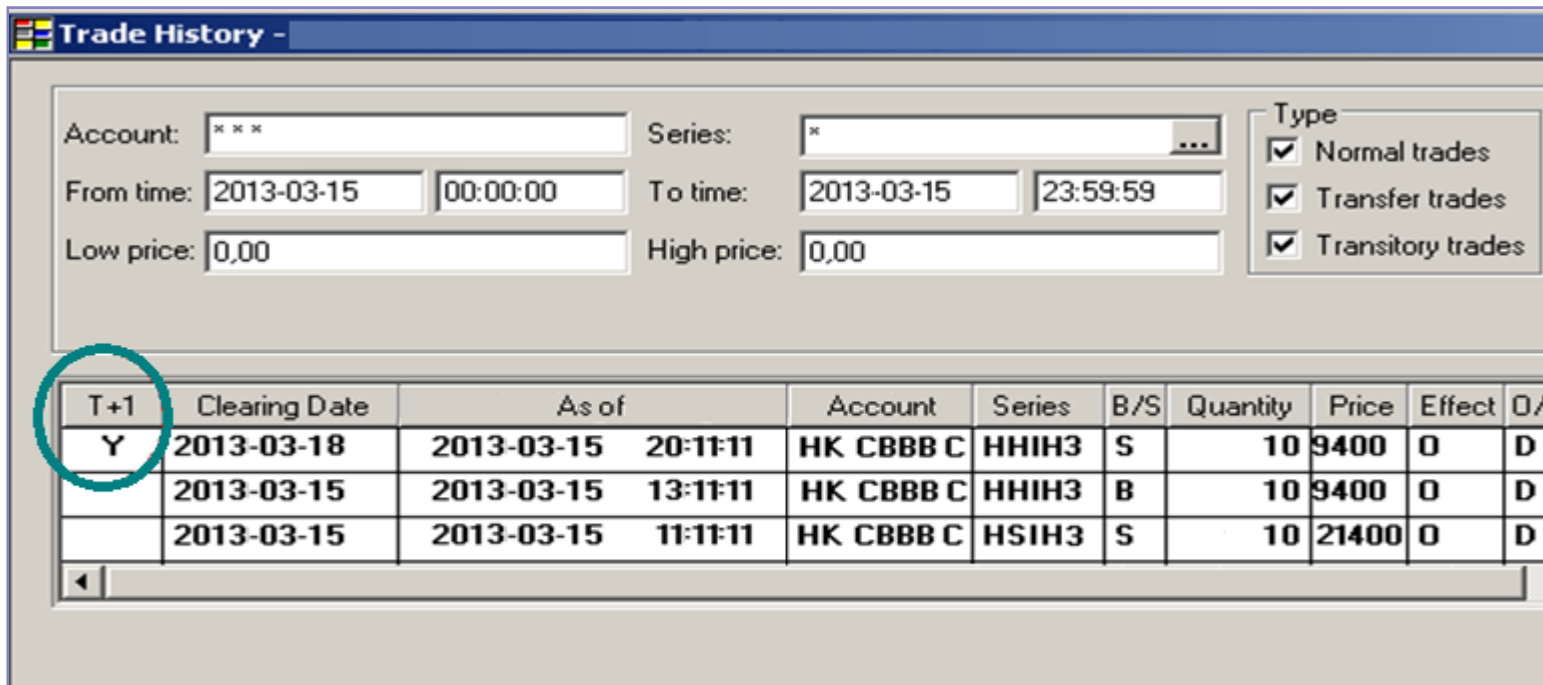


* The Day End Batch run is an existing process, which runs from Mondays to Fridays including whole day typhoon.



Clearing – Trade Indicator

The “T+1” column in the Trade History window will display “Y” if the original trade is transacted during T+1 Session, otherwise, it will be blank.



