



CES China 120 Index Futures

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7 August 2013

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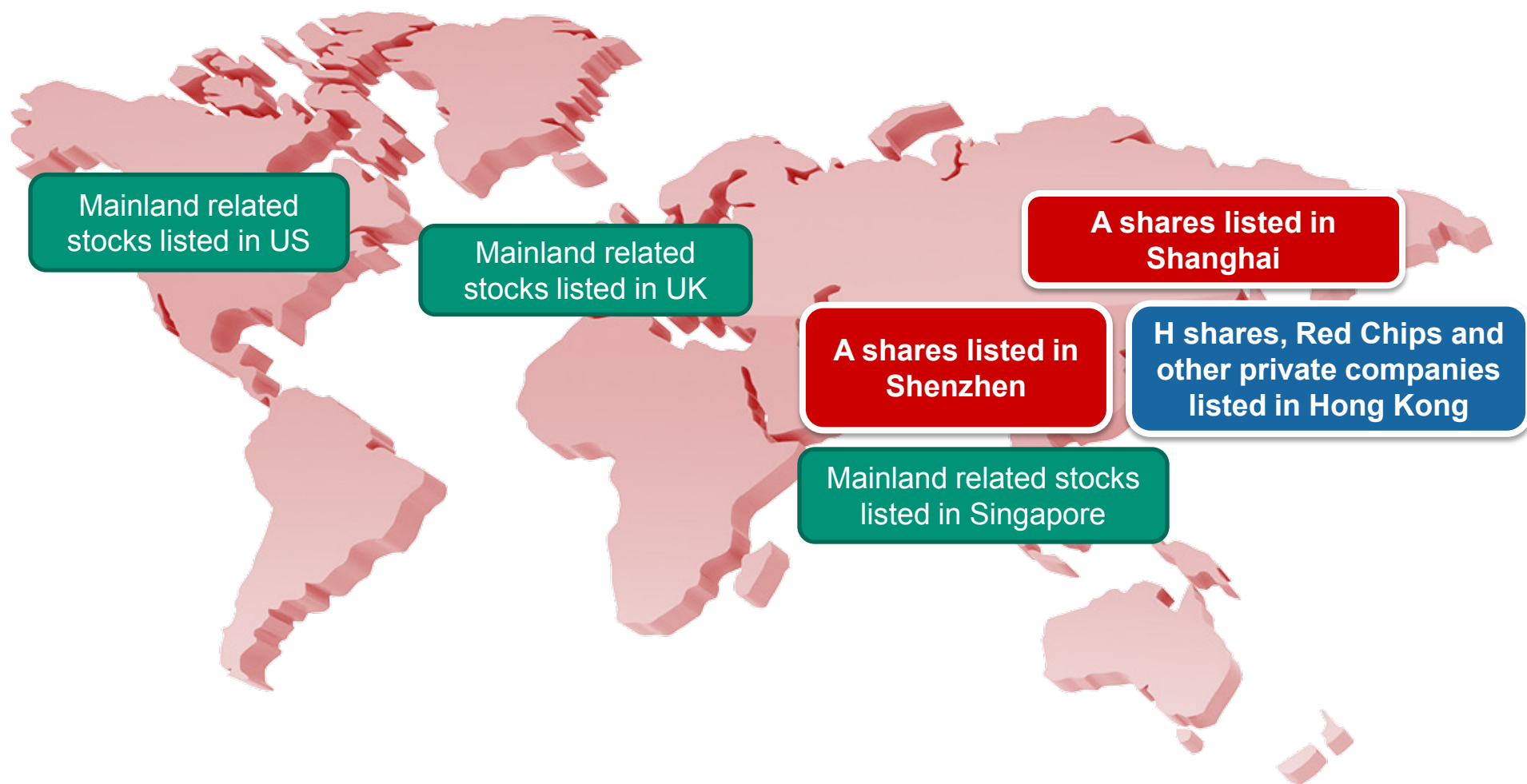
Executive Summary

- World's first single exchange-listed futures to provide simultaneous exposure to leading China stocks from Mainland and HK markets
- A total solution for managing Mainland and HK cross-border exposure
- Exposure to A shares, H shares, Red Chips and P Chips*
- CES China 120 Futures will start trading on **12 August 2013**

