



HKEx Annual Media Luncheon

HKEx Group Strategic Plan 2013-2015

15 January 2013



Agenda

1 HKEx in Retrospect

2 HKEx Group Strategic Plan 2013-2015

3 Conclusion

Strategic Plan 2010-2012: Vision & Mission Then



Vision

To position HKEx as the China exchange of choice for our global investors and issuers and the international exchange of choice for our Greater China issuers and investors



Mission

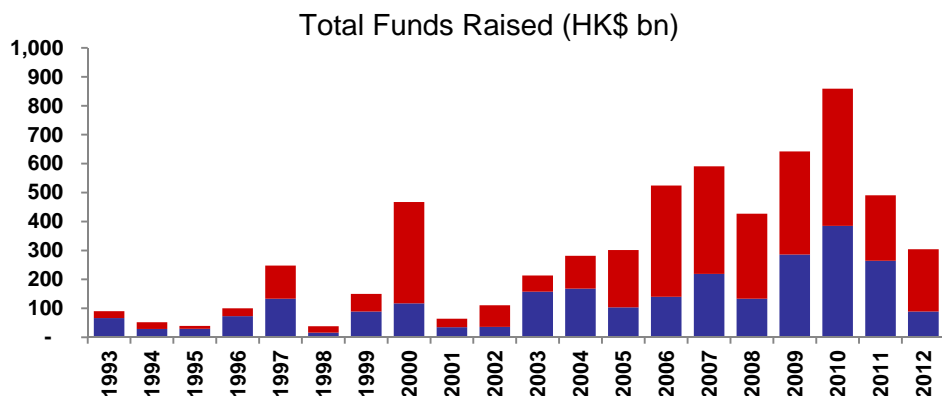
To create and operate active international public financial markets in Hong Kong

Why China?

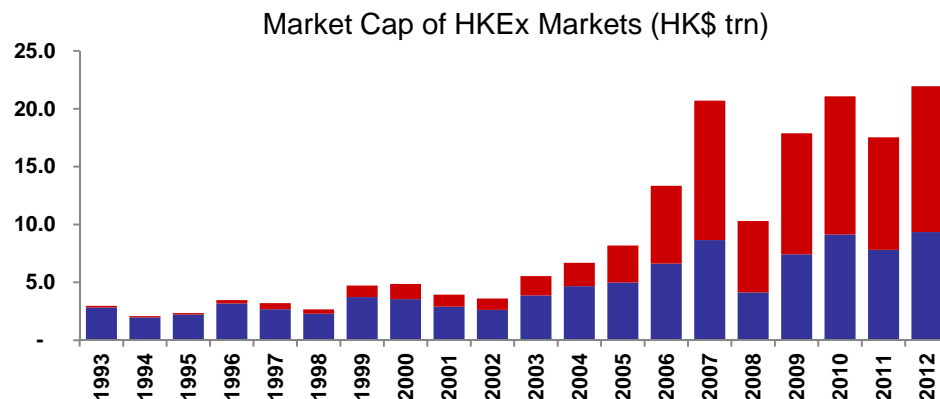
The Opening of China Has Positioned HKEx on a Path from a Regional Player to a True Global Leader



