



# 2014 HKEx Group Annual Media Luncheon

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**Chief Executive**  
**4 March 2014**



# Key Themes Today



**1** 2010 – 2013: What have we achieved?

**2** Looking forward, how do we grow and entrench Hong Kong as an IFC?

**3** How do we keep our market infrastructure competitive in an evolving environment?



**1**

**2010 – 2013: What have we achieved?**

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# March 2010 Recap:

## *A Phased but Integrated Strategic Plan*

1. 2010 – 2013: What have we achieved?

### Core Strategy

- New listings
- Growth of core markets and products

### Extension Strategy

*2010-2012*

- Preserve position through IT investments
- Prepare by advocating market changes and introducing new products

### Expansion Strategy

*2013-2015*

- Add new asset classes
- Build RMB franchise
- Welcome Mainland investors

# 2010 – 2013: What Have We Achieved?

1. 2010 – 2013: What have we achieved?

## Business

**Core Business**

**Mutual Market Access**

**New Asset Classes**

## Platform & Market Structure

**Data Centre & Hosting Services**

**Platform Rollout**

**Market Structure Reform**

# 2010 – 2013: What Have We Achieved?

## Business

1. 2010 – 2013: What have we achieved?

### Core Business

- International listings
- ETFs & RMB products
- After-hours futures trading & stock options revamp

### Mutual Market Access

- RMB readiness
- CESC JV
- Mainland Market Data Hub

### New Asset Classes

- LME
- OTC Clear

***Established building blocks for future growth***

# 2010 – 2013: What Have We Achieved?

## Platform & Market Structure

1. 2010 – 2013: What have we achieved?

### Data Centre & Hosting Services

- Next Generation Data Centre
- Hosting Services
- Mainland Market Data Hub

### Platform Rollout

- AMS/3.8 for cash trading
- Genium for derivatives trading
- Orion Market Data (OMD)
- SDNet/2.0

### Market Structure Reform

- Listing policy changes
- Extension of trading hours
- Risk Management Reform
- Scripless (underway)

**Major investment with more to do on market structure**



2

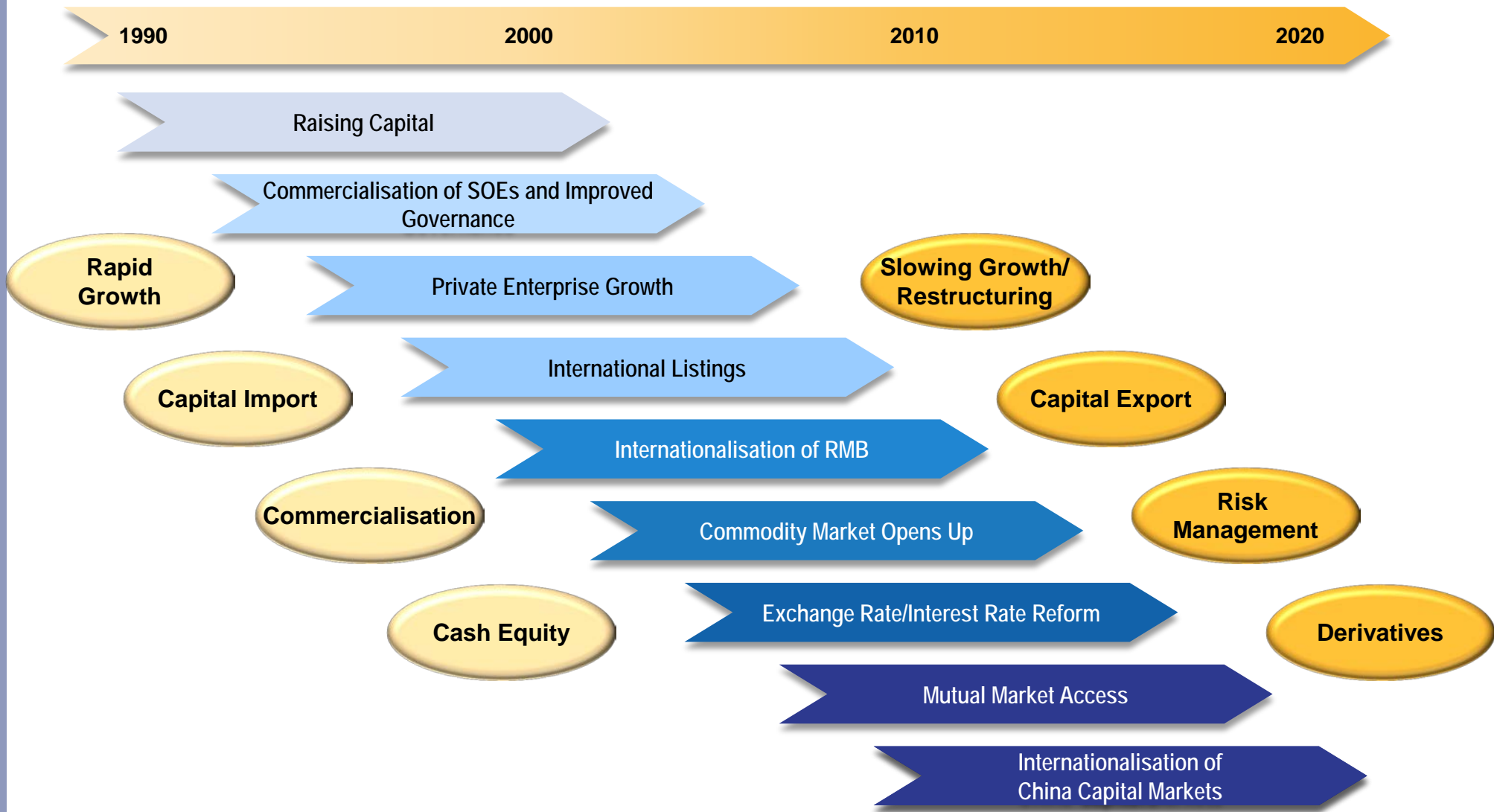
**Looking forward, how do we grow and entrench Hong Kong as an IFC?**

