

CONSULTATION CONCLUSIONS ON AFTER-HOURS FUTURES TRADING

DECEMBER 2011



Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

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EXECUTIVE SUMMARY

1. This paper presents the results of the public consultation on the proposed introduction of after-hours futures trading (AHFT).
2. HKEx received a total of 455 responses (including 6 late responses) from HKEx Exchange Participants (EPs) / Clearing Participants (CPs), professional and industry associations, market practitioners and individuals. Among the 455 respondents, 353 respondents (or about 78%) supported the proposal and of which 67 are Futures EPs (representing 80% of Hang Seng Index (HSI) futures and H-shares Index (HHI) futures market share in the first half year of 2011).
3. HKEx will proceed with the AHFT proposal with various refinements to the operational arrangements after considering responses received (see paragraph 49 for a summary of the changes made and Appendix I for the final AHFT proposal).
4. In view of the concerns of some respondents of potential excessive market movements in AHFT, HKEx will implement a 5% price limit up/down mechanism during the T+1 Session. The features of the proposed price limit up/down mechanism in T + 1 Session are as follows.
 - a) The proposed percentage for the price limit up/down is 5%, which would be reviewed and adjusted according to market situation.
 - b) No sell order of price below 95% and no buy order of price above 105% of the last traded price of the spot month contract in the T Session would be allowed. The proposed upper and lower limits would be applied to all contract months.
 - c) Trading would be allowed only within the price limit range during the T+1 Session.

Note: Trading in the T Session will not be subject to this price limit up/down mechanism.
5. AHFT will tentatively take place in the second half of 2012, subject to the approval of the necessary rule amendments by the SFC and market readiness.
6. For Futures EPs/CPs which would like to participate in AHFT, they will need to prepare their systems and be ready for market rehearsals by mid-2012. Detailed implementation plan and schedule will be announced in due course.

PART A: INTRODUCTION

7. On 30 May 2011, HKEx published a market consultation paper on the proposal for AHFT (the Consultation Paper). The Consultation Paper sought market views on the proposal.
8. A summary of the original proposal set out in the Consultation Paper is as follows.
 - a) HKEx proposed the introduction of an after-hours trading session for the futures market (T+1 Session).
 - b) The opening time of the T+1 Session would be 30 minutes after the close of the regular trading session (T Session), i.e. 4:45 p.m. for HSI futures and HHI futures and 5:30 p.m. for gold futures. The T+1 Session would end at 11:15 p.m.
 - c) All trades transacted in the T+1 Session would be registered as T+1 Trades and be cleared and settled on the following trading day.
 - d) At the initial stage, HSI futures, HHI futures and gold futures would be traded in the T+1 Session. Other derivatives products might be considered at a later stage.
 - e) HKEx would manage the risk of AHFT through appropriate regular, ad-hoc and/or real-time monitoring during the T+1 Session and via a new mandatory variation adjustment and margin call following the market open of each T Session and payable by 11:00 a.m.

For details of the Consultation Paper, please refer to:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201105.pdf>

9. The consultation period ended on 8 July 2011. HKEx received a total of 455 responses (including 6 late responses) from EPs, professional and industry associations, market practitioners and individuals. A list of the respondents is provided in Appendix II. Copies of their responses are available on HKEx's website for public reference. Please refer to:
<http://www.hkex.com.hk/eng/newsconsul/mktconsul/marketconsultation.htm>
10. Statistics and key responses to the Consultation Paper are summarized in Part B. It also includes HKEx's responses to key comments raised. They should be read in conjunction with the Consultation Paper.
11. The Consultation Conclusions and implementation plan for AHFT are set out in Part C. HKEx has made a variety of refinements to the proposal in light of the responses to the consultation as discussed below and summarised in paragraph 49.
12. We would like to take this opportunity to thank all those who have shared with us their comments and views during the consultation process.

PART B: MARKET FEEDBACK

13. The following table summarises the 455 responses by respondent category.

Category	Submissions Received	Support	Not support	No Preference
<i>Corporate</i>				
Both HKEx Futures and Stock Exchange EPs	37	33	4	0
HKEx Futures EPs only	38	34	4	0
HKEx Stock Exchange EPs only	11	10	1	0
Brokerage industry associations	4	0	3	1
Professional bodies	1	1	0	0
Other entities	12	11	1	0
Total	103	89	13	1
<i>Individual</i>				
Total	352	264	85	3
Grand Total (%)	455 (100%)	353 (77.6%)	98 (21.5%)	4 (0.9%)

14. Among 455 responses received, 353 responses (77.6%) supported AHFT, 98 responses (21.5%) did not support AHFT and 4 responses (0.9%) provided some comments but did not indicate preferences.