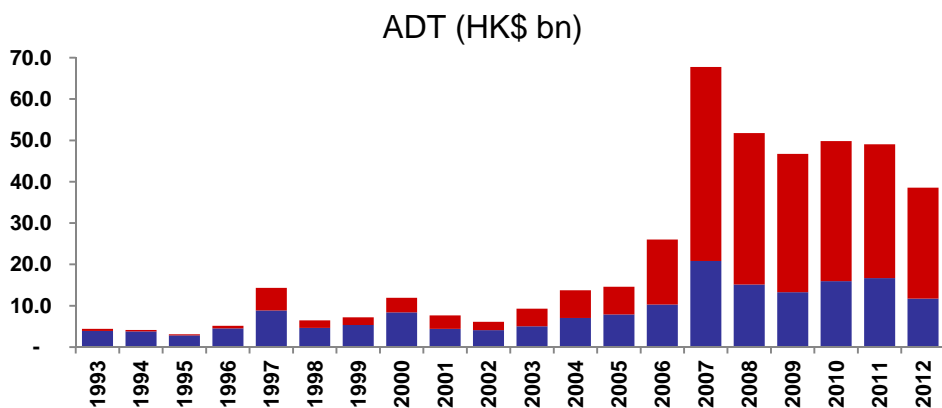
A Fund Raising Story



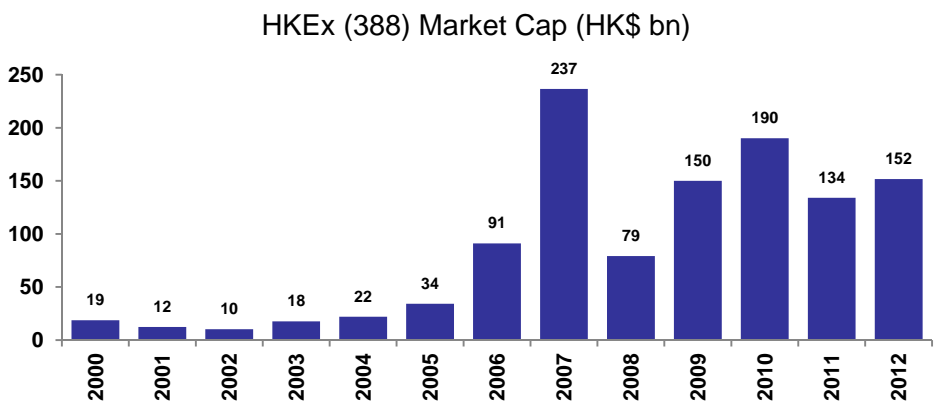
Tremendous Growth of Market Cap



ADT Driven Growth for HKEx



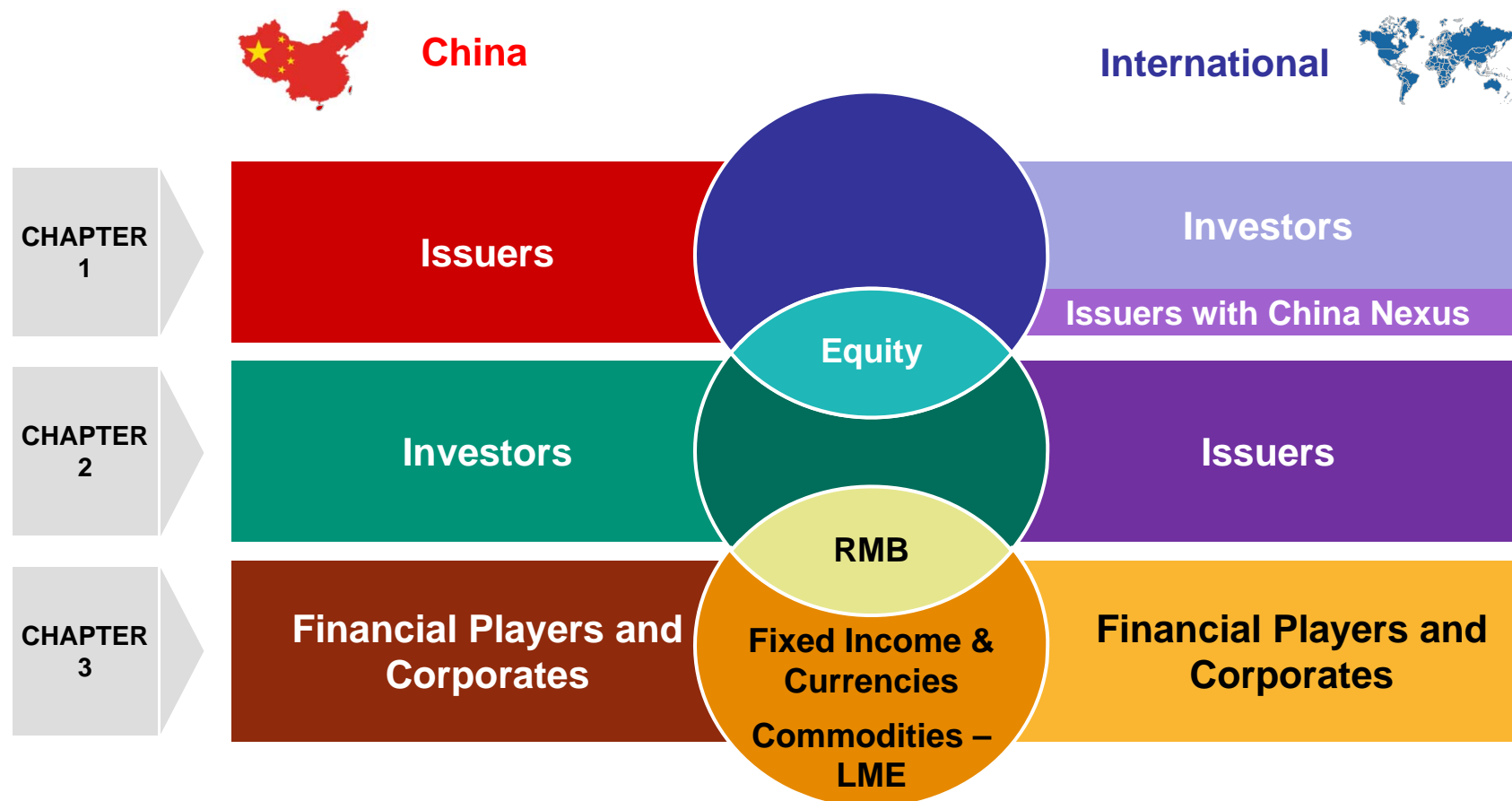
HKEx: A Global Leader



■ Non-China ■ China

Why Have We Succeeded?

Because We Have Provided China with the Right Value Proposition at the Right Time



Key Difference:

Chapter 1 – Money inflow to China (Capital Import)

Chapter 2 & 3 – Money flows out of China (Capital Export)

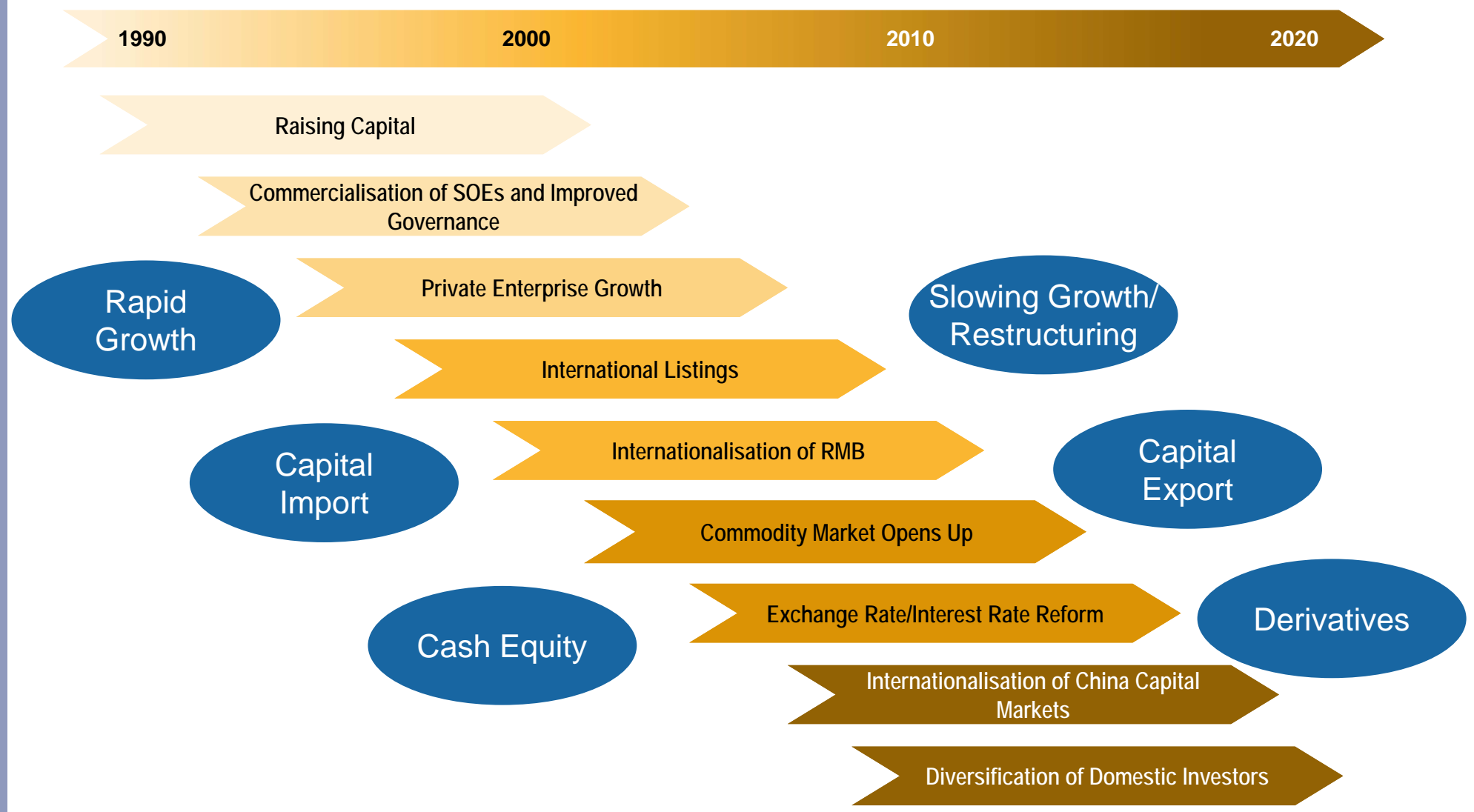
Strategic Plan 2010-2012: What Have We Achieved?



