Ecosystem Forum 2013

March 21, 2013

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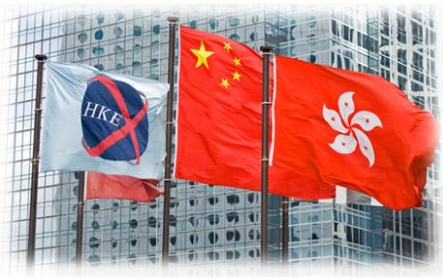


Agenda

1. HKEx Group Strategic Plan 2013-2015

2. HKEx Orion updates

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

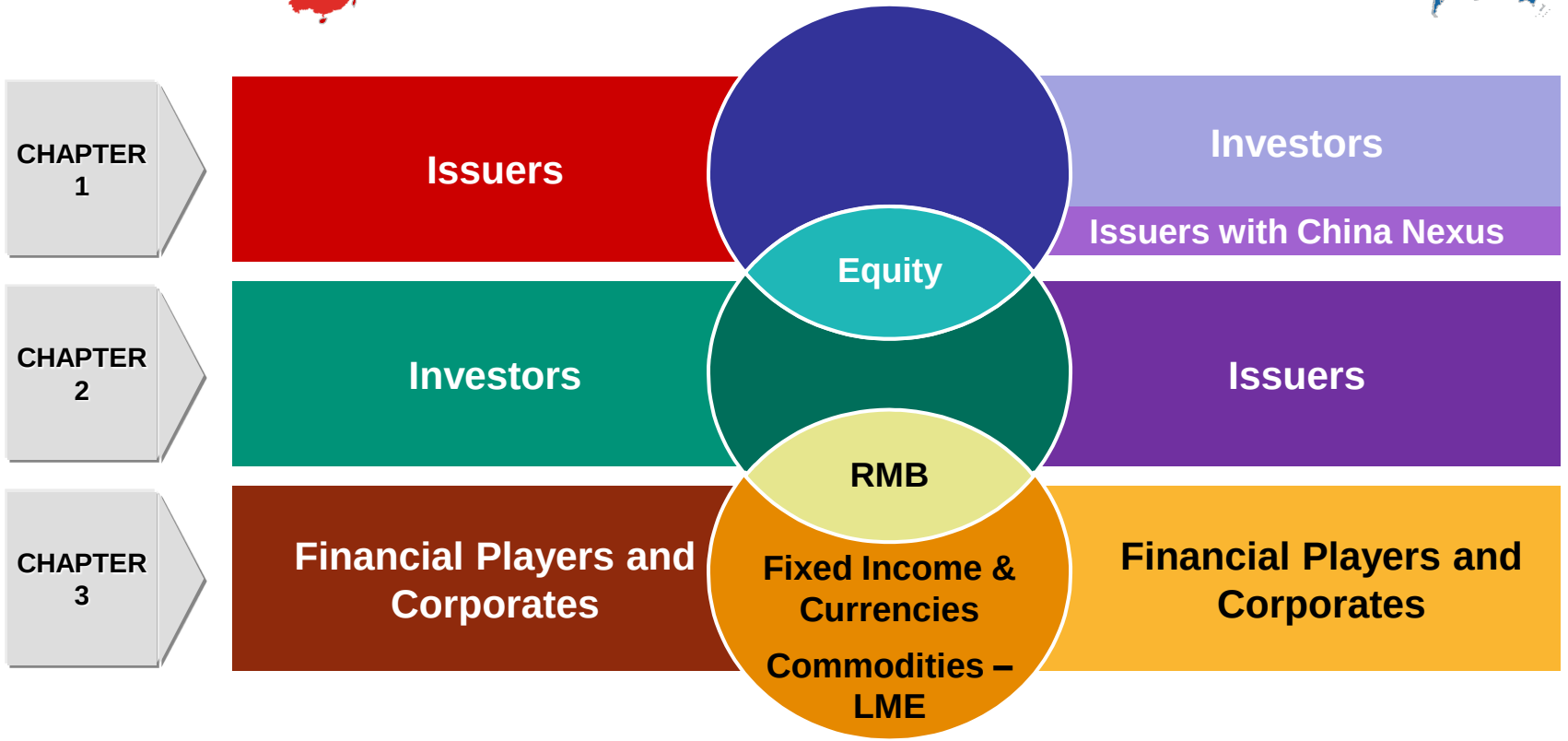
Aim to be the Global Exchange of Choice for our China clients and our international clients seeking China exposure

Why Have We Succeeded?