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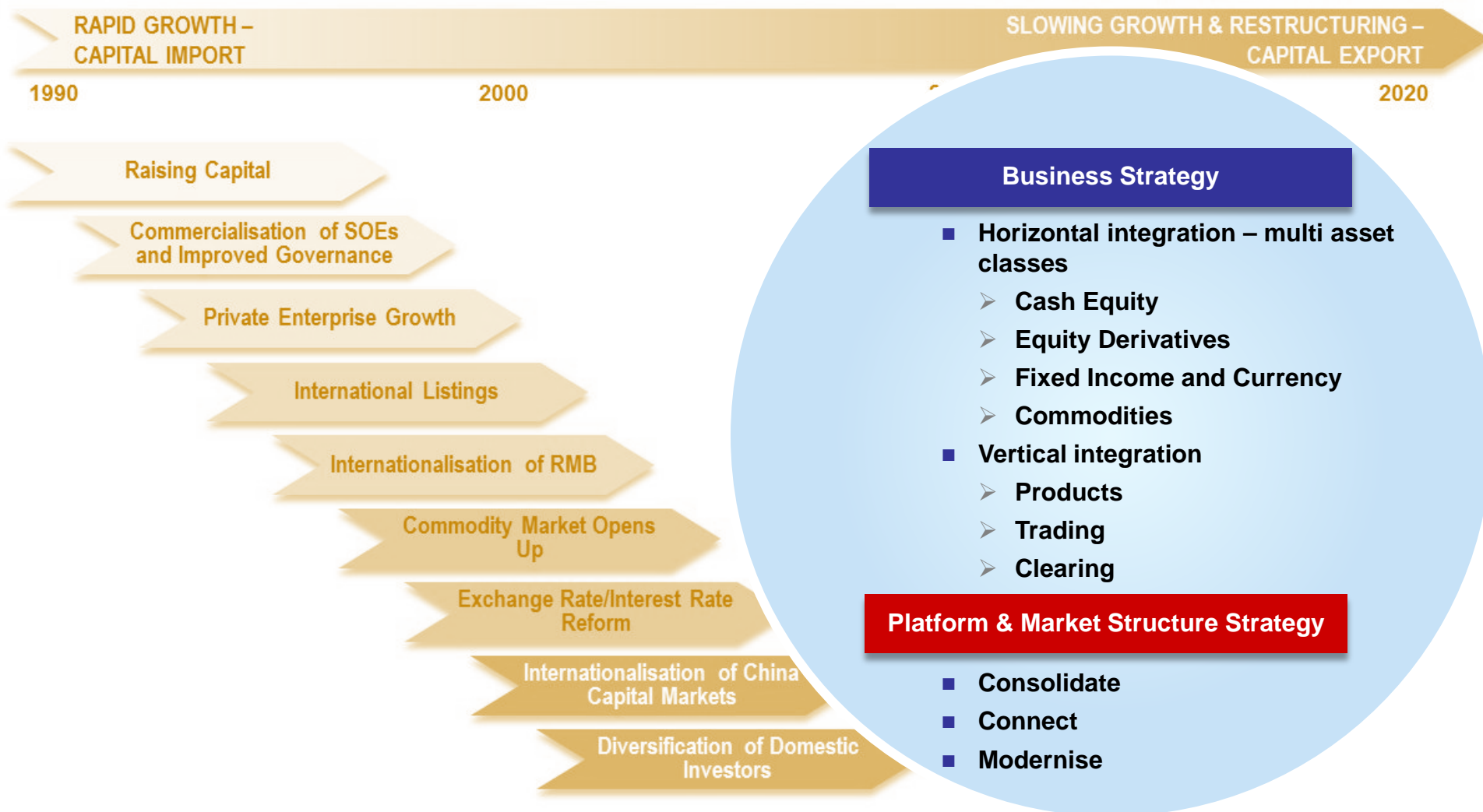
# Evolution of China's Growth Story