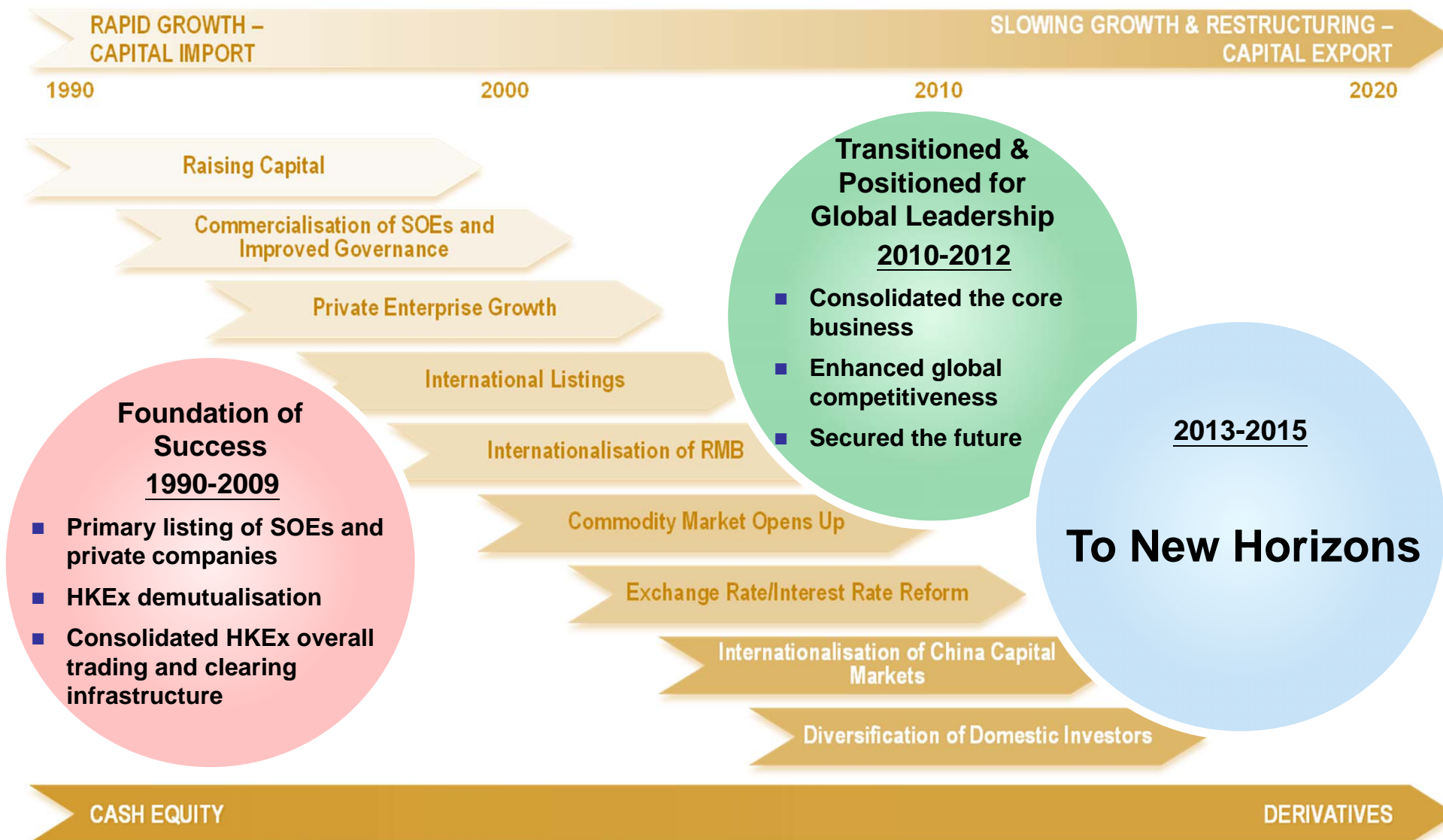
Key Themes	Milestone Achieved		Tasks to Be Considered Over Time
<p>Grow the Core Business</p>	<ul style="list-style-type: none"> ✓ No. 1 IPO in 2010-11 ✓ International Listings ✓ Streamline Listing Process 	<ul style="list-style-type: none"> ✓ No. 1 in Structured Products Turnover ✓ Growth in Stock Options 	<ul style="list-style-type: none"> ■ Position Limit
<p>Enhance Global Competitiveness</p>	<ul style="list-style-type: none"> ✓ AMS/3.8 ✓ TKO Data Centre ✓ Launch Orion Platform ✓ Hosting Services ✓ Risk Management Reform 	<ul style="list-style-type: none"> ✓ New Trading Hours ✓ T+2 Finality ✓ After-hours Futures Trading 	<ul style="list-style-type: none"> ■ Further Market Micro Structure Reform ■ Next Gen Systems
<p>Asset Class & Geographic Expansion</p>	<ul style="list-style-type: none"> ✓ RMB Infrastructure ✓ RMB Products (IPOs, Equity Add-on's, ETFs, Futures) ✓ Acquisition of the LME 	<ul style="list-style-type: none"> ✓ Market Data WOFE ✓ CESC⁽¹⁾ JV ✓ OTC Clearing ✓ BRICS Alliance 	<ul style="list-style-type: none"> ■ Mutual Market Access with Mainland

SP 2010-2012 laid the foundation for transformation under SP 2013-2015

How Does the Past Lead to the Future?