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

China

International

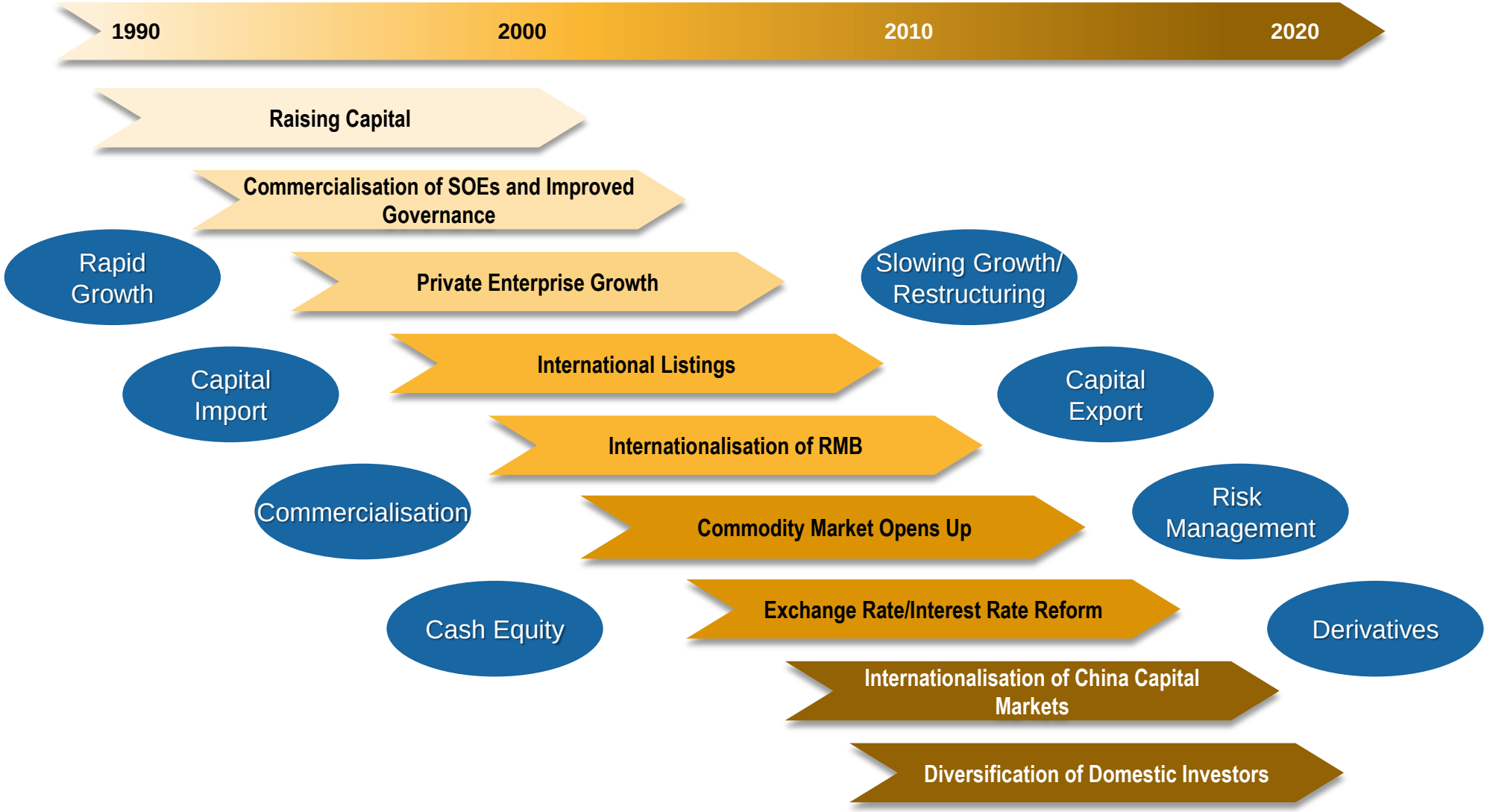


Key Difference:

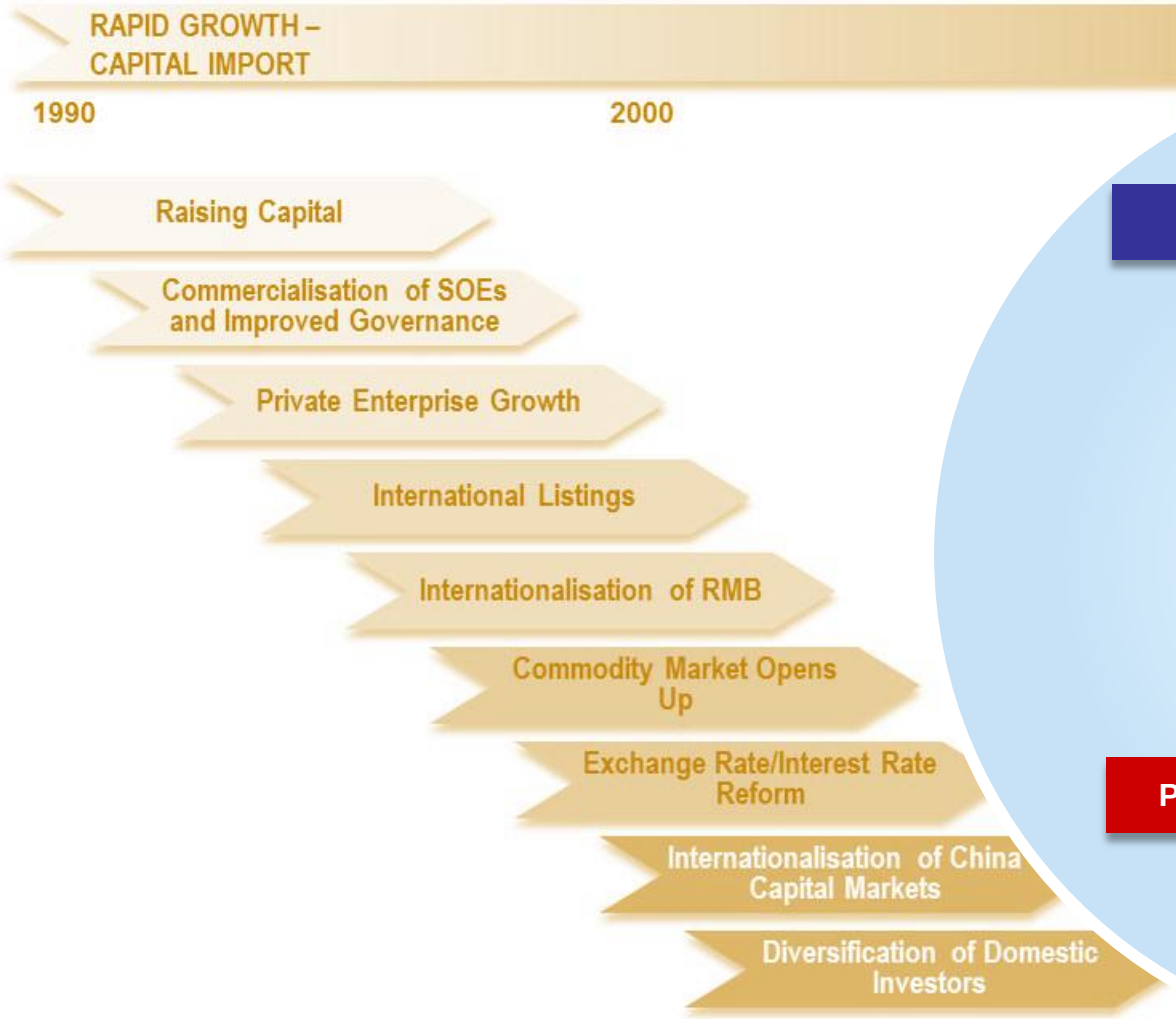
Chapter 1 – Money inflow to China (Capital Import)