15. Summary of responses by categories are detailed as follows.

a) **EPs:** We received 86 responses of which 75 are Futures EPs. Out of the 75 Futures EPs, 67 (80% market share¹) supported AHFT while 8 (2% market share¹) did not support AHFT.

b) **Individuals:** We received a total of 352 responses from individuals. Out of these individuals, 264 of them (75%) supported AHFT, 85 of them (24%) did not support AHFT.

Type	Submissions Received	Support	Not Support	No Preference
Employees of brokerage firms	287	243	41	3
Investors	47	9	38	0
Others	18	12	6	0
Total (%)	352 (100%)	264 (75.0%)	85 (24.1%)	3 (0.9%)

c) **Industry associations:** We received 1 response from a fund association and 4 responses from broker associations. Their comments are summarized as follows.

¹ Market share of the HSI and HHI futures volume in the first half of 2011 (same for other market share statistics below)

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- i. Fund association:** The respondent supported AHFT; noting that the introduction of AHFT will strengthen HKEx's competitiveness and could provide trading / hedging opportunity for investors.
- ii. Broker associations:**
- One broker association (individual membership basis) agreed that AHFT could bring benefits to investors but it raised some concerns on the operational arrangements.
 - One broker association (individual membership basis) responded that they would not agree with the proposal unless the operational issues raised could be resolved.
 - One broker association (individual membership basis) did not agree with the proposal as they had concerns on possible market manipulation and excessive price movements.
 - One broker association (corporate membership basis) did not agree with the proposal as they had concerns on possible market manipulation and excessive price movements. This corporate membership based broker association has 22 members of which 19 members are Futures EPs (9.5% market share). Out of the 19 Futures EPs, 9 directly responded to the consultation of which 6 (4.6% market share) supported the proposal and 3 (1.2% market share) did not support AHFT. 10 Futures EPs (3.7% market share) did not respond directly to this consultation.

16. The key responses to the consultation and HKEx's responses are set forth in the following paragraphs.

Products Related Comments

Introduce Mini HSI futures, Mini HHI futures and stock index options at the initial stage

17. *Responses received:* Some respondents suggested that Mini HSI futures, Mini HHI futures and index options should be introduced at the initial stage such that holders of these products can also manage their positions in T+1 Session.
18. *HKEx response:* When the trading liquidity of the standard HSI and HHI futures is built up in the T+1 Session, HKEx will further assess the market demand for these Mini contracts during the T + 1 Session and decide in due course.

Trading Related Comments

AHFT will provide trading and hedging opportunities and increase client base and futures business activities

19. *Responses received:* Some respondents stated that AHFT will provide trading/hedging opportunities related to news and events happening in the European or US market and that the client base and overall futures business activity will increase.
20. *HKEx response:* We agree AHFT will offer opportunities for EPs to expand their client base and should bring in more futures business.

Reduce volatility on the next day's opening

21. *Responses received:* Some respondents commented that AHFT could reduce the volatility in the next day's opening as some investors would have hedged or adjusted their positions in AHFT in response to news and events in the European or US time zones.
22. *HKEx response:* Investors will be able to manage their risk exposures during AHFT and this could reduce pressures at the next day's market opening.

An increase in operating costs and pressure on staff in the futures industry

23. *Responses received:* Some respondents commented that AHFT would increase operating costs for smaller/medium-sized brokers and add pressures to the employees of the brokerage industry as some employees would work until late at night.
24. *HKEx response:* We acknowledge that there will be additional operating costs for EPs to participate in AHFT. For EPs that are currently operating during Hong Kong night time, the impact to participate in AHFT should be low. As mentioned in the Consultation Paper, at least 91 out of total 183 Futures EPs are involved in after-hours overseas derivatives trading business (these Futures EPs accounted for 89% HSI futures turnover or 94% HHI futures turnover in 2010). For those EPs that are not serving clients during night time but intend to participate in the T+1 Session, the costs to them may be higher. In any event, EPs should assess whether the costs and benefits will be justified by client demand and it is a business decision for the EPs.
25. As the combined trading hours of T Session and the proposed T+1 Session are more than 12 hours, it is anticipated that there will be two shifts for EPs/CPs to operate the T Session and T+1 Sessions. We agree that staff in the futures industry may need to change their working hours to service their clients during night time. However, there will unlikely be excessive long working hours for general staff in the brokerage industry and there should also be additional job opportunities for the futures industry due to AHFT.