Past Glory to Future New Horizons





Strategic Plan 2013-2015



Group Strategic Vision and Mission for 2013-2015

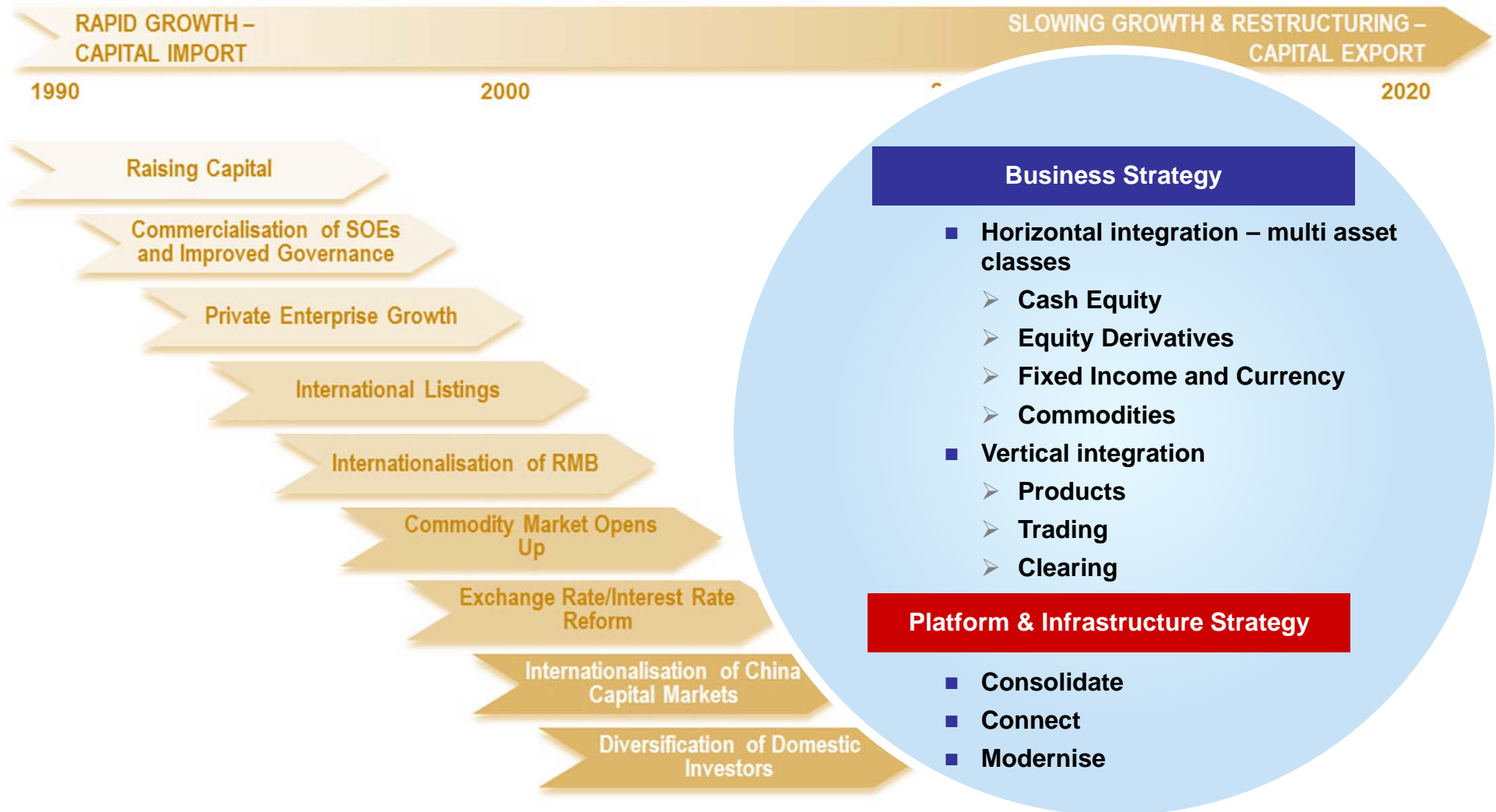
Vision

*To build HKEx into a leading global vertically-integrated multi-asset class exchange...
...and prepare ourselves for the managed but accelerating opening of China's capital account*

Mission

Aim to be the Global Exchange of Choice for our China clients and our international clients seeking China exposure

HKEx Strategic Plan 2013-2015 – Leverage China's Capital Account Opening and Aim for Global Leadership



Strategic Focus 2013-2015: Mutual Market Access with China + Global Leadership

Leverage LME as a Catalyst to Facilitate an Accelerated Capital Account Opening — Explore the Right Model



- Domestic investor's strong need to diversify
- Desire internationalisation

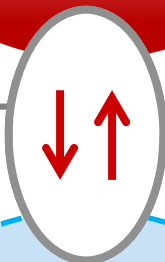
Equity
RMB 31trn

- Already open
- Need offshore investment products

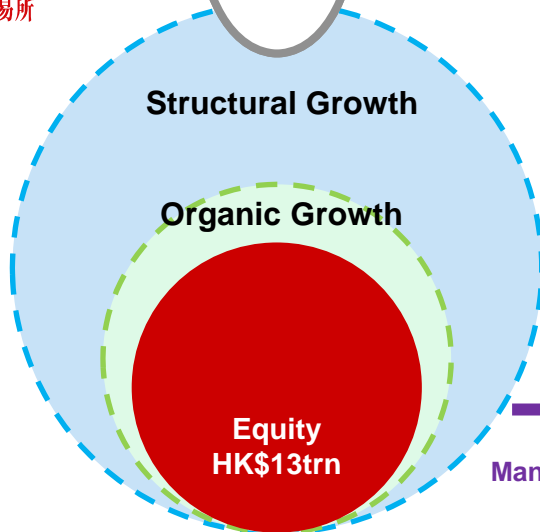
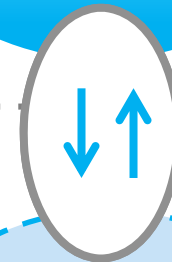
FIC
RMB 258trn