2. How do we grow and entrench Hong Kong as an IFC?



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

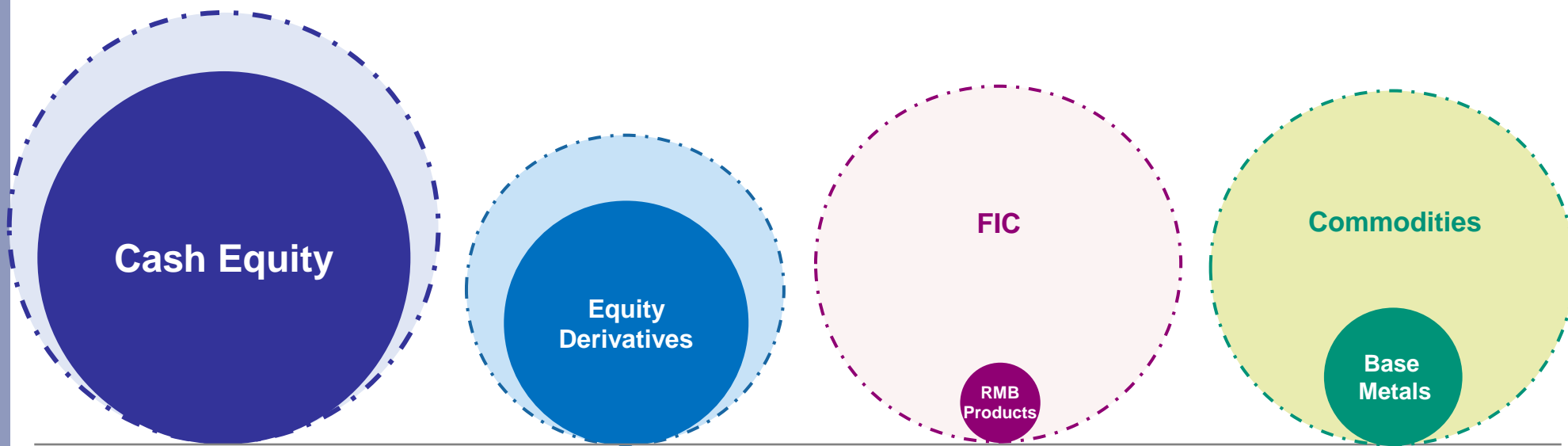
2. How do we grow and entrench Hong Kong as an IFC?



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

# Growth Drivers Across Asset Classes

2. How do we grow and entrench Hong Kong as an IFC?



- Continued organic growth – limited upside
- Structural upside – mutual market access

- Further product expansion
- Significant upside depends on mutual market access

- Beginning of a long march
- Cooperation with China is critical to success

- Already global leader in base metals
- Commercialise LME and roll-out LME Clear and Hong Kong commodities platform

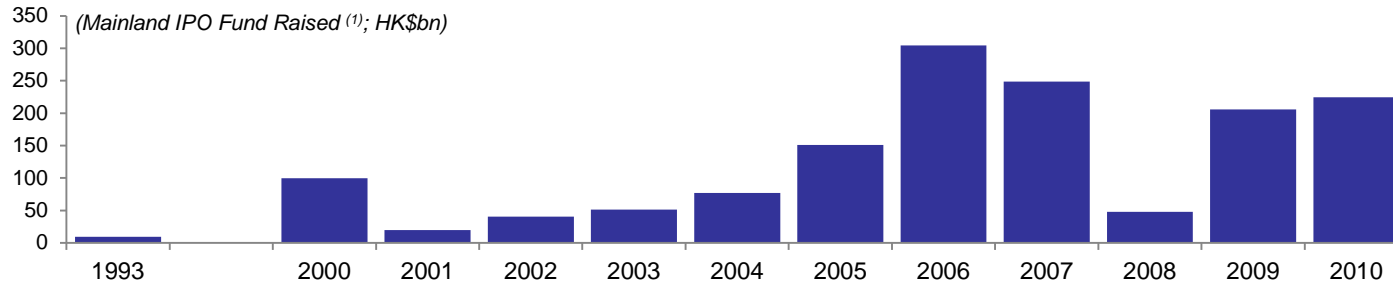
***Mutual Market Access is the main transformative growth driver***