Expect low trading volume for AHFT

26. *Responses received:* Some respondents stated that they expect a low trading volume during AHFT.
27. *HKEx response:* The trading volume in AHFT will not be as much as in regular trading sessions. Based on the responses to the consultation and our preliminary assessment, there is demand from investors to manage their positions during night time in response to the news and events in Europe and the US. From international experience, there appears to be reasonable business volume (i.e. 15% to 37% of the volume in day session) during their overseas after-hours trading sessions which generates additional revenue for the futures industry.

Concerns that low liquidity during AHFT may make the market prone to market manipulation and suggestions of a price limit

28. *Responses received:* Some respondents were concerned that market liquidity during AHFT may be low and this would subject the market to risk of manipulation and a few of them suggested a price limit.
29. *HKEx response:* As the AHFT proposal received strong support from Futures EPs which accounted for 80% of market share in HSI and HHI futures in H1, 2011, HKEx believes that many Futures EPs and investors will participate in AHFT and they will monitor the market prices during AHFT for trading or hedging opportunities. This trading participation should help in guarding against market manipulation. In the event that there are any abnormal price deviations, these market participants will consider these as profit opportunities and trade to counter the price deviation. Many major derivatives exchanges also have price limit arrangements in their after-hours trading.
30. The introduction of a price limit will prohibit any transactions beyond the range of the price limit, which will deter any attempts at market manipulation. A price limit will at certain extent, undermine the price discovery function of the futures market and will take away the opportunity for investors to manage their positions beyond the price limit. On balance, we believe a price limit will provide some assurance to EPs/CPs that the client margin would not be exhausted by any excessive price movement in the T+1 Session. In general, the minimum clearing house margin for stock index futures is 5% (minimum client margin is 6%). If the price limit is set at up/down 5%, EPs/CPs might have an additional safeguard in terms of client margin management. After the market opens on the next day and banking services are available, EPs/CPs can handle their clients' margin in the usual way. From clients' point of view, their open positions would not be force-closed out during the T+1 Session due to exhaustion of margin deposit with their brokers. HKEx has decided to implement the price limit in the T + 1 Session taking into consideration the pros and cons mentioned above. The originally proposed dynamic price banding mechanism mentioned in the Consultation Paper will not be pursued.

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31. The price limit up/down mechanism is as follows.
- a) No sell order of price below 95% and no buy order of price above 105% of the last traded price of the spot month contract in the T Session are allowed to be placed in HKATS in the T+1 Session and investors will not be able to notice such orders.
 - b) The percentage for the price limit up/down is 5% (the historical differences between the daily opening prices and previous closing prices of spot months of HSI futures and HHI futures between 2005 and 2011 (up to 10 June), exceeded 5% on average about once per year and 4 times per year respectively and those incidents happened mostly during the 2008 and 2009 financial turmoil).
 - c) Trading (for all contract months) will be allowed only within the price limit range during the T+1 Session.
 - d) The price limit of 5% will be reviewed after implementation.

Note: Trading in the T Session will not be subject to this price limit up/down mechanism.

Well-being of investors will be affected due to long hours of monitoring

32. *Responses received:* Some respondents commented that AHFT would affect the wellbeing of investors who will have to monitor the futures market for long hours.
33. *HKEx response:* There are many types of investors in the market and each of them may have different kinds of trading strategies. Some investors may closely monitor the market in real time while other investors may set alert level or place stop loss orders to manage the risks.