- Strong user demand for greater integration
- Risk management needs of the real economy
- Project China to global pricing power

Commodities
RMB 95trn



New Outflow of RMB



Explore the right model



Structural Growth

FIC⁽¹⁾
RMB 571bn

Risk Management



Structural Growth

Organic Growth

LME
US\$14trn⁽²⁾

Risk Management

Will benefit from natural outflow of RMB

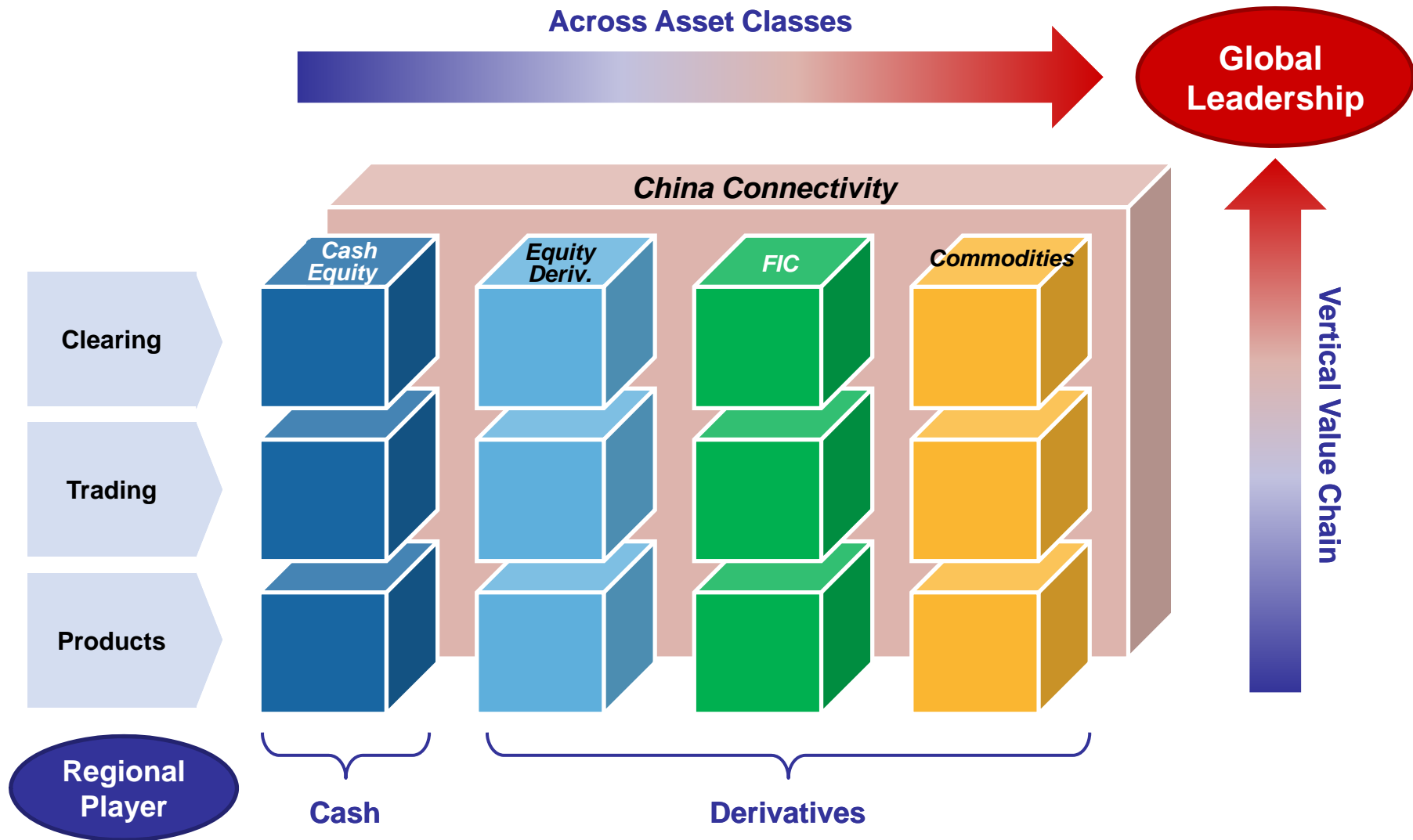
Explore the right model

Note:

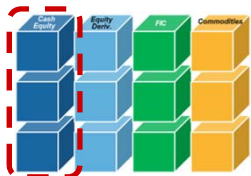
(1) FIC HK refers to RMB deposit offshore as of Nov 2012.

(2) 2012 figure (up to 6 December 2012)

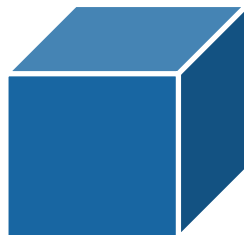
Global Leadership: Horizontal Asset Classes + Full Vertical Integration



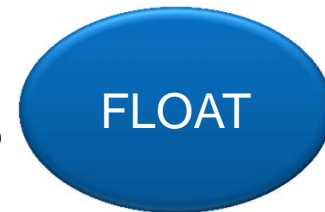
Cash Equity – Mature Business with Potential Structural Uplift from Mainland’s Opening Up...



Clearing



- Scripless
- IOSCO compliance
- Cross-border clearing infrastructure through partnership with Mainland



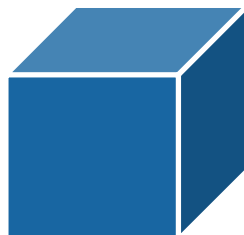
Trading



- Expand RMB trading
- Microstructure reform
- Mutual market access via partnership with Mainland counterparties



Products

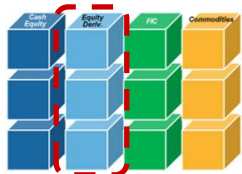


- Continued China listings
 - B share to H share conversion
 - Easing of offshore listings by Mainland regulator
- International listings
- RQFII ETFs and cross-market ETFs

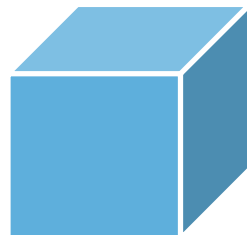


... through partnership with Mainland counterparties for mutual market access programme

