



香港期貨交易所有限公司

HONG KONG FUTURES EXCHANGE LTD.

經濟研究及產品發展部
Economic Research & Product Development

MEMBERS TRANSACTION SURVEY 1997

EXECUTIVE SUMMARY

- ⇒ The survey scores a 100% response rate for three consecutive years, thanks to Members' support.
- ⇒ The number of Members doing Exchange business increases by 3.7% to 113¹. Hong Kong headquarter Members' share of trade volume edges up despite a rise in the proportion of international headquarter Members² (see Chart 2).
- ⇒ Trading remains the dominant transaction objective and accounts for 67.3% of total trades.
- ⇒ The liquid HSI Options market sees rising importance of non-registered trader trading, in particular from local institutional investors.
- ⇒ Interest from local retail investors on Stock Futures are rising. They account for 44.2% of the trades, up from 26.0% in 1996.
- ⇒ A notable trend in the Rolling Forex market is the increasing participation of institutional investors. Their proportion of trades surges from 1.1% in 1996 to 32.0%.

INTRODUCTION

The *Members Transaction Survey* aims to gain an updated and dynamic perspective of the Exchange's business mix (see Chart 1). Questionnaires were sent to 113 Members doing Exchange business to review their transactions in the HKFE's futures and options markets during 1 July 1996 to 30 June 1997 ("1997"). A 100% response rate is achieved. The survey unveils the latest development³ on patterns and distributions of Members' trading in HSI Futures, HSI Options, Stock Futures and Rolling Forex markets.

Chart 1: Classification of Member Trading on HKFE



LMP-HKFE-9926-1997

¹ Report released on 11 August 1997

² Due to recording limitation, this number does not include those Members who have their house and client orders executed by other Members.

³ Members who have more than half of the capital sources coming from overseas.

⁴ Findings are based on Members' responses weighted by each Member's trading volume.



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DISTRIBUTION OF TRADING BY INVESTORS

- ⇒ There is no dramatic change in the overall investor mix. Local retail investors remain the major participants with their share edging up slightly to 39.5% (Chart 4).
- ⇒ The percentage of local institutional investors climbs further from 17.8% in 1996 to 21.6%, while that of overseas institutional investors eases further from 23.9% in 1996 to 21.9%.
- ⇒ The liquid HSI Options market reduces reliance on the quotes from registered traders for transaction. Hence, their share to all trades eases further to 18.8% amid growing local institutional participation (Table 2).
- ⇒ ATS trading and market making system on Stock Futures generate a new participant mix. The percentage of local retail investors grows remarkably from 26.0% in 1996 to 44.2% and registered traders account for only 39.8% of the trades.
- ⇒ Registered traders play a less dominant role in Rolling Forex owing to increased institutional participation, the percentage of which soars from 1.1% in 1996 to 32.0%.