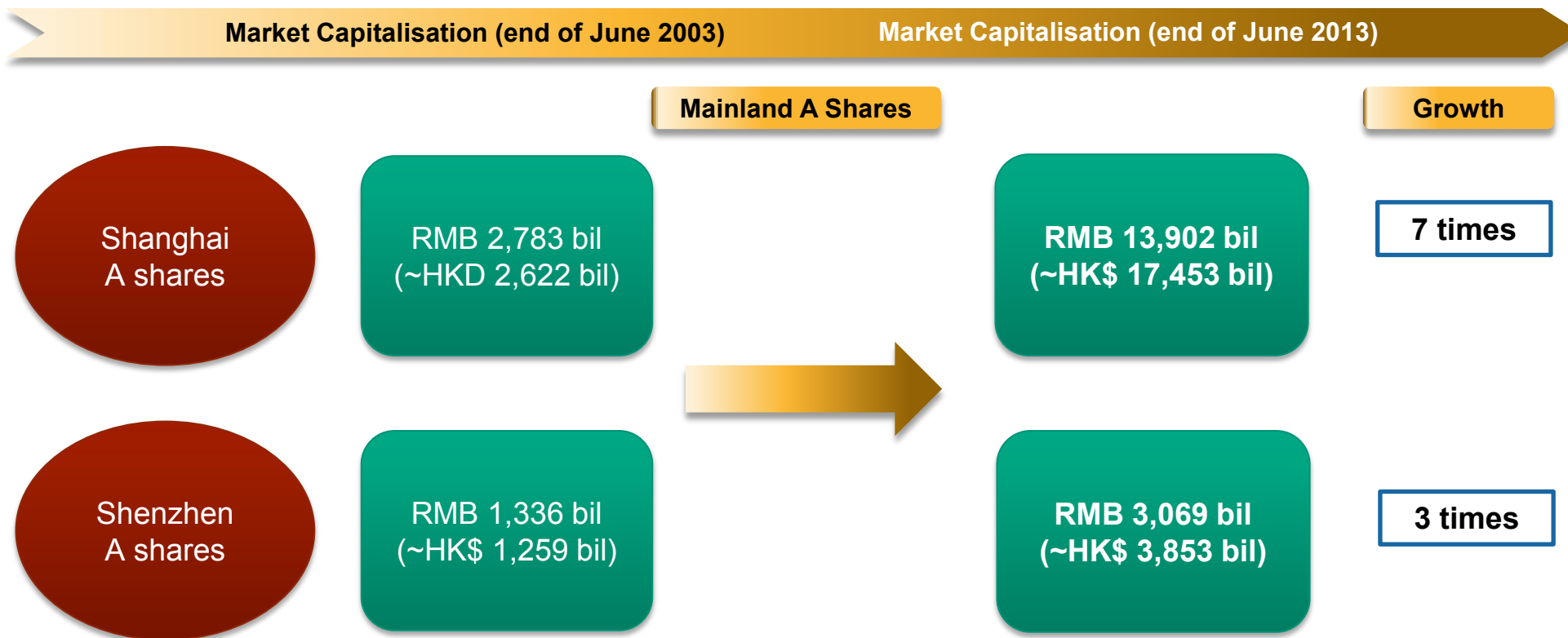
*Shares of private enterprises from the Mainland that are incorporated elsewhere and listed in Hong Kong