Align the opening time of T+1 Session for all products

34. *Responses received:* A few respondents suggested the opening time of T+1 Session for stock index futures and gold futures should be the same. (We had proposed the opening time of T+1 Session to be 30 minutes after the close of the T Session of respective products, i.e. the break for stock index futures is between 4:15 pm and 4:45 pm and the break for gold futures is between 5:00 pm and 5:30 pm.)
35. *HKEx response:* To facilitate EPs/CPs' session-end processing activities, HKEx will align the closing time of T session for HSI futures, HHI futures and gold futures at 4:15 pm and opening time of T+1 session at 5:00 pm (please refer to paragraph 49).

Clearing Related Comments

Request for a longer break before the opening of T+1 Session and more time for post-trade activities after the close of T+1 Session

36. *Responses received:* Some respondents commented that more than 30 minutes is needed between the market close of T Session and the opening of T+1 Session. Some also commented that more time is needed to perform the post-trade activities after the proposed close of the T+1 Session at 11:15 pm.

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37. *HKEx response:* Considering EPs/CPs' operational requests, HKEx will revise the proposed opening hour of T+1 Session from 4:45 pm to 5:00 pm to allow 45 minutes for EPs/CPs to conduct necessary T Session day-end activities to prepare for the opening of T+1 Session. In addition, HKEx will revise the closing time of T+1 Session from 11:15 pm to 11:00 pm to allow more time for CPs to perform post-trade activities. EPs/CPs can perform post trade activities (i) for T+1 trades from 5:00 pm (upon opening of T+1 Session) and (ii) for T+1 position management from the completion of T Session day end batch processing. The post-trade activities will be ended at 11:45 pm (45 minutes after T+1 Session ends). EPs/CPs are reminded that post-trade activities of T+1 Session will be available from 7:45 am onwards to 6:45 pm (i.e. the existing System Input Cutoff Time) on the following business day. To avoid extra margin amount being called in the proposed mandatory market open variation adjustment and margin call process due to incomplete post-trade activities (e.g. close out, give-up/take-up), CPs are strongly recommended to complete the relevant transactions for T+1 Session by 8:45 am.

Risk Management Related Comments

Skip proposed mandatory variation adjustment (VA) and margin call or only call VA

38. *Responses received:* One respondent suggested skipping the proposed mandatory VA and margin call or just call VA, because HKEx can trigger ad hoc intra-day calls when necessary.
39. *HKEx response:* We do not believe it would be appropriate for HKEx to skip the mandatory market open VA and margin call or rely solely on ad hoc intra-day calls, because the mandatory call will collect margins for new positions established during the T+1 Session, without which the new positions would not have any margin coverage for more than 24 (and up to 40) hours after execution. This would weaken HKCC's protection against risk of default loss as compared to the current arrangement of collecting margins from CPs within one day of transactions². Moreover, conducting at least one round of intra-day call (including both VA and margin) per day will align HKCC with major overseas market risk management best practices³.
40. Nevertheless, in view of market concerns, HKEx will revise the threshold of the proposed mandatory VA and margin call from HK\$1 million to HK\$2 million, i.e. call amount less than HK\$2 million will not be demanded for settlement, to minimize the impact to CPs.

² Currently, HKCC collects margin from all trades of regular session within 24 hours after execution (i.e. 9:15 am on the next day), which is a general practice of the major overseas clearing houses.

³ CME and SGX conduct at least one and three rounds of mandatory intra-day VA and margin call per day respectively.

CPs need to settle VA and margin on T Session positions as of 9:15 am in next trading day though they have closed out those positions during the T+1 Session

41. *Responses received:* A few respondents commented that CPs that have closed out their T Session positions during T + 1 Session should not be required to settle any margin with the Clearing House as of 9:15 am the next trading day. They suggested combining the VA and margin calculations of the T Session and T+1 Session into one.
42. *HKEx response:* The proposed model of treating T+1 trades as next day's trades aims to save CP's back-office staff from waiting until the end of night session (i.e. 11:00 pm) before they can conduct back-office activities. Moreover, if the respondents' suggestion of combining the VA and margin calculations of the T Session and T+1 Session into one was adopted, there might not be sufficient time for CPs to complete their back-office and margin call processes in time for market open on the following day. Also, CPs who have closed out positions during T+1 Session can have the margin released earlier and they will be allowed to withdraw such margin with same date value. Some overseas clearing houses with after-hours trading session have settlement arrangements similar to that planned by HKEx.