Trade History -

Account: *** Series: *
From time: 2013-03-15 00:00:00 To time: 2013-03-15 23:59:59
Low price: 0,00 High price: 0,00

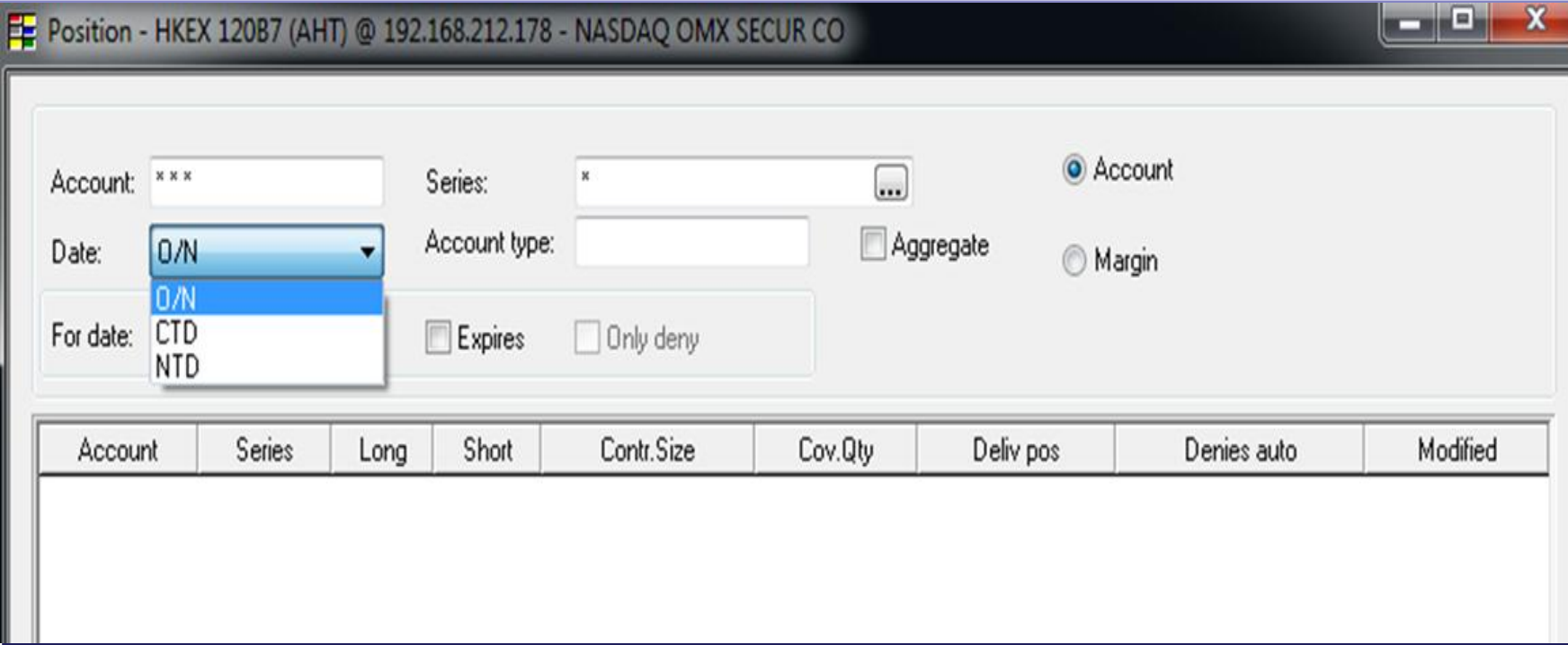
Type
 Normal trades
 Transfer trades
 Transitory trades

T+1	Clearing Date	As of	Account	Series	B/S	Quantity	Price	Effect	O/I
Y	2013-03-18	2013-03-15 20:11:11	HK CBBB C	HHIH3	S	10	9400	0	D
	2013-03-15	2013-03-15 13:11:11	HK CBBB C	HHIH3	B	10	9400	0	D
	2013-03-15	2013-03-15 11:11:11	HK CBBB C	HSIH3	S	10	21400	0	D



Clearing – Position Indicator

A new drop down box will be added for selection of O/N, CTD or NTD Positions.