2 Expand Derivatives Product Suite

China Enterprises Listing Distribution

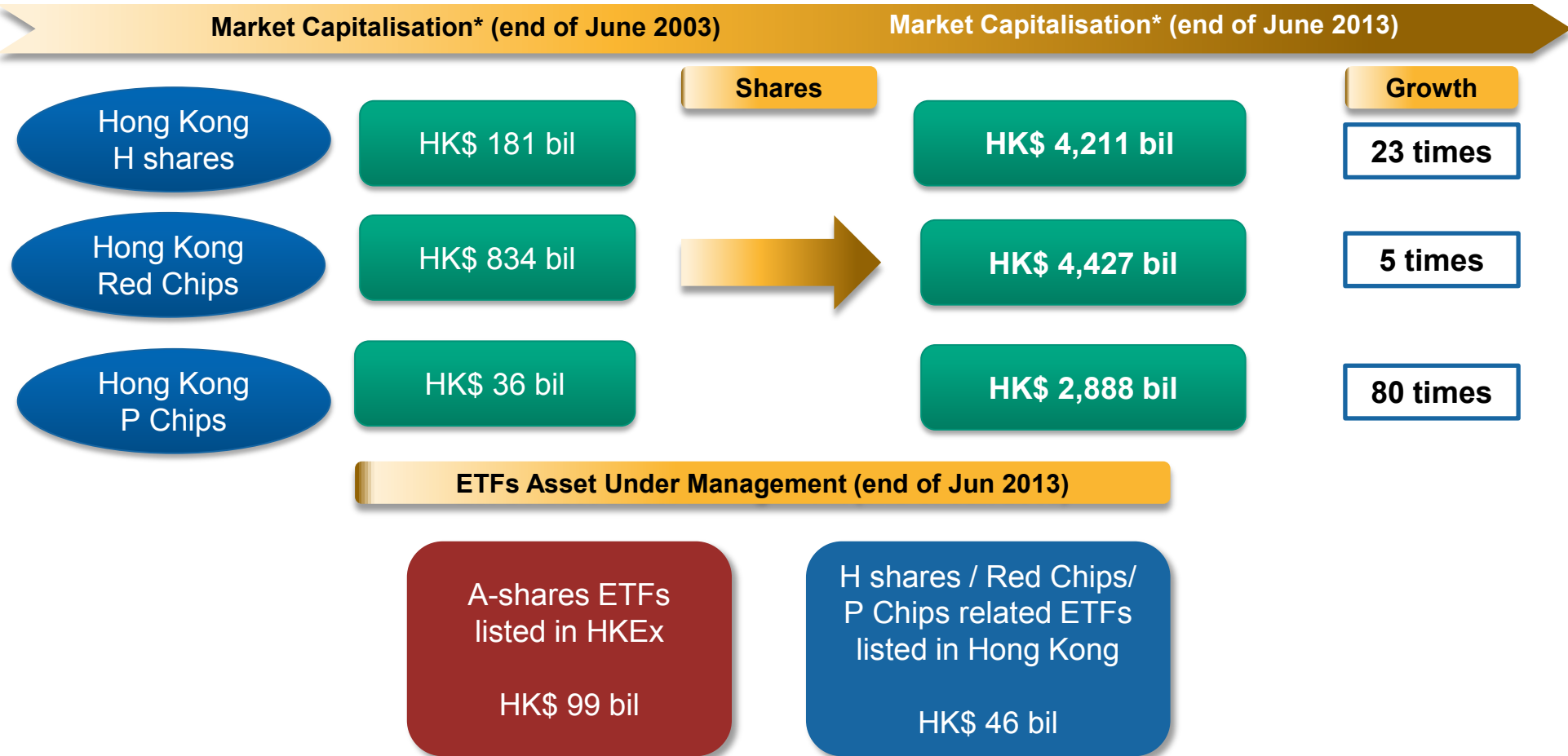


Growth of Mainland Market Capitalisation



Significant growth of market capitalisation in Mainland market

Cross Border Exposure in HKEx



Exposure to cross-border China related stocks can be easily gained in HKEx

*HK market cap is for Main Board shares only

Derivatives Products Covering China Enterprises

Hang Seng Index Futures and Options

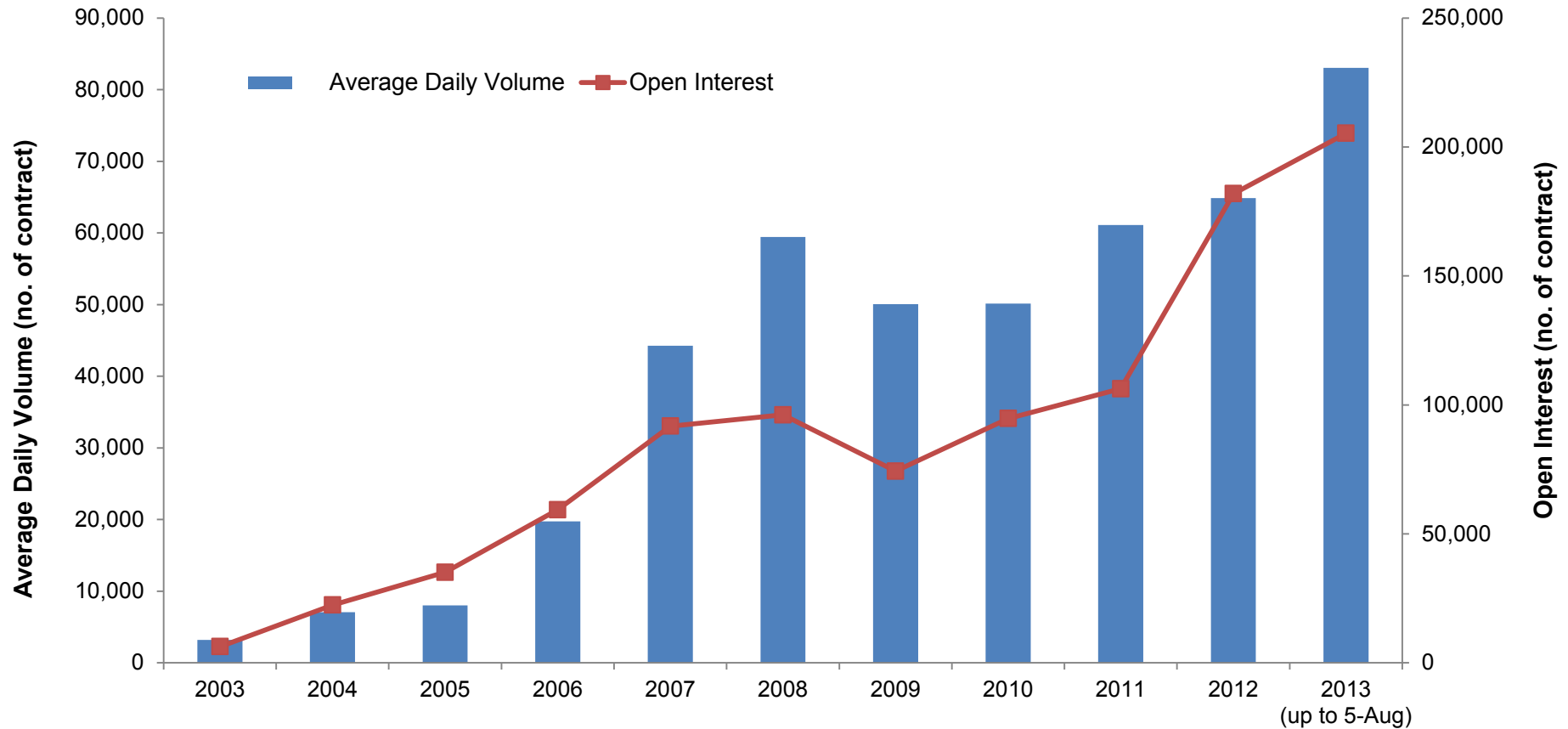
H-shares Index Futures and Options

Single Stock Options
(Including A-shares ETF Options)

Single Stock Futures
(Including A-shares ETF Futures)

Cross Border Exposure in HKEx

H-shares Index Futures Turnover and Open Interest

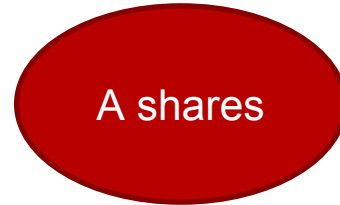