The settlement deadline of the mandatory VA and margin call should be extended

43. *Responses received:* A few respondents requested that the settlement deadline of the mandatory VA and margin call be extended as CPs need time to collect money from their clients.
44. *HKEx response:* Considering respondents request, HKEx will extend the settlement deadline from 11:00 am to 12:00 noon to allow more time for CPs to prepare for the funding. The revised HKCC margin collection timeline is set out in Appendix III for reference.

Prices to be used for the proposed mandatory market open VA and margin call

45. *Responses received:* The majority of relevant respondents supported the use of Calculated Opening Prices as the basis for mandatory market open VA and margin call. A few respondents preferred to use the closing prices of T+1 Session to better manage their positions real time. One respondent commented that theoretical prices should be used for far-month contracts which might not be liquidly traded.
46. *HKEx response:* Calculated Opening Prices will be used as supported in the consultation and to best reflect the risk exposure of participants' positions at the market open. The closing prices in T+1 Session are considered out-dated for the purpose of the mandatory market open call. Nevertheless, HKEx shares the view on the far-month contracts and would adopt the theoretical prices for purpose of the mandatory call calculation.

PART C: CONCLUSIONS AND IMPLEMENTATION PLAN

47. Responses to the Consultation Paper show very strong support for the proposal. Among 455 responses received, 353 (77.6%) supported AHFT. Among 75 responses from Futures EPs, 67 (with 80% market share) supported the proposal.
48. Key comments from respondents who supported AHFT were that the introduction of AHFT will provide trading/hedging opportunities to investors in response to news and events in the European or US market. They also believed that the futures client base and after-hours business will increase. Some also commented that AHFT could reduce the volatility in the next day's opening as some investors would have hedged or adjusted their positions in the T+1 Session in response to news and events in the European or US time zones. Some respondents who did not support AHFT raised concerns on the operational arrangements and the potential for excessive market movements in AHFT.
49. Considering the concerns raised, HKEx will implement AHFT with refinements to the operational arrangements summarized below.

No.	Item	Original Proposal	Revised Proposal
1	Opening time of index futures in T + 1 Session	4:45 pm	5:00 pm
2	Closing time of gold futures in T Session and opening time of gold futures in T + 1 Session	5:00 pm and 5:30 pm	4:15 pm and 5:00 pm
3	Closing time of T + 1 Session	11:15 pm	11:00 pm
4	Deadline for collection of mandatory variation adjustment and margin call from CPs	11:00 am	12:00 noon
5	Threshold that mandatory margin and VA call would not be demanded from CPs	Less than \$1 million	Less than \$2 million
6	Price limit mechanism	Price banding mechanism	To replace the dynamic price banding mechanism by a 5% price limit up/down mechanism

50. The final proposal for AHFT is set forth in Appendix I for reference.
51. AHFT will tentatively take place in the second half of 2012, subject to the approval of the necessary rule amendments by the SFC and market readiness. Detailed implementation plans and schedules will be announced in due course.
52. For Futures EPs/CPs which would like to participate in AHFT, they need to prepare their systems and be ready for market rehearsals by mid-2012 and, where applicable, to arrange human resources to support AHFT.

APPENDIX I: FINAL PROPOSAL

After-hours futures trading with regard to products, trading, clearing and risk management will be implemented as follows:

a) **Products**

At the initial stage, HSI futures, HHI futures and gold futures would be introduced for after-hours trading. Subject to the development of trading liquidity in the main stock index futures contracts, mini-HSI futures and mini-HHI futures will be introduced at the next stage. Trading arrangements of the stock market will not be affected. As and when market conditions warrant, HKEx might also consider introducing other and new derivatives products for after-hours trading in the future.

b) **Trading**

i. Proposed Trading Hours

A new trading session (T+1 Session) will be introduced in the futures market. The opening time of the T+1 Session will be **45 minutes** after the close of the regular trading session (T Session), i.e. **5:00 p.m.** for stock index futures and gold futures. Trades executed during the T+1 Session (T+1 Trades) will be registered as the following day's trades.

The T+1 Session will end at **11:00 p.m.**

ii. Holiday Arrangements

If it is a Hong Kong public holiday or there is half-day trading in the HKEx securities market, there would be no T+1 Session on that day.

iii. Typhoon or Black Rainstorm Arrangements

If Typhoon Signal No. 8 or a Black Rainstorm Warning is hoisted and is not lowered before 12:00 noon, there would be no T+1 Session.

iv. Order Types

All rest of day orders, until expiry orders and specified date orders, by default, will be effective only in T Session and outstanding orders will be carried forward to the next T Session and so on whilst outstanding.