***Clearing is a key differentiating value proposition***

# Success Takes Time to Build

2. How do we grow and entrench Hong Kong as an IFC?

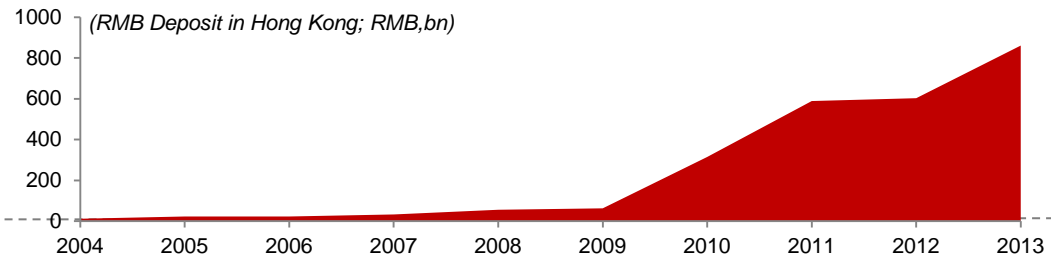
## Mainland IPO



*Took 10 years to take off...*

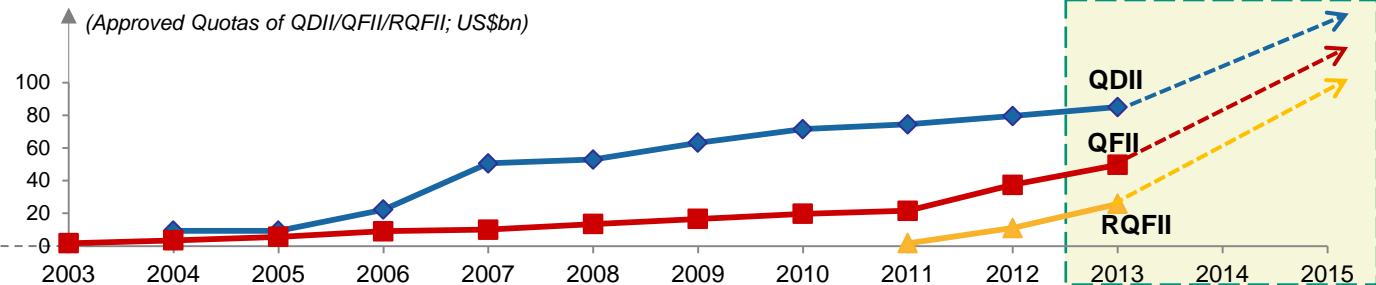
*4 years but still room to grow...*

## RMB Accumulation



## Mutual Market Access

*From hype to hope – 1, 2 or 3 years?*

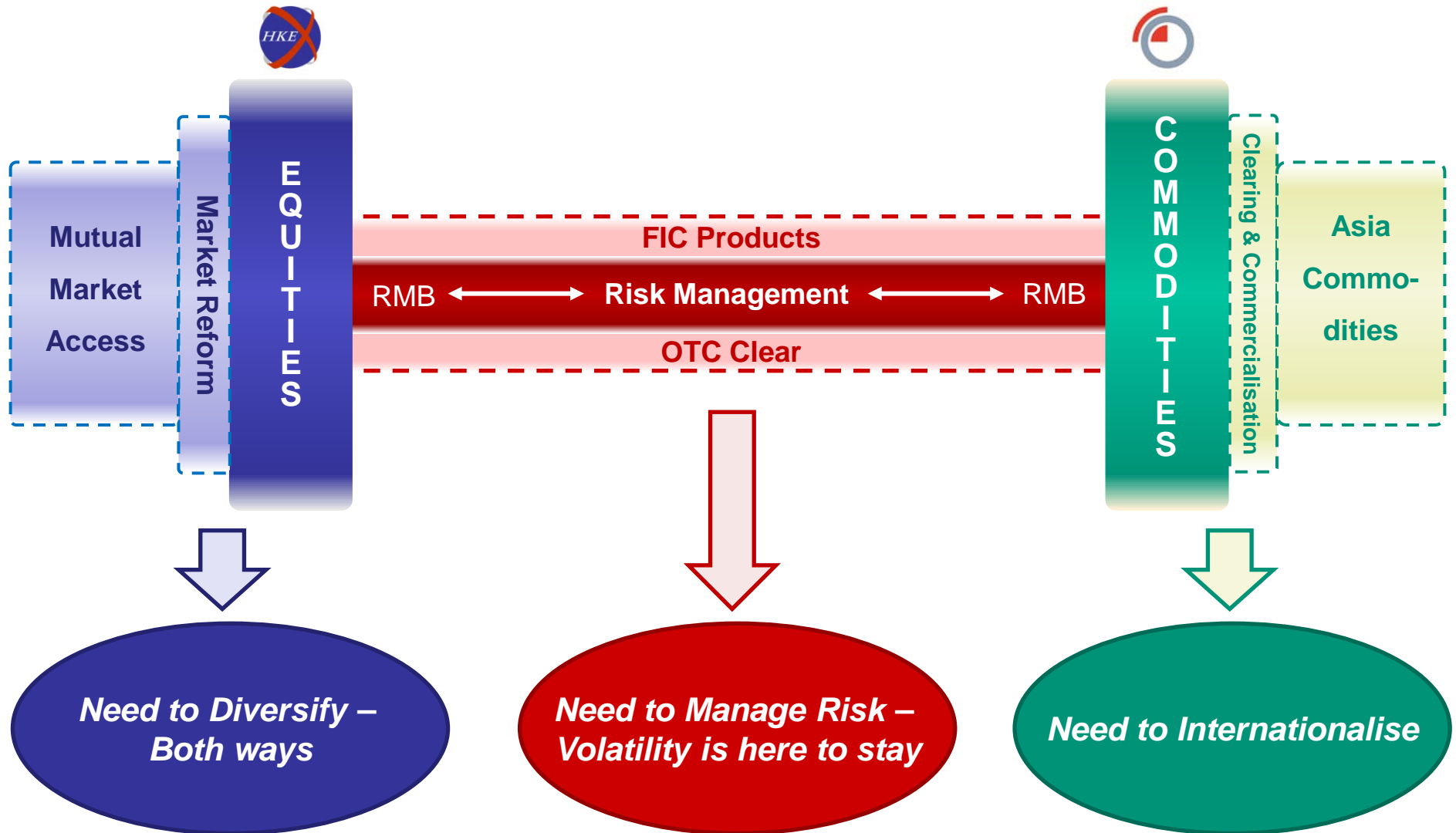


**Historical inflection points all driven by accelerating policy change – we need to work rapidly to prepare for further internationalisation of Mainland markets**