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

Evolution of China's Growth Story



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



Business Strategy

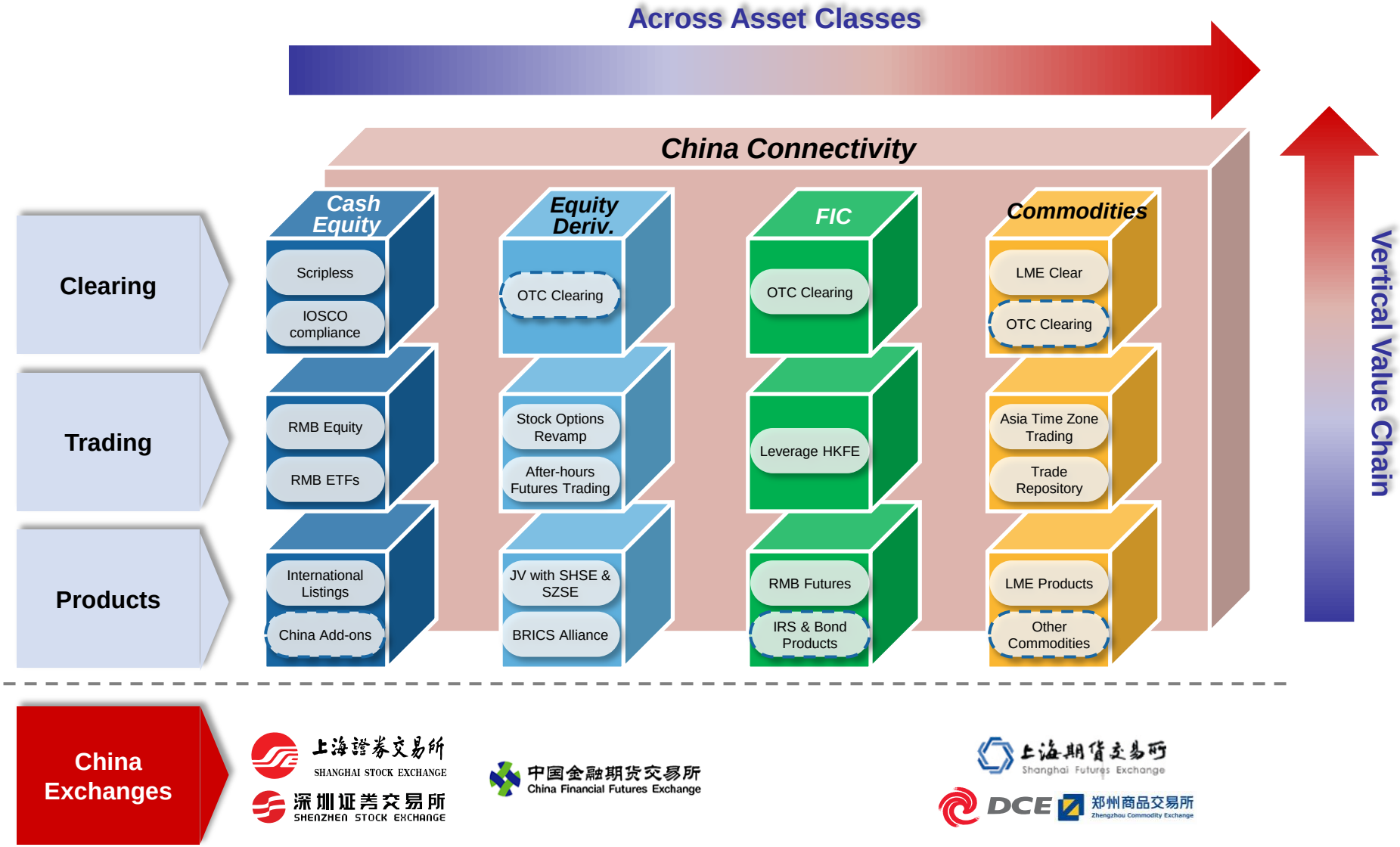
- **Horizontal integration – multi asset classes**
  - **Cash Equity**
  - **Equity Derivatives**
  - **Fixed Income and Currency**
  - **Commodities**
- **Vertical integration**
  - **Products**
  - **Trading**
  - **Clearing**