For EPs and their clients participating in after-hours trading need to select the order attribute "T+1" when entering their rest of day orders, until expiry orders and specified date orders for those orders that should be effective for both T Session and the T+1 Session. These orders with "T+1" attribute will be carried

forward from T+1 Session and back into T Session and so on whilst outstanding.

Fill-or-kill orders and fill-and-kill orders which are to be executed (or not) immediately, the order attribute “T+1” will not be applicable and will be ignored.

v. **Price Limit Up/Down Mechanism**

- **The proposed percentage for the price limit up/down is 5%, which will be reviewed and adjusted according to market situation**
- **No sell order of price below 95% and no buy order of price above 105% of the last traded price of the spot month contract in the T Session will be allowed**
- **Trading (for all contract months) will be allowed only within the price limit range during the T+1 Session**

Note: Trading in the T Session will not be subject to this price limit up/down mechanism.

vi. Handling of Error Trades

Existing error trade rules will apply in the T+1 Session.

vii. Block Trade Facility Not Applicable

At the initial stage, the Block Trade Facility will not be available in the T+1 Session. HKEx will consider introducing the Block Trade Facility when options products are available for trading in the T+1 Session.

c) **Clearing**

i. Clearing of Trades Executed in T+1 Session

T+1 Trades will be registered as the following day’s trades. Together with trades executed in the following day’s T Session, these trades will undergo the standard clearing process during the standard clearing session (T Clearing Session). With after-hours futures trading, the T Clearing Session will start 1 hour earlier than the T Session for respective futures products. T Clearing Session ends at 6:45 p.m. i.e. existing System Input Cutoff Time.

In addition, a new clearing session (T+1 Clearing Session) will be introduced. The T+1 Clearing Session will start at the same time as the T+1 Session and end **45 minutes** after the close of the T+1 Session (i.e. 11:45 p.m.).

A comparison of time windows for existing and proposed clearing sessions is as follows:

Product	Time Window	T Clearing Session	T+1 Clearing Session
HSI/HHI Futures	Existing Time Window	8:45 a.m. – 6:45 p.m.	N/A
	<u>Proposed Time Window</u>	<u>7:45 a.m. – 6:45 p.m.</u>	<u>5:00 p.m. – 11:45 p.m.</u>
Gold Futures	Existing Time Window	8:30 a.m. – 6:45 p.m.	N/A
	<u>Proposed Time Window</u>	<u>7:30 a.m. – 6:45 p.m.</u>	<u>5:00 p.m. – 11:45 p.m.</u>

This dual clearing session arrangement enables trading during T+1 Session (whereby executed trades are registered as T+1 Trades) and day-end processing of T trades to take place concurrently. CPs can still process post-trade activities on T trades as normal during the T Clearing Session while trading can take place under T+1 Session.

ii. Position Recording

Positions will be maintained according to clearing dates and separate records are held at all times for T day and T+1 day positions. T day positions will be finalized after the end of T Clearing Session at 6:45 p.m. and subject to day-end margin calculation. T+1 day positions will be finalized after the end of T+1 Clearing Session at 11:45 p.m. These T+1 day positions will become T day opening positions on the following day, i.e. the following day's positions are made up of positions created during the T Session on that day plus trades/post-trades executed during the T+1 Session of the previous day.

d) **Risk Management**

In the absence of a level of banking support to facilitate intra-day call capability during the T+1 Session similar to that during the T Session, the following additional risk management measures will be implemented to mitigate the counterparty risks associated with after-hours futures trading.

- i. Perform monitoring of CPs' capital-based position limit (CBPL) based on both the current market prices and positions at regular intervals during the T+1 Session, supplemented by ad-hoc CBPL monitoring. CPs breaching their CBPL may be requested to reduce their exposure to re-establish compliance with their CBPL and risk being disconnected from the HKEx trading system and closing out action should they fail to comply with such request or further increase their exposure.

