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By email: response@hkex.com.hk and post

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs

Consultation Paper - Proposed Changes to Trading Hours (September 2010)

We are pleased to submit our members' comments in response to the above consultation paper.

We support the proposal of the Hong Kong Exchanges and Clearing Limited (HKEx) to extend the current trading hours for the reasons set out in the consultation paper. Specifically, we support advancing the morning Continuous Trading Sessions (CTS) by 0.5 hours to 09:30 and the opening times of the afternoon CTS by 1.5 hours to 13:00.

Furthermore, we attach our completed questionnaire (Appendix) which sets out our other specific comments including various implementation issues for consideration by HKEx. We would be pleased to provide further input to HKEx as and when the details are available.



Appendix

Section I: HKEx's Proposal

Change (A): Advance the morning continuous trading session (CTS) by 0.5 hours. The morning CTS of the securities and stock futures/options markets will open at 09:30 and close at 12:00; the index futures/options markets will open at 09:15 and close at 12:00 (i.e. our markets will open at the same time as the Mainland's in the morning).

Change (B): Advance the opening times of the afternoon CTS:

Option 1: the afternoon CTS of all markets will open at 13:00 resulting in a 1-hour lunch break from 12:00 to 13:00 (i.e. our markets will open at the same time as the Mainland's in the afternoon); or

Option 2: the afternoon CTS of all markets will open at 13:30 resulting in a 1.5-hour lunch break from 12:00 to 13:30 (i.e. our markets will open 0.5 hours later than the Mainland's in the afternoon).

- 1. Do you/your company support Change (A) of the Proposal, i.e. advance the morning CTS by 0.5 hours?**

We support Change (A) of the Proposal, i.e. advance the morning CTS by 0.5 hours for the following reasons:

- Better price discovery for Mainland-related securities including RMB products offered in Hong Kong
- Better service to investors
- Strengthened competitiveness by narrowing the gap between opening times of Hong Kong and those of the Mainland and other regional markets.

- 2. Do you/your company support Change (B) of the Proposal, i.e. advance the opening times of the afternoon CTS?**

We support Change (B) of the Proposal, i.e. advance the opening times of the afternoon CTS for the reasons set out in Question 1.



3. Which of the two options of Change (B) of the Proposal would you prefer:

Option 1: the afternoon CTS of all markets will open at 13:00 resulting in a 1-hour lunch break from 12:00 to 13:00 (i.e. our markets will open at the same time as the Mainland's in the afternoon)

Option 2: the afternoon CTS of all markets will open at 13:30 resulting in a 1.5-hour lunch break from 12:00 to 13:30 (i.e. our markets will open 0.5 hours later than the Mainland's in the afternoon)

We prefer Option 1. This will allow clients to trade in the Hong Kong market which would open at the same time as the Mainland's. Although the longer trading hours do not necessarily lead to a greater trading volume, this will provide greater flexibility to clients in placing orders and encourage an orderly market place.

4. If Changes (A) and (B) in the Proposal are adopted, does your company need to prepare for implementation? How much lead time would be required?

Our members will need to make system and procedural changes for implementation, and a minimum lead time of 6 months will be required.

Section II: Auction Sessions

No change in the auction sessions except that they will move along with the CTS as follows:

- Morning auction sessions for securities market and index futures/options markets will become 09:00 to 09:30 and 08:45 to 09:15 respectively; and
- Afternoon auction session for index futures/options markets will become 12:30 to 13:00 (Option 1) or 13:00 to 13:30 (Option 2).

5. If Change (A) is adopted, should the morning auction sessions remain 0.5 hours? If not, what is your/your company's suggestion? Please state reason(s).

If Change (A) is adopted, we agree that the morning auction session should be adjusted accordingly and should remain 0.5 hours.



6. **If Change (B) is adopted, should the afternoon auction session remain 0.5 hours for Option 1 and Option 2? If not, what is your/your company's suggestion? Please state reason(s).**

If Change (B) is adopted, we agree that the afternoon auction session should be adjusted accordingly and should remain 0.5 hours for both options.

Section III: Other issues

7. **Are there any other issues regarding the Proposal to change trading hours that HKEx should consider?**

- (a) General Clearing Participants providing Third Party Clearing

In light of the proposed extended trading hours, we suggest HKEx consider increasing the number of batches of trade executions for the General Clearing Participants ("Participants") providing third party clearing from 6 to 10. This would allow the Participants to more closely monitor their clients' transactions and facilitate their risk management during the extended trading hours.

- (b) Trading Arrangement on Special Situations

We suggest HKEx review the trading arrangement of the Securities and Derivatives Market on special situations including (i) typhoon signals number 8 (or above), (ii) black rainstorm warnings and (iii) half-day securities trading due to the eve of Christmas, New Year and Lunar Chinese New Year.

- (c) Opening Hours for CCASS Settlement Processing and Deposit Services

We suggest HKEx consider aligning the commencement time of the CCASS Settlement Processing and Deposit Services ("Services"), which currently is 10:00, with the commencement of the new morning trading hours (which is proposed to be 09:30). The alignment will enable investors to transfer their shares to their brokers in CCASS as long as the trading session starts in the morning.