Equity Derivatives – One-stop Shop for Chinese Investors

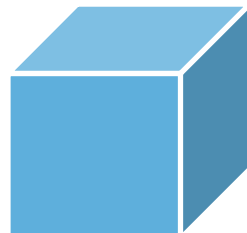


Clearing



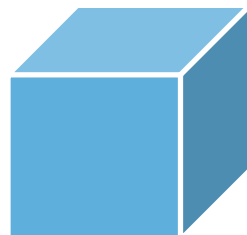
- Potential OTC Clearing of equity derivatives
- Unification of Clearing Houses

Trading



- After-hours futures trading
- Stock options revamp / position limits

Products

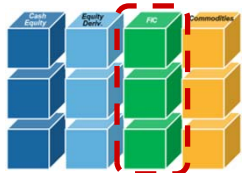


- New products based on indices developed by Mainland JV (CESC)
- BRICS Alliance – Phase II

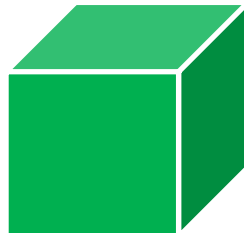


Maintain significant advantage through product innovation

Fixed Income and Currency – Leveraging RMB Internationalisation



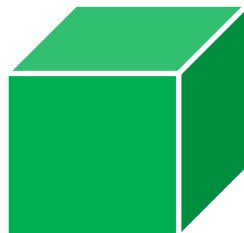
Clearing



- OTC Clearing
 - IRS/NDS
 - NDFs
 - Other local and regional products
 - Founding members programme – in progress



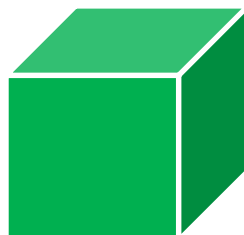
Trading



- Leverage HKFE platform and membership base



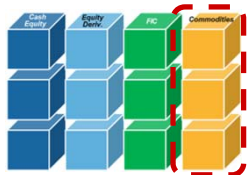
Products



- RMB derivatives product suite
 - Broader range of RMB currency futures
 - Bond index
 - RQFII ETFs on bonds

RMB internationalisation and new development in global regulations as key drivers

Commodities – LME Allows Us to Leapfrog into This Asset Class



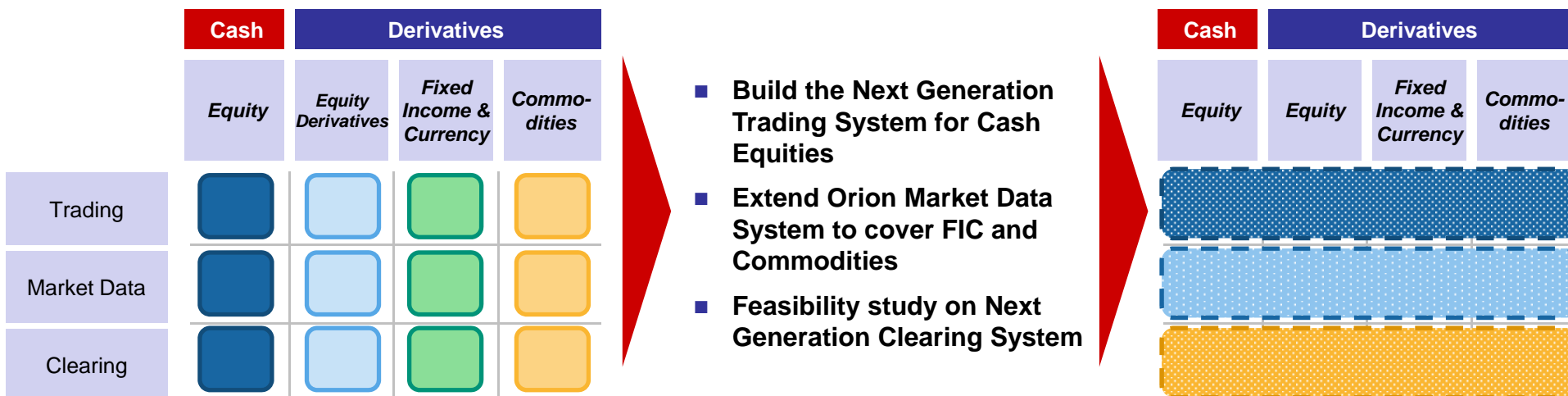
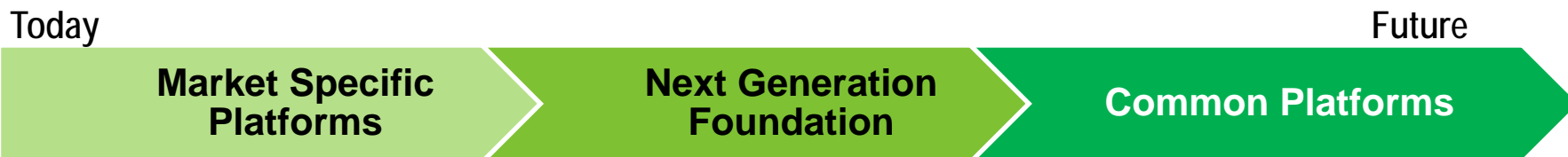
<p>Clearing</p>		<ul style="list-style-type: none"> ■ Self Clear ■ Asia time zone clearing ■ OTC clearing ■ Mainland connectivity 	
<p>Trading</p>		<ul style="list-style-type: none"> ■ Asia time zone price discovery ■ Electronic trading ■ Trade Repository ■ Attract Asian participants ■ On-shore warehouses ■ Mutual market access via partnership with Mainland 	
<p>Products</p>		<ul style="list-style-type: none"> ■ Base metals ■ RMB commodities products ■ Commodities index ■ Other metals ■ Other commodities <ul style="list-style-type: none"> ➢ Agriculture ➢ Energy ➢ Soft 	

Significantly increases Hong Kong's relevance to China

Strategic Plan 2013-2015 – Platform and Infrastructure Strategy



Platform Strategy – Transitioning to Cross-Asset Common Platforms



Note: Conceptual illustration only.