- ii. A mandatory variation adjustment and margin call to markets (based on the morning Calculated Opening Prices⁴) with T+1 Session will be introduced following the market open of each T Session to collect by **12:00 noon** both mark-to-market loss and margin of all positions including that created by trades in T+1 Session. The Calculated Opening Price is the equilibrium market price derived from the price discovery period of thirty minutes before the opening of the morning trading session.
- iii. There will be no intra-day variation adjustment or margin call during the T+1 Session.

⁴ If the Calculated Opening Price is not available, market price shortly after the market open will be used.

APPENDIX II: LIST OF RESPONDENTS

HKEx Participants (86 in total)

1	ABN AMRO Clearing Hong Kong Ltd
2	BOCI Securities Limited
3	Bright Smart Futures & Commodities Company Limited
4	Bright Smart Securities International (H.K.) Limited
5	Cantor Fitzgerald (Hong Kong) Capital Markets Limited
6	Celestial Commodities Limited
7	China Everbright Forex & Futures (HK) Limited
8	China Merchants Futures (HK) Co., Limited
9	Credit Suisse (Hong Kong) Limited
10	First Shanghai Futures Limited
11	GF Futures (Hong Kong) Co., Limited
12	Green Futures (Hong Kong) Limited
13	Guotai Junan Futures (Hong Kong) Limited
14	Haitong International Futures Limited
15	Huatai Financial Holdings (Hong Kong) Limited
16	I-Access Investors Limited
17	LT Securities Limited
18	MF Global Hong Kong Limited (suspended from trading as of 1 November 2011)
19	New Trend Futures Limited
20	Newedge Broker Hong Kong Limited
21	Newedge Financial Hong Kong Limited
22	Nomura Securities (Hong Kong) Limited
23	Optiver Trading Hong Kong Limited
24	Oriental Wealth Futures Limited
25	Sun Hung Kai Commodities Limited
26	Taiwan Concord Capital Securities (Hong Kong) Limited
27	Tanrich Futures Limited
28	Tibra Trading Hong Kong Limited
29	Timber Hill Securities Hong Kong Limited
30-86	57 HKEx Participants requested anonymity

Brokerage Industry Associations (4 in total)

87	Hong Kong Securities and Futures Professionals Association
88	Hong Kong Securities Association Limited
89	Hong Kong Securities Professionals Association
90	The Hong Kong Association of Online Brokers Limited

Professional Bodies (1 in total)

91	Hong Kong Investment Funds Association
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Other Entities (12 in total)