Note: (1) H shares, Red chips & Mainland private enterprises; excludes follow ons  
Source: HKEx/HKMA/SAFE data

# Creating A Holistic Value Proposition for Hong Kong to Ride On China's Opening Up

2. How do we grow and entrench Hong Kong as an IFC?



# Equities Outlook

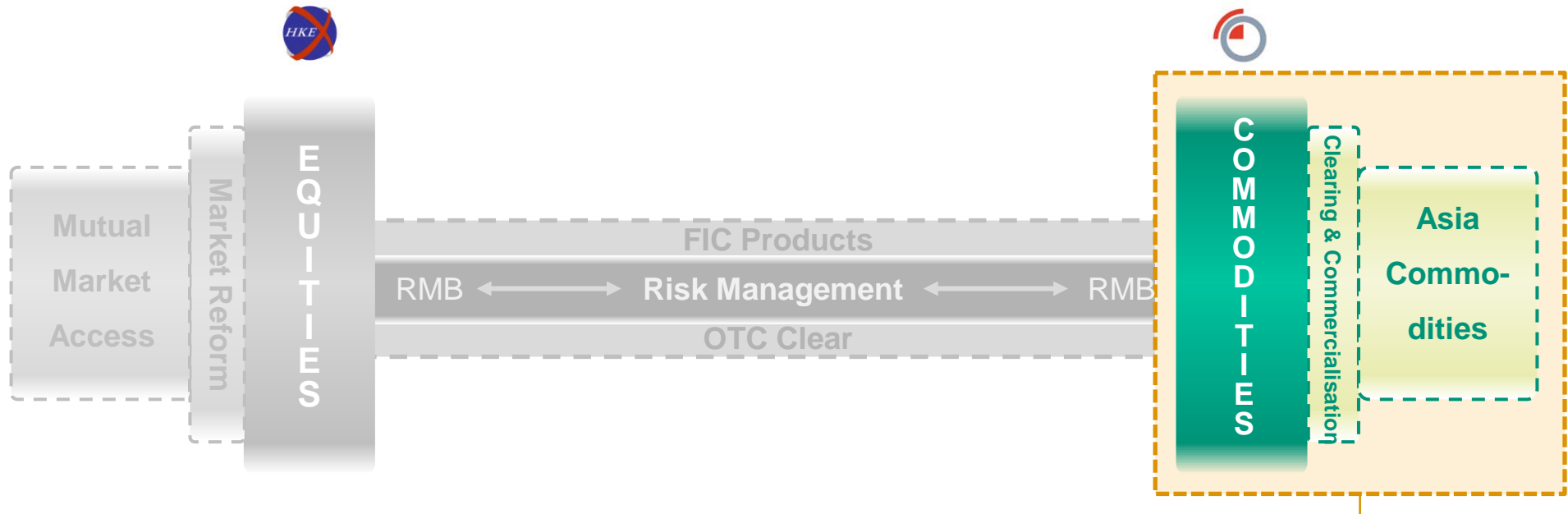
2. How do we grow and entrench Hong Kong as an IFC?