Existing platforms

Next Generation platforms

- Vertical silos from historical legacy
- Vendor dependent support

- “Seed” best of breed technology in certain asset classes
- Prepare for extending the platform to other asset classes

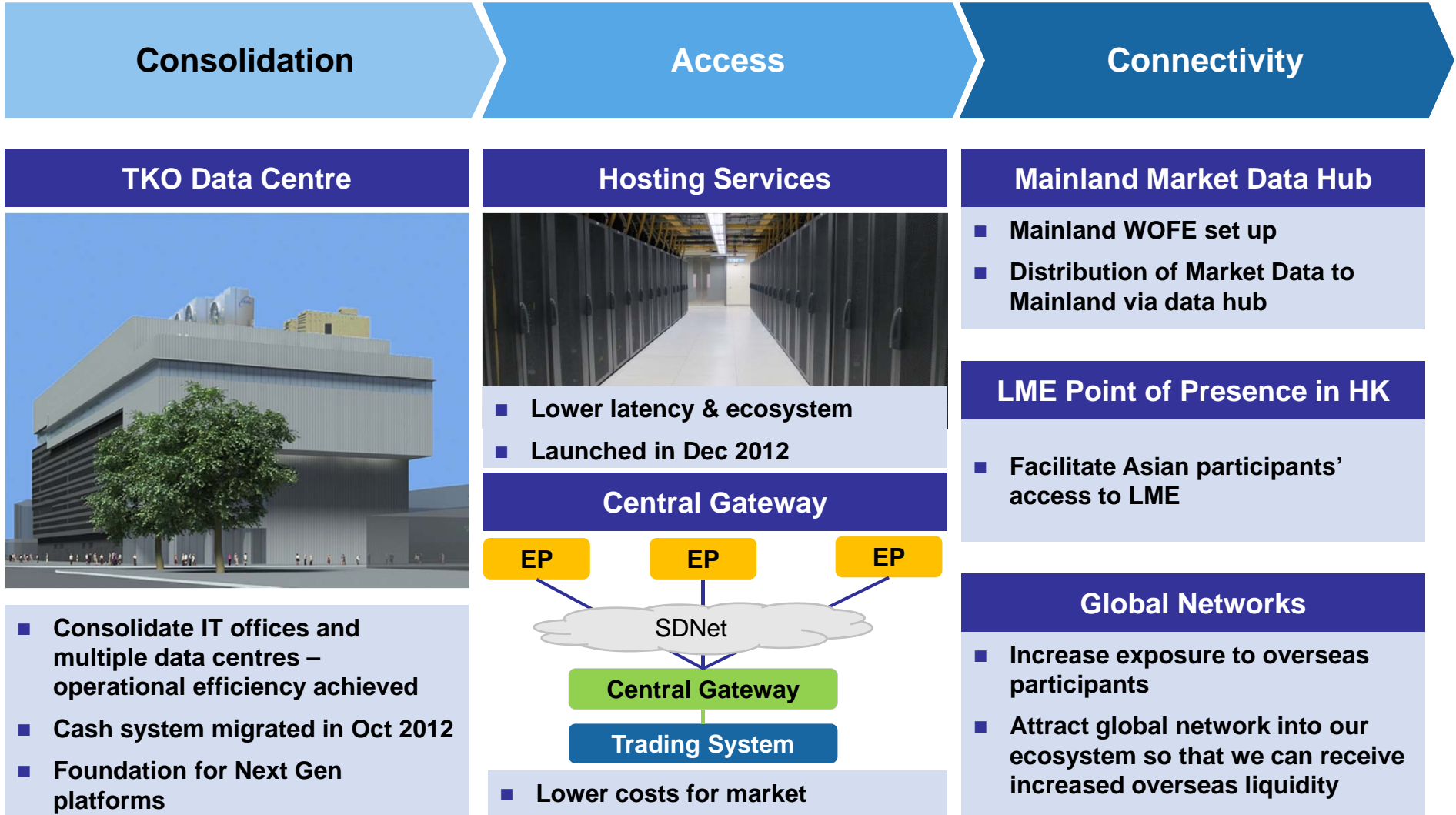
- Cross-asset class platforms
- Fewer vendors
- Horizontal deployment – synergy
- In-house support capability