The market demand on China exposure was not affected by the weakening market

Expand Derivatives Product Suite

CES China 120 Index Futures

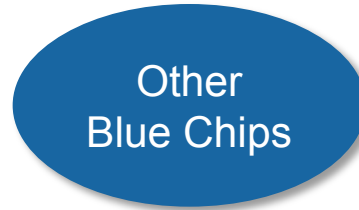
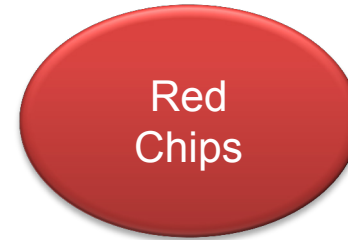
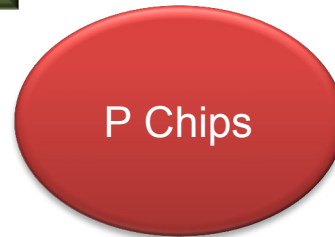
Mainland
China



Hong Kong

Hang Seng Index Futures

H-shares Index Futures



Expands HKEx product suite with China underlying stocks

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Product Highlights

Product Highlights



Item	Contract Terms
Underlying Index	CES China 120 Index (CES 120)
Contract Value	HK\$ 50 x 3,720 points* = HK\$ 186,000
Minimum Fluctuation	0.5 index point
Contract Months	Spot month, the next calendar month and the next two calendar quarter months

