

Frequent Asked Questions Regarding After-Hours Futures Trading (AHFT)

1. What are the purposes for introducing AHFT?

Response: The introduction of AHFT would provide trading/hedging opportunities to investors in case there is a big event happening in the European or US market and that the client base and after-hours business would be increased. AHFT could reduce the volatility in the next day's opening as some investors would have hedged or adjusted their positions in the T+1 Session in response to news and events in the European or US time zones.

2. What are the products available for trading in AHFT?

Response: Hang Seng Index (HSI) futures, H-shares Index (HHI) futures, Mini HSI (MHI) futures and Mini H-shares Index (MCH) futures, RMB currency futures, London Metal Mini Futures are available for trading in AHFT.

3. What would be the trading hours for AHFT?

Response: 5:15 pm. to 11:45 pm. for index futures and RMB currency futures; 5:15 pm. to 01:00 am. for London Metal Mini Futures.

4. Will Block Trade Facility be available in AHFT?

Response: Block Trade Facility for HSI futures and HHI futures will be available in AHFT beginning from 6 Jan 2014.

5. What would be the trading arrangement for Block Trade Facility (BTF) in AHFT?

Response: The trading arrangement of BTF in AHFT is the same as that in the T Session, except that:

- a) block trade prices will also be subject to the +/-5% price limit in T+1 Session; and
- b) Special Block Trade Margin (SBTM) will be applied as usual. However, as there is no banking support during T+1 Session, any block trade and/or related trade adjustment will be rejected if there is insufficient collateral in relevant participant's CCMS Collateral Account to satisfy the SBTM.

6. Is there any plan to introduce after-hours trading for other derivatives products?

Response: Subject to the market demand and market readiness, other derivatives will be considered.

7. Is there any plan to introduce after-hours trading for cash market?

Response: No, there is no such plan to introduce after-hours trading for cash market and we have not seen any after-hours trading needs in the cash market.

8. Would there be any possibility of excessive price movement in AHFT as the activities during AHFT is expected to be lesser than the day time?

Response: We foresee that the liquidity and activities during AHFT might be lower than that in the day time. However, as the AHFT proposal received strong support from Futures EPs which accounted for 80% of market share in HSI and HHI futures in H1, 2011, HKEx believes that many Futures EPs and investors will participate in AHFT and they will monitor the market prices during AHFT for trading or hedging opportunities. This trading participation should help in guarding against market manipulation. In the event that there are any abnormal price deviations, these market participants will consider these as profit opportunities and trade to counter the price deviation.

During the review period (8 April 2013 to 7 October 2013), trading was orderly in T+1 Session and no excessive price movements were observed, the maximum movement of AHFT prices compared to the close of T Session close did not exceed 2.3%.

9. Why would there be a price limit up/down mechanism for AHFT? Would price limit mechanism be introduced in T Session as well?

Response: We believe a price limit will provide some assurance to EPs/CPs that the client margin would not be exhausted by any excessive price movement in the T+1 Session. In general, the minimum clearing house margin for stock index futures is 5% (minimum client margin is about 6%). If the price limit is set at up/down 5%, EPs/CPs might have an additional safeguard in terms of client margin management. After the market opens on the next day and banking services are available, EPs/CPs can handle their clients' margin in the usual way. From clients' point of view, their open positions would not be force-closed out during the T+1 Session due to exhaustion of margin deposit with their brokers.

Major derivatives exchanges also have similar price limit arrangements in their after-hours index futures trading.

The price limit up/down mechanism is as follows.

- a) 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 are allowed in the T+1 Session.
- b) Trading (for all contract months) will be allowed only within the price limit range during the T+1 Session.
- c) The price limit of 5% will be reviewed after implementation.

Trading in T Session would not be subject to this price limit up/down mechanism.

10. Is it compulsory for EPs to participate the AHFT?

Response: It is not compulsory for EPs to participate the AHFT as different EPs may have different considerations such as their clients' trading interest and operational / resources requirements. Whether to participate in AHFT is a business decision for each EP to make on its own. We anticipate that for EPs which are currently offering European or U.S. derivatives trading for their clients, AHFT will be an opportunity to expand their existing business with limited operational impact.

11. What should be done for EPs without night desk operations?

Response: For EPs currently without night desk operations, they may consider the needs of their clients and the potential business prospect and decide whether they will participate or only provide limited services to their clients in after-hours trading. In any event, EPs should ensure that they observe the SFC's Code of Conduct when dealing with clients on all matters in relation to the AHFT.

12. What is the impact to those EPs that decide not to participate?

Response: Those EPs should assess the business opportunities in AHFT and their services to be provided to their clients during the AHFT. If they decide not to participate in AHFT, they need to ensure that their clients are aware that they would not accept clients' orders during and for the T+1 Session. They may face pressure from their clients who would like to participate in T+1 Session and they may run a risk in losing these clients too.

13. What should be done for EPs interested to participate AHFT?

Response: EPs which would like to participate in AHFT should complete and return the [AHFT Participation Registration form](#) and [AHFT Authorized Signatories List](#).

EP should ensure the contact person details on the AHFT participation registration form is kept up-to-date.