Position - HKEX 120B7 (AHT) @ 192.168.212.178 - NASDAQ OMX SECUR CO

Account: *** Series: * Account

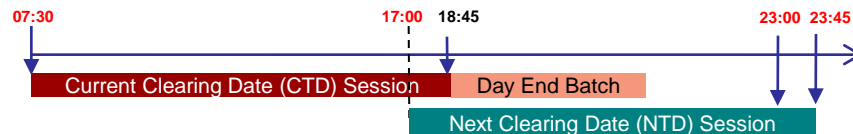
Date: O/N Account type: Aggregate Margin

For date: O/N CTD NTD Expires Only deny

Account	Series	Long	Short	Contr.Size	Cov.Qty	Deliv pos	Denies auto	Modified
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Clearing – Position Management



Session (Time)	Action / Event (Type of trade)	Position					
		O/N		CTD		NTD	
		Long	Short	Long	Short	Long	Short
Day 1							
CTD (07:30-17:00)	DCASS Start at 07:30	0	0	0	0	0	0
	Sell 30 (T) at 10:10	0	0	0	30	0	30
CTD + NTD (17:00-18:45)	Take-up 14 long (T) at 17:10	0	0	14	30	14	30
	Buy 10 (T+1) at 17:40	0	0	14	30	24	30
18:45	CTD ends, Batch Process starts and CTD position finalizes at 21:00 (NTD continues)						
NTD (18:45-23:45)	NTD Position Net down by 6 at 22:15	0	0	14	30	18	24
	Sell 7 (T+1) with close effect at 22:30	0	0	14	30	11	24
Day 2							
CTD (07:30-17:00)	DCASS Start at 07:30	14	30	11	24	11	24

14 + 10

24 - 6

30 - 6

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Risk Management

1. No intra-day margin call will be made in T+1 Session
2. Additional Risk Management Measures:
 - a) Capital-Based Position Limits Monitoring during T+1 Session (Net CBPL only).
 - b) Mandatory Intra-day Variation Adjustment (VA) and Margin Call.



Additional Risk Management Measures

Capital-Based Position Limits Monitoring

Monitoring Process	CPs' Net Margin Liabilities < 3 * (CPs' Liquid Capital + Bank Guarantee)
Frequency	Hourly during T+1 Session (plus ad-hoc if required)
Prices based on	Real-time prices during T+1 Session
Positions based on	Real-time positions during T+1 Session
Impacts on CPs	CPs participating in T+1 Session
	Failure to comply, CPs will be requested to reduce their exposure and risk being disconnected from the trading system and subject to closing out action by the Clearing House
	Deposit extra funds with the Clearing House in advance (no later than 3:00 p.m. on the same day) if CPs anticipate that they may trade beyond their net CBPL in T+1 Session