Platform & Infrastructure Strategy

- **Consolidate**
- **Connect**
- **Modernise**

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

HKEx Group Business Strategy = Horizontal Asset Classes + Full Vertical Integration



Leverage LME as a Catalyst to Facilitate an Accelerated Capital Account Opening

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

Equity
RMB31 trillion

- Already open
- Need offshore investment products

FIC
RMB258 trillion

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

Commodities
RMB95 trillion

New Outflow of RMB

Structural Growth

Organic Growth

Equity
HK$13 trillion

Explore the right model

Trade

Risk Management

Structural Growth

FIC(1)
RMB603 billion

Will benefit from natural outflow of RMB

Trade

Risk Management

Structural Growth

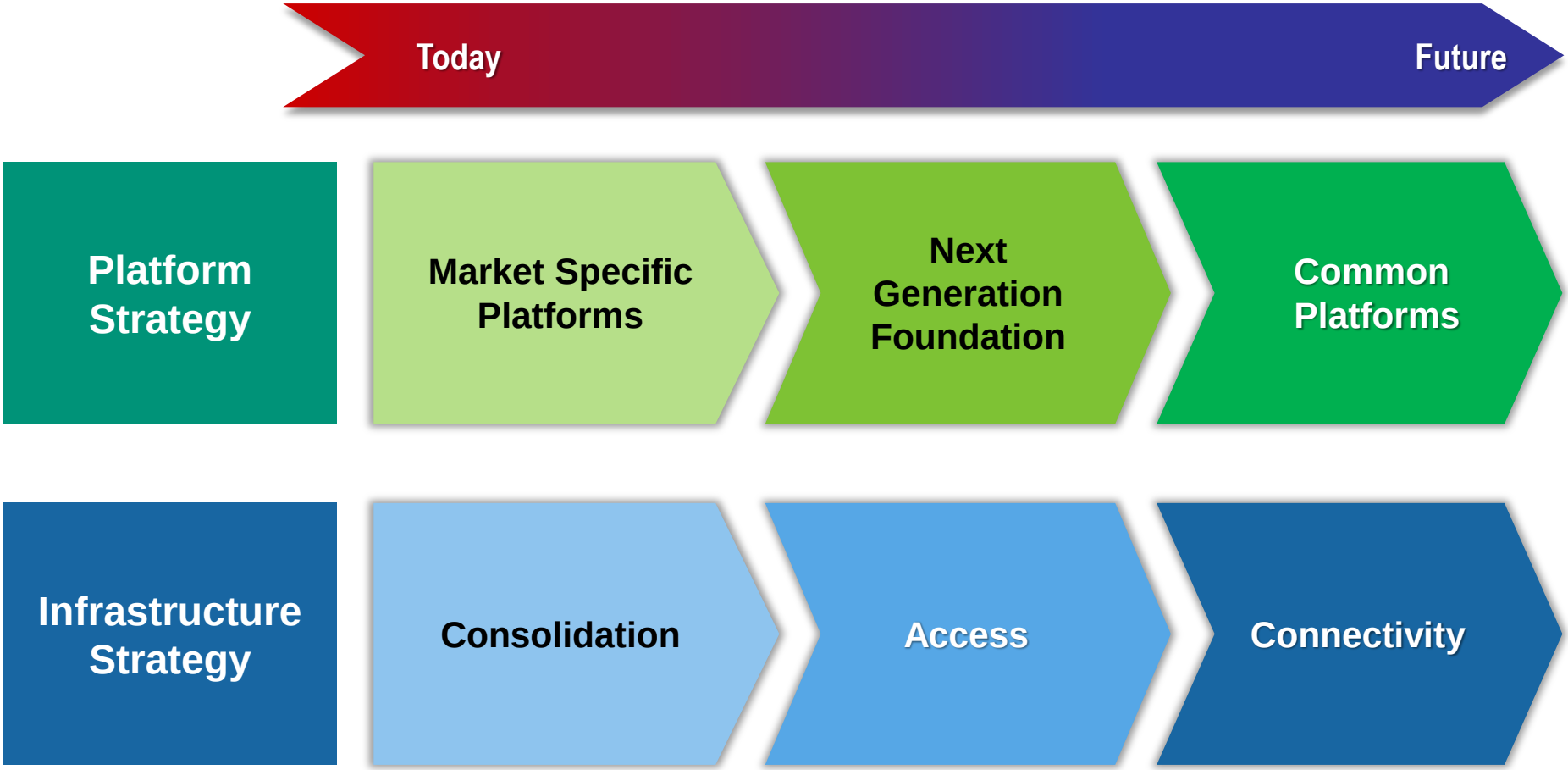
Organic Growth

LME
US$15 trillion

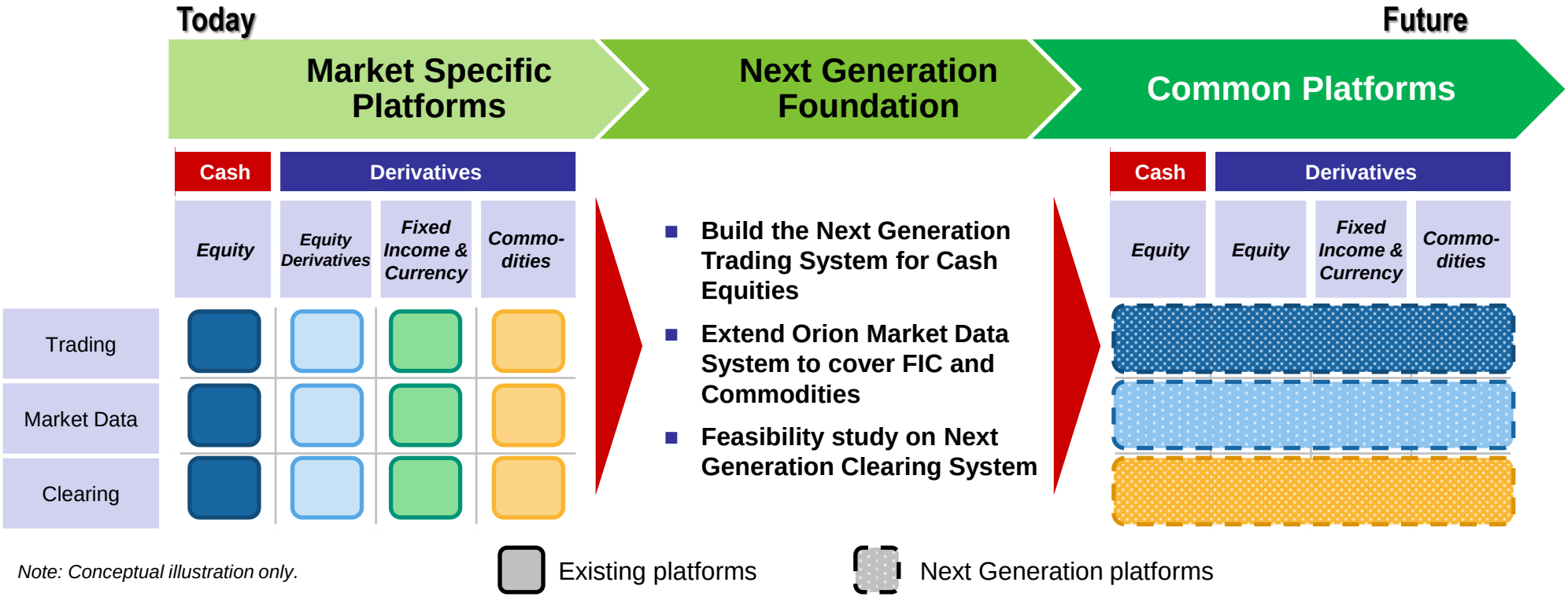
Explore the right model