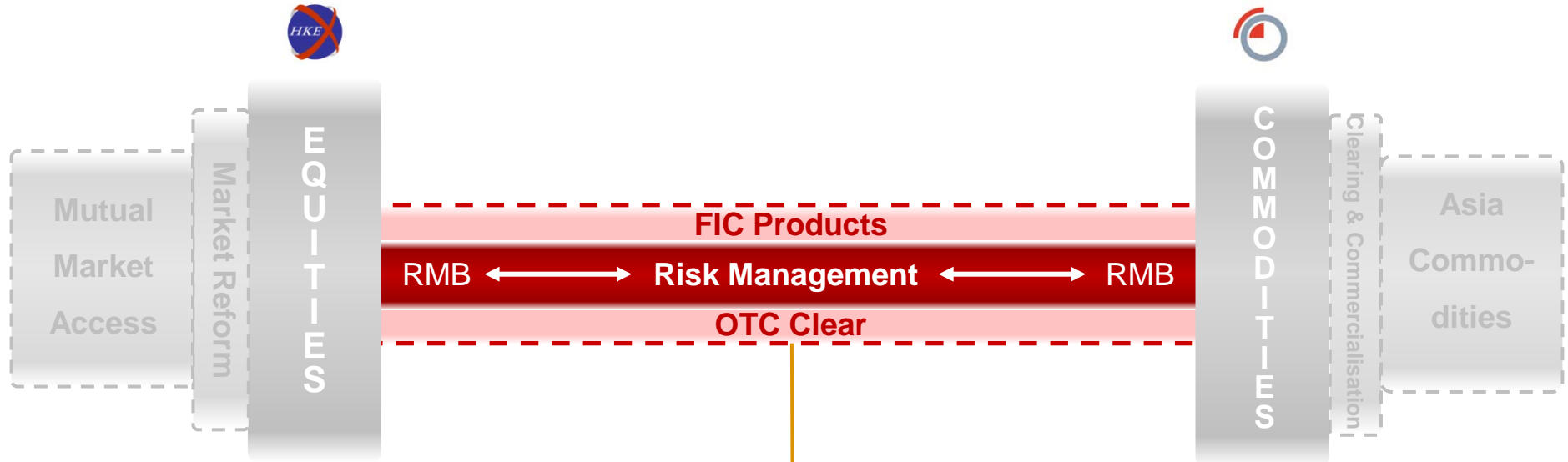
- **New Products**
  - *New Listings: Mainland and international*
  - *ETFs: Stamp duty waiver and further enhancements*
  - *RMB Products: RQFII ETFs and RMB stocks*
  - *Other Market Access Products*
- **Market Reforms**
- **Mutual Market Access**

# Commodities Outlook

2. How do we grow and entrench Hong Kong as an IFC?



- **LME Clear:** Trade reporting service (LMEwire) / on track for September 2014 launch
- **Commercialisation:** Studying to prepare for commercialisation model – Trading, fees and membership
- **Expand commodities to HK**
  - *New products: Own products, cross-listings, partnership products*
  - *New members*
  - *New partnerships*
  - *Physical: Expand physical operations coverage in Asia*