*CES 120 Index as of 1 August 2013

Product Highlights



Item	Contract Terms
Last Trading Day	Second last business day (Last Trading Day will be the previous HK and Mainland business day if it falls on a Mainland public holiday)
Final Settlement Price	Average of the values of CES 120 taken at 5 minute intervals from 1:00 pm up to 3:00 pm on the Last Trading Day
Exchange Fee	HK\$ 10.00
Commission Levy	HK\$ 0.60 (Exempted for the first 6 months)
Client Initial Margin	HK\$ 12,000 (~6.5% of contract value)

Benefits at a Glance



- ✓ Only exchange-traded futures on China and Hong Kong stock markets
- ✓ Easy access to A-shares exposure
- ✓ HKD denominated – Convenient for both institutional and retail investors
- ✓ Cost effective way to replicate Mainland portfolio (~15x leverage)
- ✓ Bid-ask quotes provided by Liquidity Providers

Liquidity Provider (LP) Programme

LPs	LP Requirements
<ul style="list-style-type: none">• IMC Asia Pacific Ltd• Newedge Financial Hong Kong Ltd• Optiver Trading Hong Kong Ltd	<ul style="list-style-type: none">• Continuous 2 way prices for 2 nearest months• Maximum bid-ask spread of 0.5% of bid• Minimum quote size is 5 contracts

Liquidity Providers offer continuous two way prices to facilitate trading

Risks of Trading Futures

Futures involve a high degree of risk. Losses from futures trading can exceed your initial margin funds and you may be required to pay additional margin funds on short notice. Failure to do so may result in your position being liquidated and you being liable for any resulting deficit. You must therefore understand the risks of trading in futures and should assess whether they are right for you. You are encouraged to consult a broker or financial adviser on your suitability for futures trading in light of your financial positions and investment objectives before trading.

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4 **Appendixes**

Underlying Index Analysis

Constituents of CES 120 Index comprise:

A shares listed in
Shanghai or Shenzhen
Stock Exchanges
(Eg, China Vanke,
Industrial Bank)

H shares listed at HKEx
(Eg, CCB, PetroChina)

Red Chips listed at HKEx
(Eg, China Mobile,
CNOOC)

Other Mainland
enterprises listed at
HKEx
(Eg, Hengan, Tencent)

Underlying Index Analysis

Type	Definition
A shares	Issued by companies incorporated in Mainland China Listed on the Mainland A-share markets (Shanghai and Shenzhen) and traded in RMB
H shares	Issued by companies incorporated in Mainland China Listed at HKEx
Red Chips	Issued by Mainland enterprises incorporated outside Mainland China and controlled by Mainland government entities through direct or indirect shareholding and/or representation on the board Listed at HKEx
Other Mainland enterprises listed at HKEx	Issued by privately controlled Mainland enterprises incorporated outside Mainland China Listed at HKEx

Correlation: CES 120 vs. HSI & H-shares Index Futures



Correlation between CES 120 Index, HSI futures and H-shares Index Futures

3 Years [^]	CES120 Index	HSI Futures*	H-shares Index Futures*
CES 120 Index	1.00		
HSI Futures*	0.79	1.00	
H-shares Index Futures*	0.97	0.84	1.00

1 Year [^]	CES 120 Index	HSI Futures*	H-shares Index Futures*
CES 120 Index	1.00		
HSI Futures*	0.87	1.00	
H-shares Index Futures*	0.95	0.92	1.00

Correlation of CES 120 Index Futures to H-shares Index Futures is expected to be closer than that to HSI Futures.

Data Source: Bloomberg

*Spot Contract

[^]1-Year Period: Aug 2012 to Jul 2013, 3-Year Period: Aug 2010 to Jul 2013

Margin Levels*



Product	Contract Value (HK\$)	Margin Level (HK\$)	% to Notional Value
CES China 120 Index Futures	186,000	12,000	6.5%

Existing Products

Product	Contract Value (HK\$)	Margin Level (HK\$)	% to Notional Value
Hang Seng Index Futures	1,104,400	82,150	7.4%
H-shares Index Futures	486,150	36,600	7.5%

Margin requirement of CES 120 Futures in terms of % to notional value is similar to existing products

*As of 1 August 2013

Position Limits



Item	CES China 120 Index Futures	Hang Seng Index Futures	H-shares Index Futures
Contract Value (HK\$) as of 1 August 2013	186,000	1,104,400	486,150
Position Limit	30,000	10,000	12,000
CES 120 Futures Notional Value -Adjusted Position Limit	30,000	59,376	31,365