(1) *All numbers refer to trading volume in 2012, except FIC HK which refers to RMB deposit in Hong Kong as of 31 Dec 2012*

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

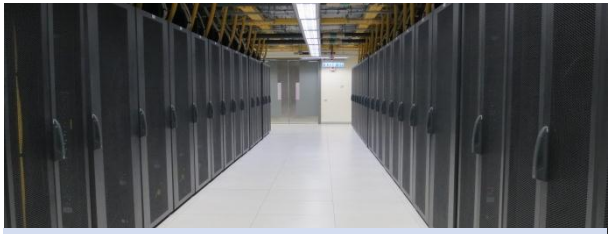
Today → Future

Consolidation → **Access** → **Connectivity**

TKO Data Centre

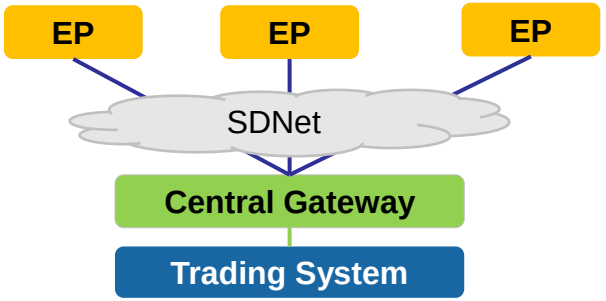
- Consolidate IT offices and multiple data centres – operational efficiency achieved
- Cash system migrated in Oct 2012
- Foundation for Next Gen platforms

Hosting Services



- Lower latency & ecosystem
- Launched in Dec 2012

Central Gateway



- Lower costs for market

Mainland Market Data Hub

- Mainland WOFE set up
- Distribution of Market Data to Mainland via data hub

LME Point of Presence in HK

- Facilitate Asian participants' access to LME

Global Networks

- Increase exposure to overseas participants
- Attract global network into our ecosystem so that we can receive increased overseas liquidity