Chart 4: Distribution of Overall Trading by Investors

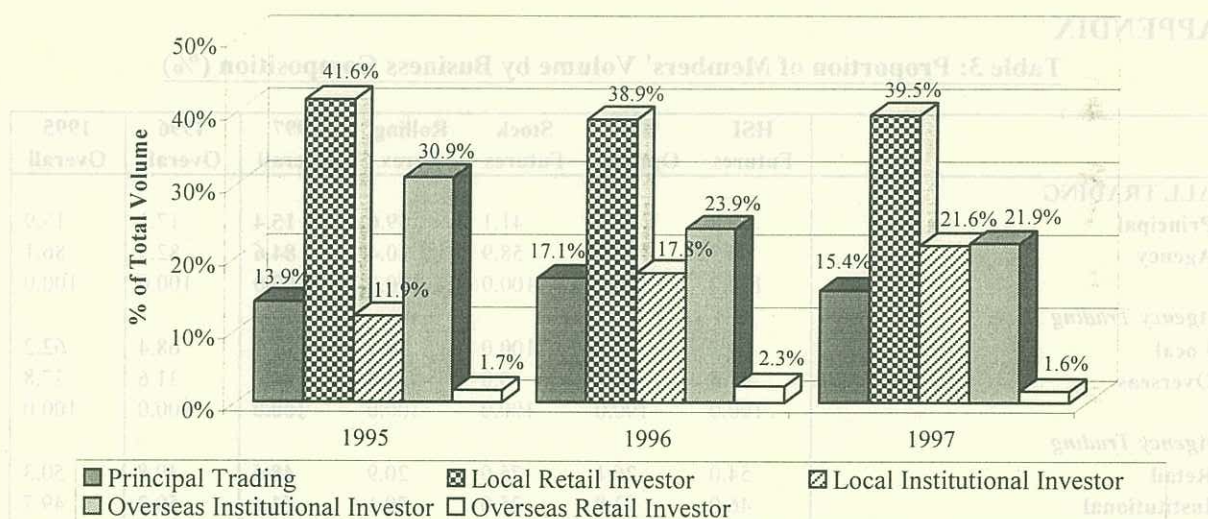


Table 2: Sectoral Distribution of Trading by Investors (%)

	HSI Futures			HSI Options			Stock Futures			Rolling Forex	
	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996
Registered Trader	N/A	N/A	N/A	18.8	25.5	26.6	39.8	N/A	N/A	57.8	86.8
Proprietor	9.7	12.0	10.5	8.5	10.9	10.1	1.3	1.4	13.2	1.8	1.3
Local Retail Investor	46.9	43.6	45.1	18.2	16.1	18.7	44.2	26.0	30.8	7.2	10.2
Local Institutional Investor	18.5	16.6	11.8	35.3	26.8	12.4	14.7	43.6	26.9	15.4	1.1
Overseas Institutional Investor	23.1	25.1	30.7	18.4	20.3	31.6	0.0	28.8	28.3	16.6	0.0
Overseas Retail Investor	1.8	2.7	1.9	0.8	0.4	0.6	0.0	0.2	0.8	1.2	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Total Volume	HSI Futures			HSI Options			Stock Futures#			Rolling Forex	
	1997	1996	1995	1997	1996	1995	1997	1996	1995	1997	1996
July-June ('000 contracts)	4,963	4,549	4,459	1,267	774	678	2,200	167	4,294	293	116
% increase	9.1	2.0	21.3	63.6	14.2	32.8	1,217.4	N/A	N/A	N/A	N/A

In number of contracts. *From Mar-95 to Jun-95. **From Nov-95 to Jun-96.

GLOSSARY

Arbitrage:

The process of simultaneously buying and selling the same or equivalent products for a riskless profit.

Hedging:

Utilisation of futures/options to eliminate or minimise the effect of price fluctuations of an underlying financial instrument.

Trading:

Deliberately open a position in anticipation of a favourable price movement either in short or long term.

Principal Trading:

Trading on the Member's own behalf, including as a Registered Trader or a proprietor.

Agency Trading:

Trading on behalf of the Member's retail and/or institutional clients.

(Local/Overseas) Retail Investor Trading:

Trading on behalf of retail clients in Hong Kong or overseas.

(Local/Overseas) institutional Investor Trading:

Trading on behalf of institutional clients in Hong Kong or overseas

APPENDIX

Table 3: Proportion of Members' Volume by Business Composition (%)

	HSI Futures	HSI Options	Stock Futures	Rolling Forex	1997 Overall	1996 Overall	1995 Overall
ALL TRADING							
Principal	9.7	27.3	41.1	59.6	15.4	17.1	13.9
Agency	90.3	72.7	58.9	40.4	84.6	82.9	86.1
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agency Trading							
Local	72.5	73.6	100.0	56.1	72.3	68.4	62.2
Overseas	27.5	26.4	0.0	43.9	27.7	31.6	37.8
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agency Trading							
Retail	54.0	26.1	75.0	20.9	48.6	49.8	50.3
Institutional	46.0	73.9	25.0	79.1	51.4	50.2	49.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Retail Investor Trading							
Local	96.3	96.0	100.0	86.0	96.2	94.4	96.1
Overseas	3.7	4.0	0.0	14.0	3.8	5.6	3.9
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Institutional Investor Trading							
Local	44.5	65.7	100.0	48.1	49.7	42.7	27.8
Overseas	55.5	34.3	0.0	51.9	50.3	57.3	72.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Local Investor Trading							
Retail	71.7	34.0	75.0	32.1	64.6	68.7	77.7
Institutional	28.3	66.0	25.0	67.9	35.4	31.3	22.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Overseas Investor Trading							
Retail	7.2	3.9	0.0	6.7	6.7	8.9	5.2
Institutional	92.8	96.1	0.0	93.3	93.3	91.1	94.8
	100.0	100.0	0.0	100.0	100.0	100.0	100.0

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