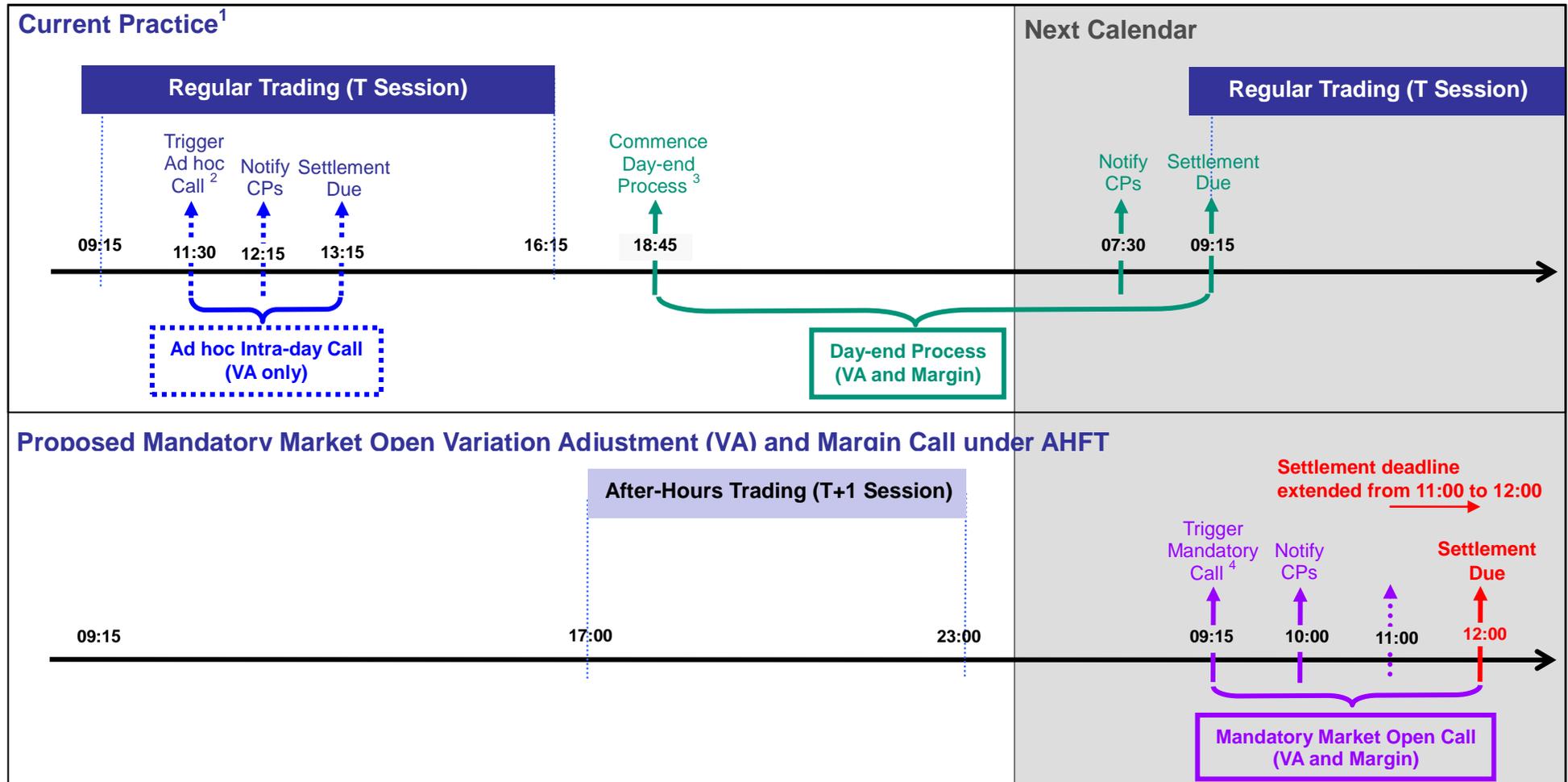
92	Bright Smart Securities & Commodities Group Limited
93	Richland Capital Management Limited
94	Sigma Capital Management Limited
95-103	9 other entities requested anonymity

Individuals (352 in total)

104	Alex Longman
105	Almon Ho Po Hung
106	Catherine Cheng
107	Chan Ah Kiu Keiko
108	Chan Chi Ching
109	Chan Wai Shun Vincent
110	Chim Pun Yuk
111	Chiu Pui Yu
112	Chiu Ting Fung
113	Chung Chi Chung
114	Chung I Fon
115	Doey Au-Yeung
116	Fannie Chan
117	Gary Au Yeung
118	Ho Kin To
119	Kelly Kwai
120	Ku Wai
121	Kwok Chi Chung
122	Lam Woon Ching Simon
123	Lau Tsz Ki
124	Lee Pui Shan
125	Lee Yin Han
126	Leung Chui San, Anthea
127	Leung Chun Bong
128	Leung Fung Yan
129	Li Man Kin Edmund
130	Liu Ka Yan
131	Lo Chin Cheung
132	Lo Kam Ming
133	Lo Wai Keung
134	Louis Mak
135	Ma Kwong Wing
136	Man Chun Kit
137	Mark Wong
138	Ng Kar Ming

139	Sam Kao
140	Tam Cheuk Fai
141	Ting Siu
142	Tsui Hoi Lap
143	Wong Ka Wing
144	Wong Lap Ming Thomas
145	Wong Wai Tak Ray
146	何澤森
147	唐文浩
148	張士佳
149	張恒龍
150	張文生
151	王卉霖
152	羅啟葵
153	蔣曉晴
154	蘇煒德
155	蘇煒綸
156	陳偉明
157	陳冠年
158	陳志華
159	陳江龍
160	黃俊榮
161-455	295 individuals requested anonymity

APPENDIX III: REVISED HKCC MARGIN COLLECTION TIMELINE FOR STOCK INDEX PRODUCTS



¹ Ad hoc Intra-day Call is triggered with reference to market movement and could be conducted more than once per day. For illustration purpose, the above assumes an ad hoc call is triggered at 11:30.

² Based on latest market prices and positions.

³ Based on daily settlement prices and day-end positions of T Session.

⁴ Based on Calculated Opening Price and positions before market open.