14. What would be the clearing arrangement for AHFT?

Response:

i. Clearing of Trades Executed in T+1 Session

Trades executed in the T+1 Session will be registered as the following business day's trades. Together with trades executed in the following business day's T Session, these trades will undergo the standard clearing process during the standard clearing session. With after-hours futures trading, the DCASS services will start at 7:30 a.m. for respective futures products. The existing System Input Cutoff Time will remain unchanged at 6:45 p.m. A new T+1 Clearing Session Cutoff Time will be introduced for Clearing Participants to perform post-trades adjustments for trades and position created during T+1 Session that ends 45 minutes after the close of the T+1 Session (i.e. 11:45 p.m.).

A comparison of time windows for existing and proposed clearing sessions is as follows:

Products	T Clearing Session	T+1 Clearing Session
HSI Futures HHI Futures MHI Futures MCH Futures	7:30 a.m. – 6:45 p.m.	5:15 p.m. – 12:30 p.m.
London Metal Mini Futures		5:15 p.m. – 01:45 a.m.

ii. Position Recording

Positions will be maintained according to clearing dates and separate records are held at all times for T day and T+1 day positions. T day positions will be finalized at System Cutoff Time i.e. 6:45 p.m. and subject to day-end margin calculation. T+1 day positions will be finalized at T+1 Clearing Session Cutoff Time i.e. 11:45 p.m. These T+1 day positions will become T day's opening positions on the following business day, i.e. the T day's positions are made up of positions created during the T Session on that business day plus trades / post-trades executed during the T+1 Session of the previous business day.

15. What would be the risk management arrangement for AHFT?

Response: In the absence of a level of banking support to facilitate intra-day call capability during the T+1 Session similar to that during the T Session, the following additional risk management measures will be implemented to mitigate the counterparty risks associated with AHFT.

i. Perform monitoring of CPs' net capital-based position limit (CBPL) based on both the current market prices and positions at regular intervals during the T+1 Session, supplemented by ad-hoc CBPL monitoring. CPs breaching their CBPL may be requested to reduce their exposure to re-establish compliance with their CBPL and risk being disconnected from the HKEx trading system and closing out action should they fail to comply with such request or further increase their exposure.

ii. A mandatory variation adjustment and margin call to markets (based on the morning Calculated Opening Prices₁) with T+1 Session will be introduced following the market open of each T Session to collect by **12:00 noon** both mark-to-market loss and margin of all positions including that created by trades in T+1 Session. The Calculated Opening Price is the equilibrium market price derived from the price discovery period of thirty minutes before the opening of the morning trading session.

iii. There will be no intra-day variation adjustment or margin call during the T+1 Session.

16. If a set of revised margin rates will take effect on the next business day, would they be applied to today's T+1 session and the mandatory variation adjustment (VA) and margin call at the market open of the next day?

Response: No, the margin rates applied to today's T session will also be applied to today's T+1 Session and the mandatory VA and margin call at the market open of the following day. New margin rates will only take effect from the commencement of trading on the next day.

17. Would there be any additional Risk Parameter Files (RPFs) upon the launch of AHFT for CPs reference?

Response: Upon the launch of AHFT, 2 extra sets of RPFs will be disseminated to CPs for their reference. Please note that these extra RPFs are calculated based on latest market prices and are for CPs' reference only. They may not be equivalent to the RPFs that require actual money settlement.

RPF Dissemination Time	Remarks
Around 4:45 p.m.	Based on the market prices near the close of T Session.
Around 12:15 a.m. on the next Calendar day	Based on the market prices at the close of T+1 Session.

18. Users may experience slow BD6 update in Clearing Trades window during the T+1 Session. What is the reason?

Response: There are batch jobs running during the AHFT hours for the trades executed in T Session, so Participants may experience delay of **BD6** update or in Clearing Trades window. Please refer to BD70 or Company Trades window for immediate update of execution information.

19. Is there any kind of order type allowed in AHT_PRE_MKT_session?

Response: This should be the same as the normal pre-market session, i.e., no new orders can be entered but instead change (not affecting order priority)/cancel T+1 orders are allowed. Since there is no pre-opening session (auction session) for AHFT so no auction order is allowed.

20. Would you provide a time table for trading status for HSI/HHI, MHI/MCH, RMB & London Metal Mini futures during AHFT?

Response: The trading status and their corresponding time during AHFT will follow the time table below:

For HIS/HHI, MHI/MCH, RMB futures

07:30:00 CL_START

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.... (same as existing)

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16:30:00 CLOSE_TODAY

16:32:00 AHT_INACT_T_ORDER

16:34:00 AHT_PRE_MKT_ACT

17:14:00 AHT_NEXT_DAY

17:15:00 AHT_OPEN_PL

23:45:00 AHT_CLOSE

23:44:00 AHT_CLR_INFO

00:29:00 AHT_CLR_INFO

00:30:00 CL_CLOSE

For London Metal Mini futures

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16:30:00 CLOSE_TODAY_E

16:32:00 AHT_INACT_T_ORDER

16:34:00 AHT_PRE_MKT_ACT

17:14:00 AHT_NEXT_DAY

17:15:00 AHT_OPEN_PL

01:00:00 AHT_CLOSE

01:44:00 AHT_CLR_INFO

01:45:00 CL_CLOSE