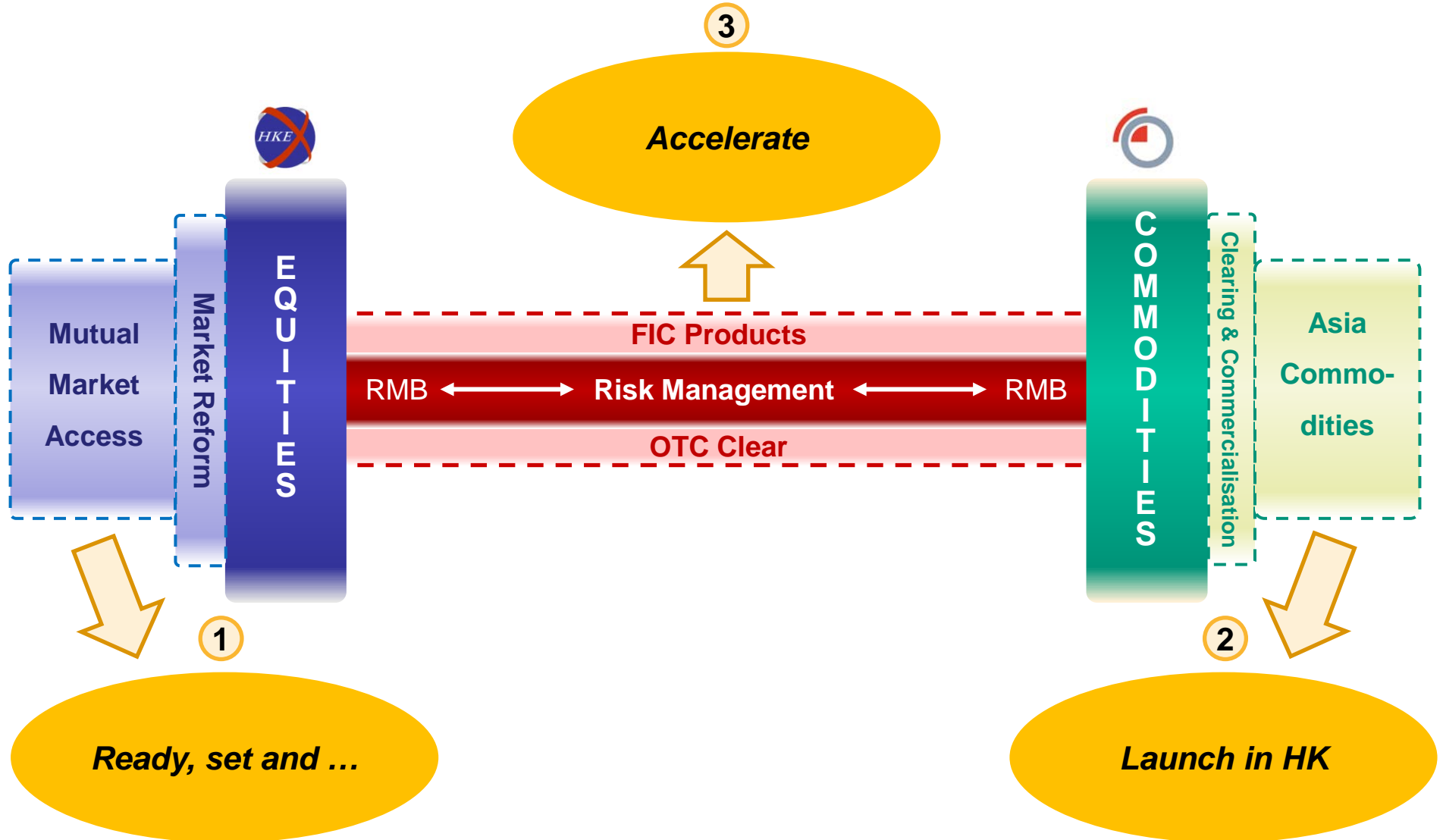


- Rising need to hedge against growing RMB FX and interest rate volatility
- Continue to grow existing products (CNH futures, OTC-cleared contracts) and accelerate new products development
- Leverage large anticipated RMB flow resulting from mutual market access and commodities success



# Key Goal of 2014

2. How do we grow and entrench Hong Kong as an IFC?





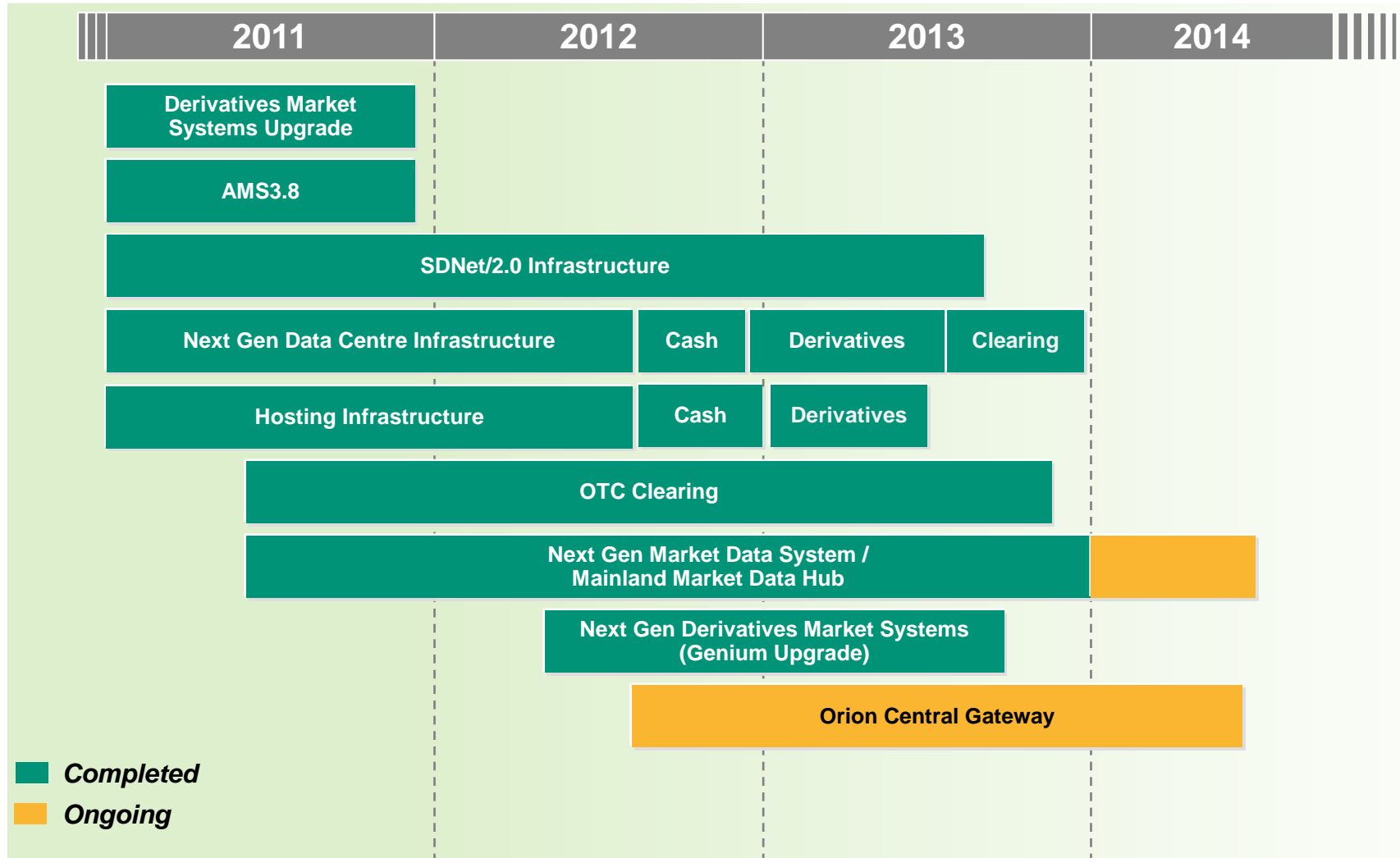
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**How do we keep our market infrastructure competitive in an evolving environment?**

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# 2010 – 2013: Significant Investment in Platform and Infrastructure