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

Agenda

1. HKEx Group Strategic Plan 2013-2015

2. HKEx Orion updates

Leading Hong Kong's Next Transformation

Leading Hong Kong's Next Transformation

Connectedness

Enhancing access & connectivity

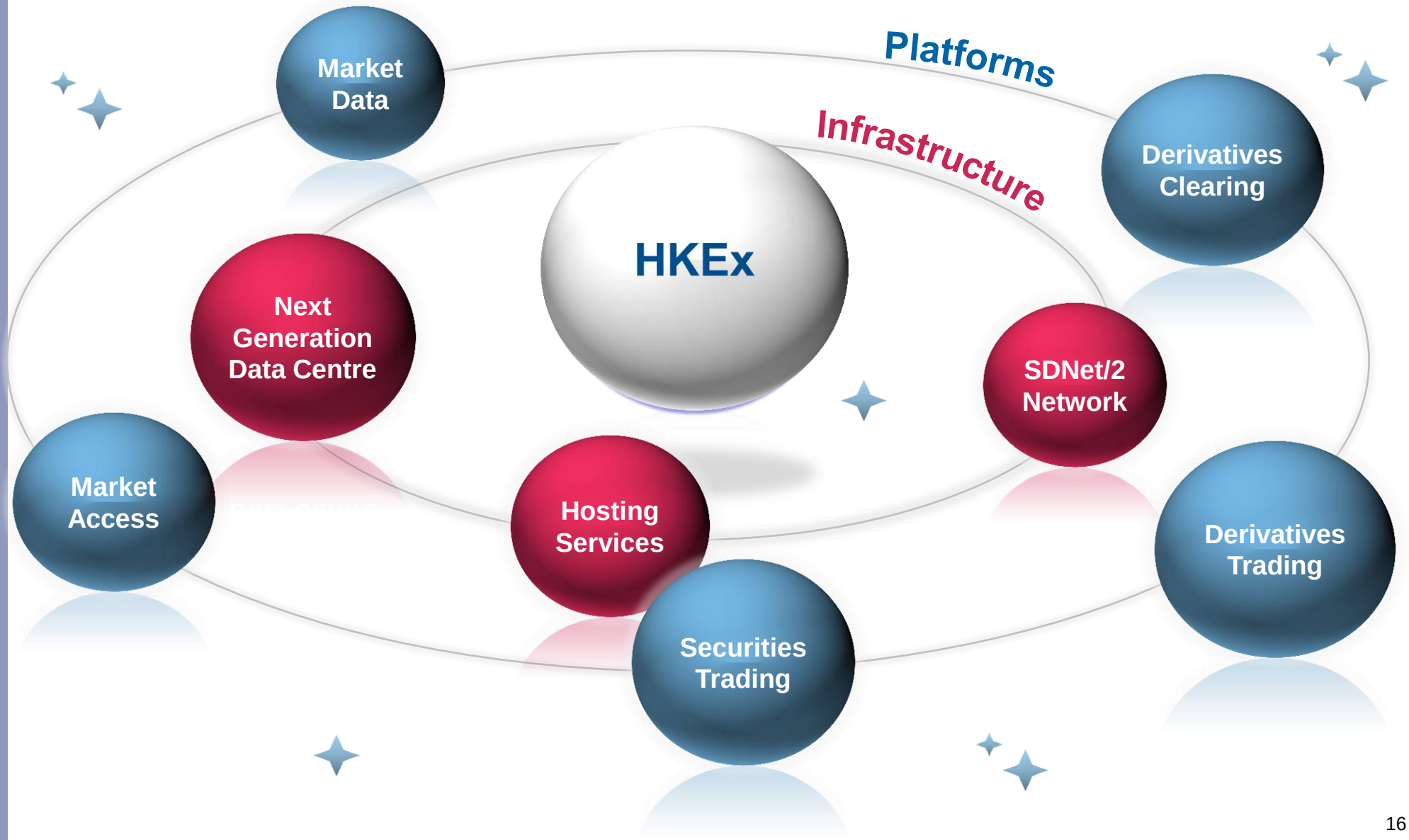
Community

Seizing opportunities together

Competitiveness

Staying ahead and enhancing competitiveness

Essential Technology Investment



Infrastructure

- ✓ State-of-the-art
- ✓ Consolidation of legacy HKEx data centres

- ✓ Low latency access to HKEx platforms
- ✓ Tier-4 standard hosted ecosystem

- ✓ Higher bandwidth
- ✓ Competitive pricing

Platforms

- ✓ Suite of market data products
- ✓ Remote distribution (e.g. Mainland)

- ✓ Cost reduction
- ✓ Additional functionality

- ✓ Enhancements and revision of legacy functionality
- ✓ Lower latency and higher capacity

- ✓ Increased capacity to support options market expansion
- ✓ Industry leading low latency trading platform

- ✓ Increased performance and throughput capacity
- ✓ Faster response time to daily operational processing

SDNet/2

Circuit migration planned for 3 phases

- Phase 1 – AMS/3 & MDS/IIS (2700 circuits, completed Jul 2012)
- Phase 2 – HKATS/DCASS/PRS (1250 circuits, completed Mar 2013)
- Phase 3 – CCASS/3 & CCMS (900 circuits, commenced Mar 2013)
  - Participant briefing — completed Feb/Mar 2013
  - Circuit application — Mar 2013
  - Circuit installation — Apr – mid Jun 2013
  - Market rehearsal — end Jun – mid Jul 2013
  - Circuit migration (2-3 batches) — end Jul – early Aug 2013

Orion Market Data (OMD)

OMD Implementation	Status

Phase 1a – OMD Securities (OMD-C)
• *Securities Standard*
• *Securities Premium*
• *Securities FullTick*
• *OMD Index*
	• First batch client rollout on-boarding in progress:
	  • Client Readiness Test till April 2013
	  • Market Rehearsal target for May/Jun 2013
	• Second batch client rollout on-boarding schedule to be announced.

Phase 1b – Mainland Market Data Hub (MMDH) • *Securities Standard*	• Feed Enrollment up to end Mar 2013 • Testing lines to be installed by April 2013 • Client connecting to MMDH for testing from April 2013
Phase 2 – OMD Securities (OMD-D) • *Derivatives Standard* • *Derivatives Premium* • *Derivatives FullTick*	• Feed Enrollment to commence in April 2013 • On-boarding tools & canned data to be available in Q2 2013.