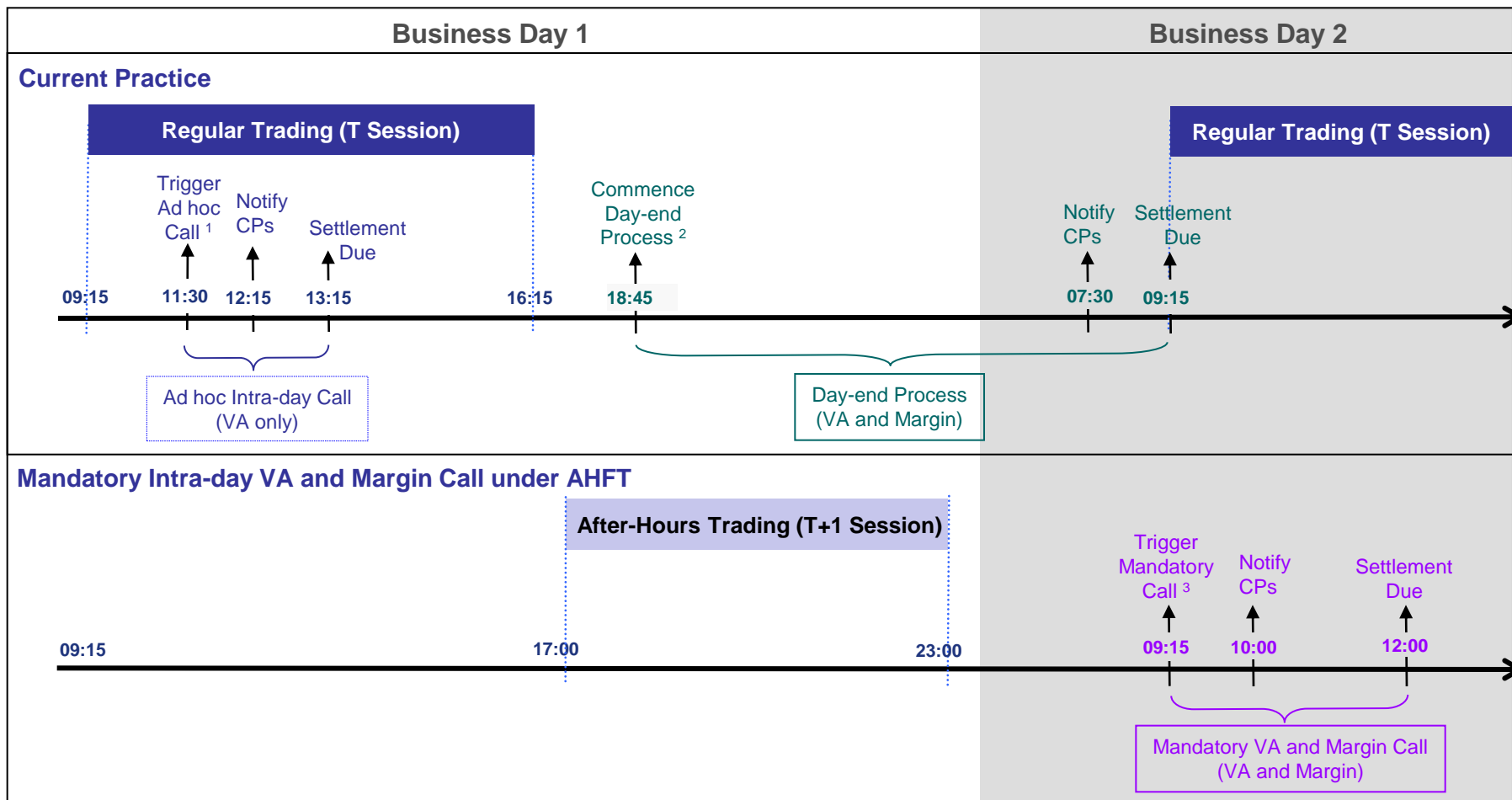
Additional Risk Management Measures

Mandatory Intra-day Variation Adjustment (VA) and Margin Call	
Process	VA and Margin Call for all CPs
Products	HSI and MHI Futures and Options, HHI Futures and Options, MCH Futures
Positions based on	Positions before regular trading session market open (including trades in T+1 Session and post-trades before 8:45 a.m.)
Prices based on	Calculated Opening Prices
Frequency	Once daily
Threshold	\$ 2 million (below which CPs will not be asked to settle any amount)
Notification to CPs	By 10:00 a.m.
Settlement Deadline	By 12:00 noon
Impacts on CPs	All CPs
	Arrange funding to meet the call
	Strongly recommend: (i) to complete all post-trade activities of T+1 Session by 8:45 a.m.; and (ii) to perform internal positions maintenance, if any, in DCASS after 9:15 a.m. (e.g. transfer positions from Client Offset Claim Account to Omnibus Client Account) to avoid extra margin being called.



Additional Risk Management Measures

(HKCC Margin Collection Timeline for Stock Index Products)



¹ Based on latest market prices and positions. Could be conducted more than once a day. For illustration purpose, the above assumes an ad hoc call is triggered at 11:30.

² Based on daily settlement prices and day-end positions of T Session.

³ Based on Calculated Opening Price and positions before market open.