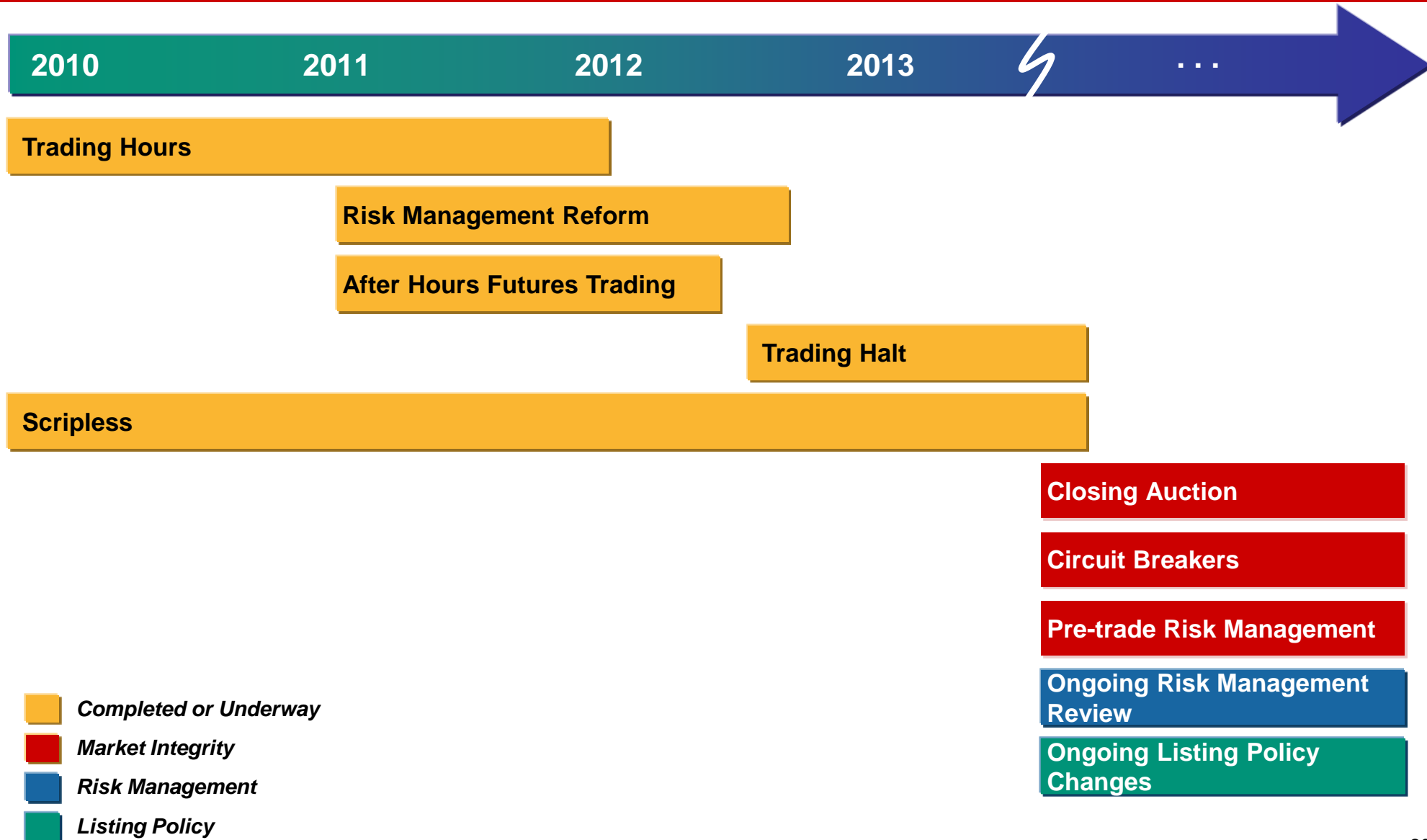
3. How do we keep our market infrastructure competitive in an evolving environment?



*Driven by essential catch-up and preparation for the future*

# Is This the Right Time to Reopen Market Structure Reform Discussion?

3. How do we keep our market infrastructure competitive in an evolving environment?



# Market Integrity – Why Do We Need It?

## Closing Auction

- High institutional demand
- Adopted by almost all major securities markets
- For cash market only
- Consultation expected in 2014

## Circuit Breakers

- Protection of the market from disorderly volatility while not preventing normal price discovery
- For both cash and derivatives markets
- Consultation expected in 2014

## Pre-trade Risk Management (PTRM)

- Preventive tool to restrict high-risk orders from being sent to the market
- Increasing demand from regulators and participants
- Begin to implement in late 2014

**Plan the RIGHT Reforms at the RIGHT Time**

# Key Goal of 2014

**Equities**

*Mutual Market Access – Ready, set and ...*

**Commodities**

*Launch in HK*

**FIC**

*Accelerate product development*

**Market Structure  
Reform**

*Right reform at the Right time*

# Q & A

HKEx Group Website: [www.hkexgroup.com](http://www.hkexgroup.com)  
HKExnews Website: [www.hkexnews.hk](http://www.hkexnews.hk)