Tentative Implementation Schedule

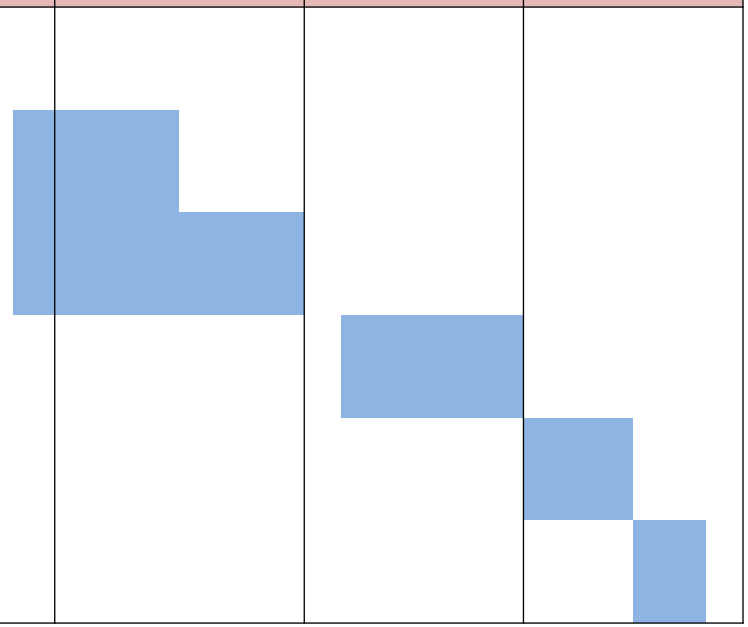
	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1a OMD Securities (OMD-C)								
Client Open/Readiness Test								
Market Rehearsals								
Rollout								
Phase 1b Mainland Market Data Hub (MMDH)								
Client Open/Certification Test								
Market Rehearsals								
Rollout								
Phase 2 OMD Derivatives (OMD-D)								
Client Open/Readiness Test								
Market Rehearsals								
Rollout								

Orion Central Gateway (OCG)

- OCG Software Development and Testing is in progress
- EP and BSS Vendor Readiness
  - Completed Events
    - ✓ EP Briefing Session & Publication of Interface Specification (Oct 2012)
    - ✓ Technical Briefing Session & Release of Offline OCG Simulator (Dec 2012)
  - Upcoming Events
    - ➢ EP Enrollment and submission of OCG Simulator test results (Q2 2013)
    - ➢ End-to-end Test (Q3 2013)
    - ➢ Market Rehearsals (Q4 2013)
    - ➢ Rollout (Target Q4 2013 subject to result of MR)

Tentative Implementation Schedule

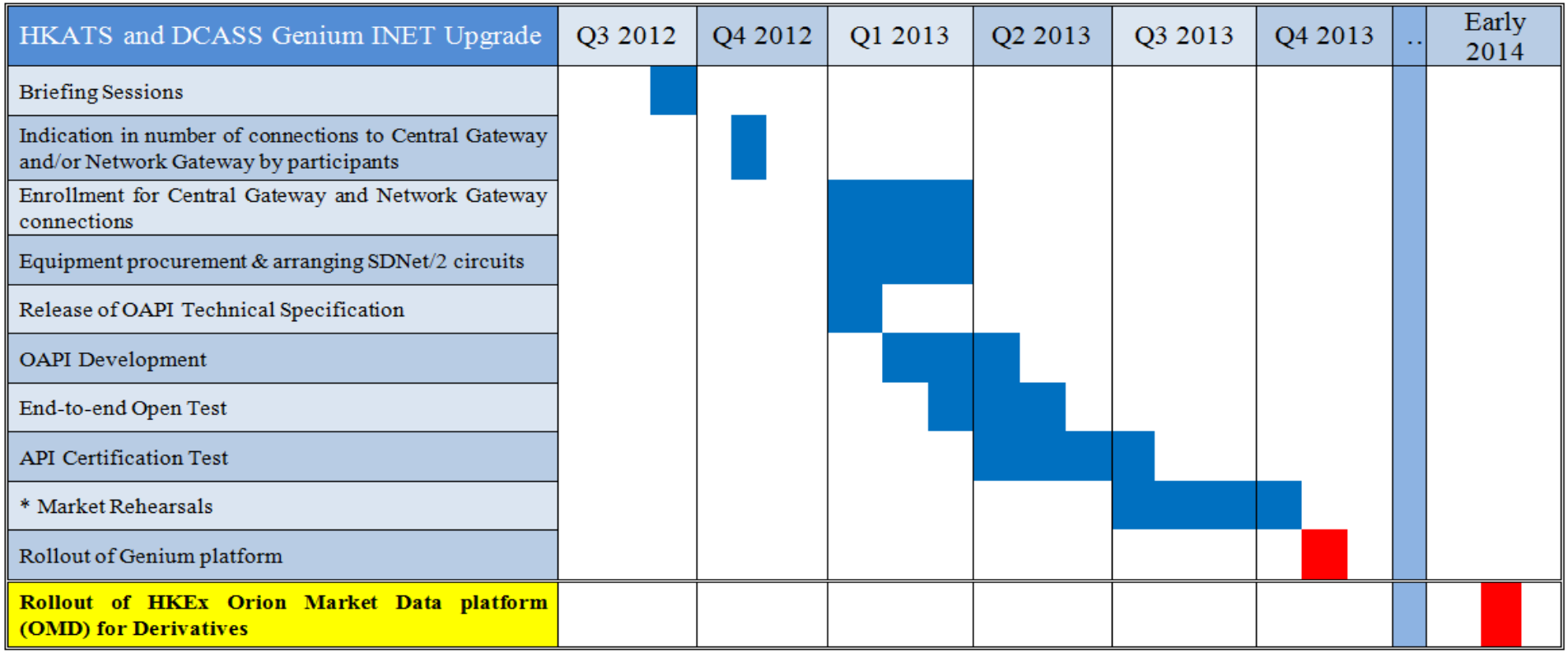
Events	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Distribution of Offline OCG Simulator					
EP Enrolment					
EP Submission of Simulator Test Results					
OCG End-to-end Test					
Market Rehearsals					
Rollout					