Additional Risk Management Measures

Examples of Day-end and Mandatory Intra-day VA and Margin Call

HSI Margin Requirement : \$ 60,000 per contract

	T Session	T+1 Session		Day-end VA & Margin Call (to be settled at 9:15am)	Mandatory VA & Margin Call (to be settled at 12:00 noon)
				Daily Settlement Price : 18,000	Calculated Opening Price : 17,800
(1)	Buy 1 HSI contract @ 18,100	-	Collateral On Hand	\$ 0	\$ 60,000
			Less: VA	\$ 5,000 $[\$50 \times (18,100 - 18,000)]$	\$ 10,000 $[\$50 \times (18,000 - 17,800)]$
			Less: Margin	\$ 60,000	\$ 60,000
			Call Amount	\$ 65,000	\$ 10,000 < \$2M → Not called
(2)	-	Buy 1 HSI contract @ 17,900	Collateral On Hand	\$ 0	\$ 0
			Less: VA	\$ 0	\$ 5,000 $[\$50 \times (17,900 - 17,800)]$
			Less: Margin	\$ 0	\$ 60,000
			Call Amount	\$ 0	\$ 65,000 < \$2M → Not called
(3)	Buy 1 HSI contract @ 18,100	Buy 1 HSI contract @ 17,900	Collateral On Hand	\$ 0	\$ 60,000
			Less: VA	\$ 5,000 $[\$50 \times (18,100 - 18,000)]$	\$ 15,000 $[\$50 \times (18,000 - 17,800)] + [\$50 \times (17,900 - 17,800)]$
			Less: Margin	\$ 60,000	\$ 120,000 $[\$60,000 \times 2]$
			Call Amount	\$ 65,000	\$ 75,000 < \$2M → Not called



Additional Risk Management Measures

Examples of Day-end and Mandatory Intra-day VA and Margin Call (Cont'd)

HSI Margin Requirement : \$ 60,000 per contract

	T Session	T+1 Session		Day-end VA & Margin Call (to be settled at 9:15am)	Mandatory VA & Margin Call (to be settled at 12:00 noon)
				Daily Settlement Price : 18,000	Calculated Opening Price : 17,800
(4)	Buy 1 HSI contract @ 18,100	-	Collateral On Hand	\$ 0	\$ 60,000
			Less: VA	\$ 5,000 $[\$50 \times (18,100 - 18,000)]$	\$ 10,000 $[\$50 \times (18,000 - 17,800)]$
			Less: Margin	\$ 60,000	\$ 60,000
			Call Amount	\$ 65,000	\$ 10,000 < \$2M → Not called
(5)	-	Sell 1 HSI contract @ 17,900	Collateral On Hand	\$ 0	\$ 0
			Less: VA	\$ 0	- \$ 5,000 $[\$50 \times (17,800 - 17,900)]$
			Less: Margin	\$ 0	\$ 60,000
			Call Amount	\$ 0	\$ 55,000 < \$2M → Not called
(6)	Buy 1 HSI contract @ 18,100	Sell 1 HSI contract @ 17,900	Collateral On Hand	\$ 0	\$ 60,000
			Less: VA	\$ 5,000 $[\$50 \times (18,100 - 18,000)]$	\$ 5,000 $[\$50 \times (18,000 - 17,800)] +$ $[\$50 \times (17,800 - 17,900)]$
			Less: Margin	\$ 60,000	\$ 0
			Call Amount	\$ 65,000	- \$ 55,000 Available for withdrawal



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Enquiries



Please **write** to:



Hong Kong Exchanges and Clearing Limited
12/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Re: Overview Briefing on After-Hours Futures Trading

Or **email** to us: clicksupport@hkex.com.hk



Or **call** to hotline: **2211 6360** (Trading)
2979 7222 (Clearing)

A web corner designated for AHFT is now available via HKEx website at
http://www.hkex.com.hk/eng/market/dv_tradinfo/ahft.htm



Q&A 

Questions please... 



Q&A 

Thank you!!