Infrastructure Strategy



Today

Future

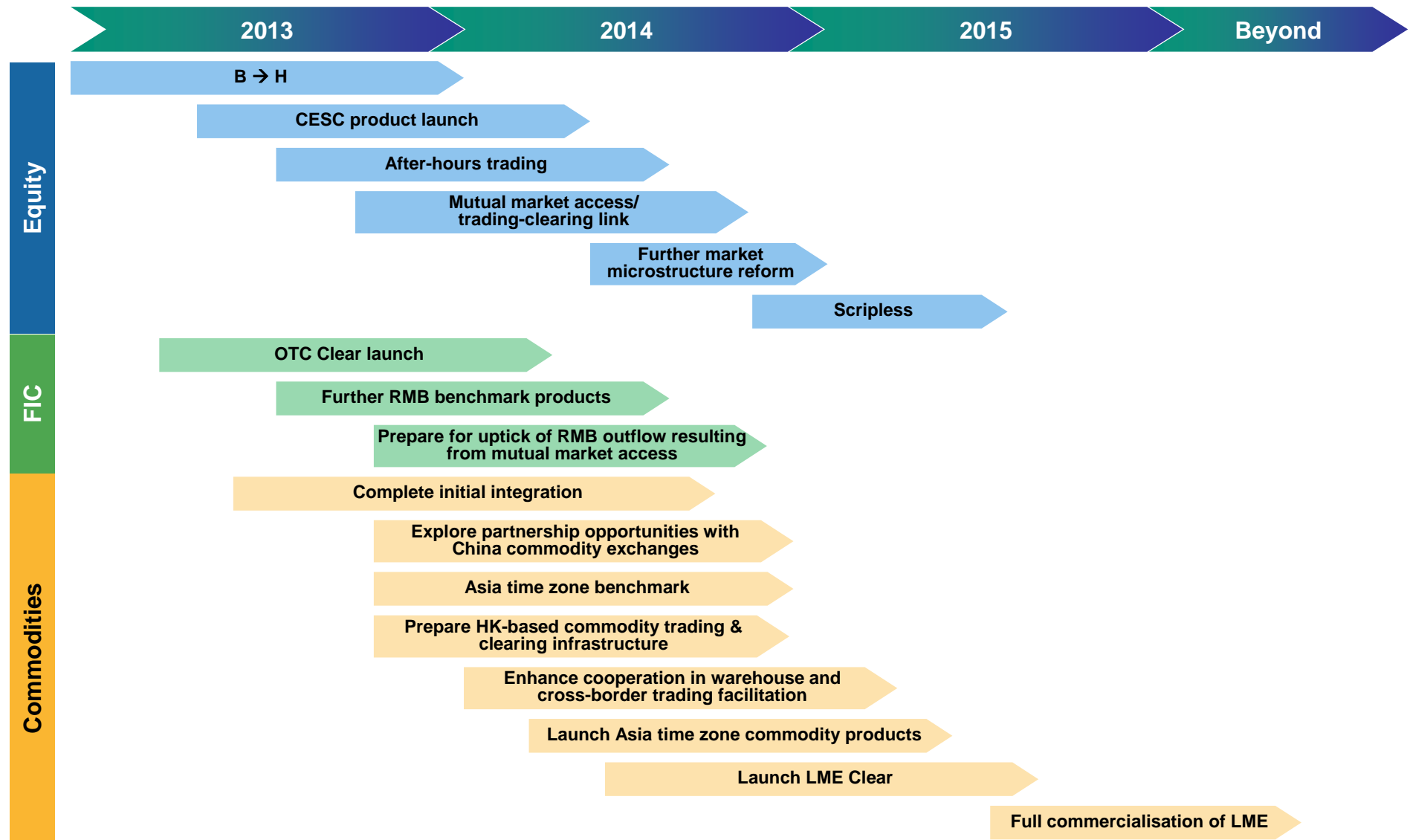




HKEX
香港交易所

Conclusion

Preliminary Timeline – It is a Plan; It will Take Time; Timing will be Uncertain



Conclusion on Strategic Plan 2013-2015

Strategic Vision:

To build HKEx into a leading global vertically-integrated multi-asset class exchange

Foundation:

Continuing growth of HKEx's core business

Opportunity:

Managed but accelerating opening of China's capital account

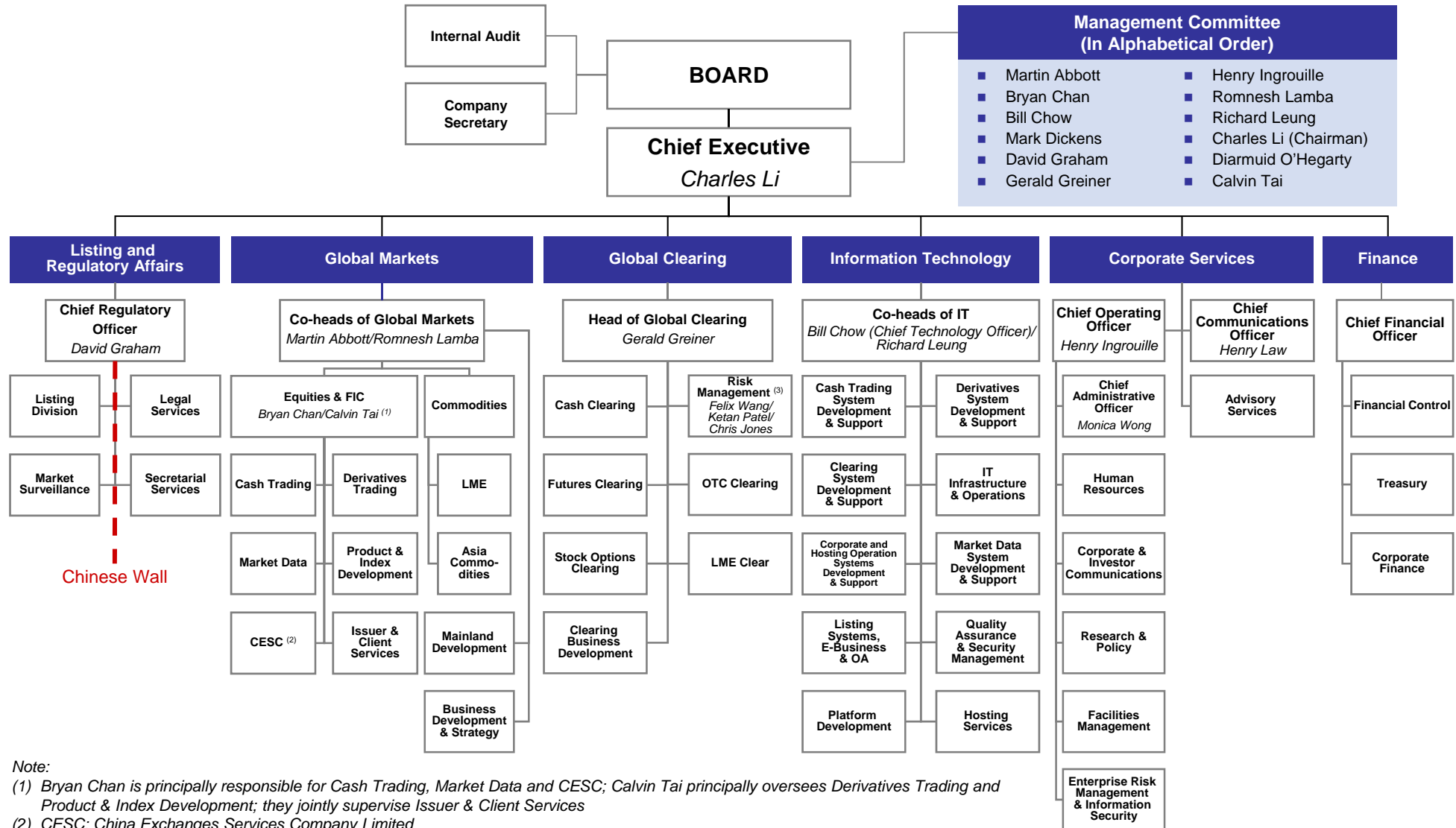
Key Catalyst:

The acquisition of the LME

Mutual Market Access + Global Leadership



HKEx Group Organisation Structure



Note:

- (1) Bryan Chan is principally responsible for Cash Trading, Market Data and CESC; Calvin Tai principally oversees Derivatives Trading and Product & Index Development; they jointly supervise Issuer & Client Services
- (2) CESC: China Exchanges Services Company Limited
- (3) Co-heads of Clearing Risk Management will report to HKEx's Chief Executive directly on material risk matters

LME Current Organisation Structure