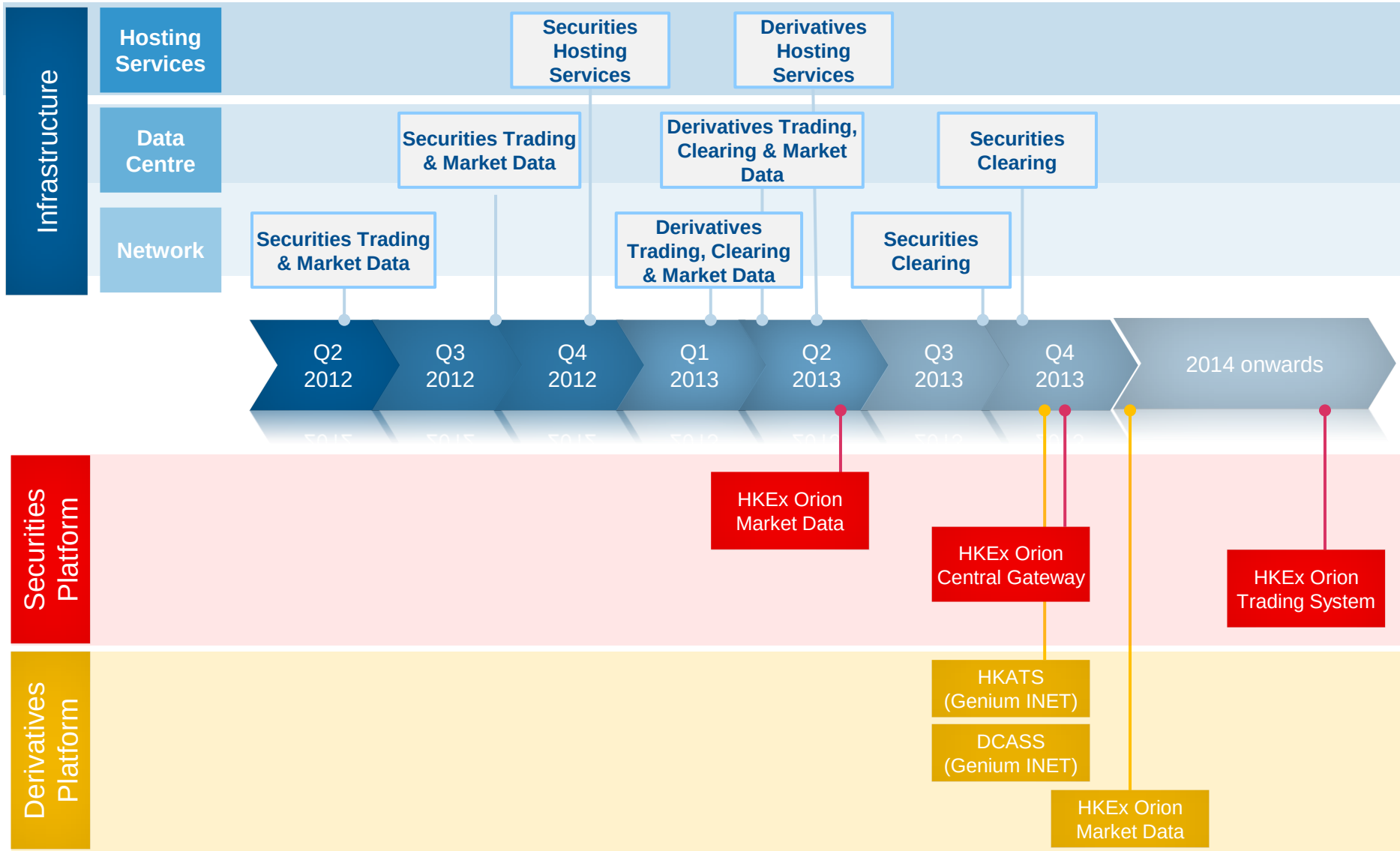
HKATS & DCASS System Upgrade

- Backend platform migration from OpenVMS & Windows to Linux.
- Introduction of high speed message bus for capacity increase & latency reduction.
- Largely compatible with current version in terms of OAPI and frontend GUI.
- OAPI development environment opened up for Participant development since late March 2013.
- OAPI program certification to be completed prior to Market Rehearsal.
- Hardware procurement (e.g. Linux Network Gateways, SDNet/2 circuits, etc.), where appropriate, and software installation should be completed before Market Rehearsal.

Tentative Implementation Schedule



Implementation Schedule



Thank You