



Overview of ETF Market in Hong Kong

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Agenda

- Overview of HKEx's ETF Market
- Participants of HKEx's ETF Market
- ETF Listing Process

HKEx is one of leading ETF markets in Asia



No. 10th globally and No. 2nd regionally in turnover

Global (Jan-Apr 2012)

	Exchange	Turnover (US\$M)
1	NASDAQ OMX	1,110,871
2	NYSE Euronext (US)	1,063,381
3	London SE Group	88,295
4	Deutsche Börse	67,458
5	Mexican Exchange	39,587
6	Korea Exchange	34,682
7	NYSE Euronext (Europe)	34,523
8	TMX Group	33,152
9	SIX Swiss Exchange	28,637
10	Hong Kong Exchanges	18,748

Asia (Jan-Apr 2012)

	Exchange	Turnover (US\$M)
1	Korea Exchange	34,682
2	Hong Kong Exchanges	18,748
3	Shanghai SE	13,526
4	Osaka SE	9,834
5	Shenzhen SE	9,726
6	Tokyo SE Group	8,556
7	Taiwan SE Corp.	3,264
8	Australian SE	1,380
9	Singapore Exchange	1,371
10	National Stock Exchange India	845

Source: World Federation of Exchanges

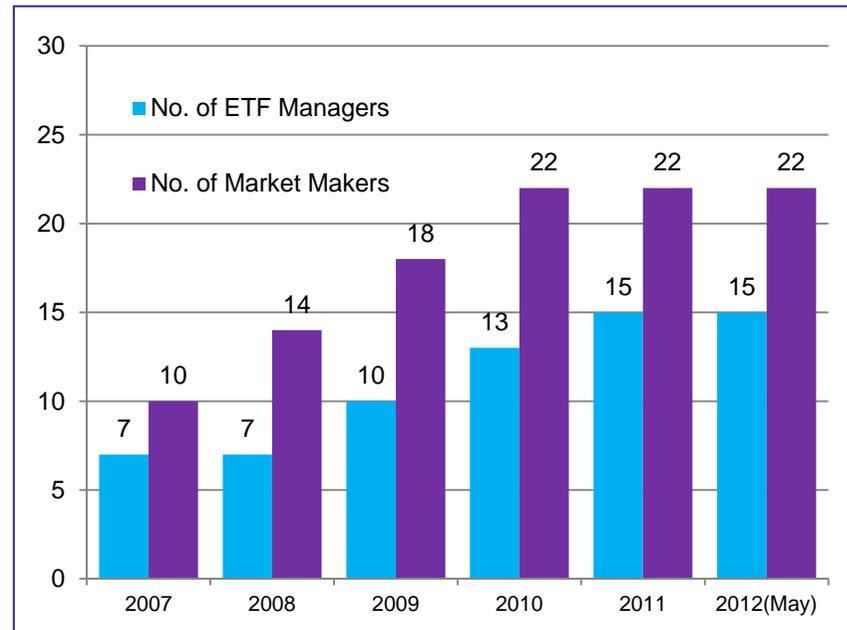
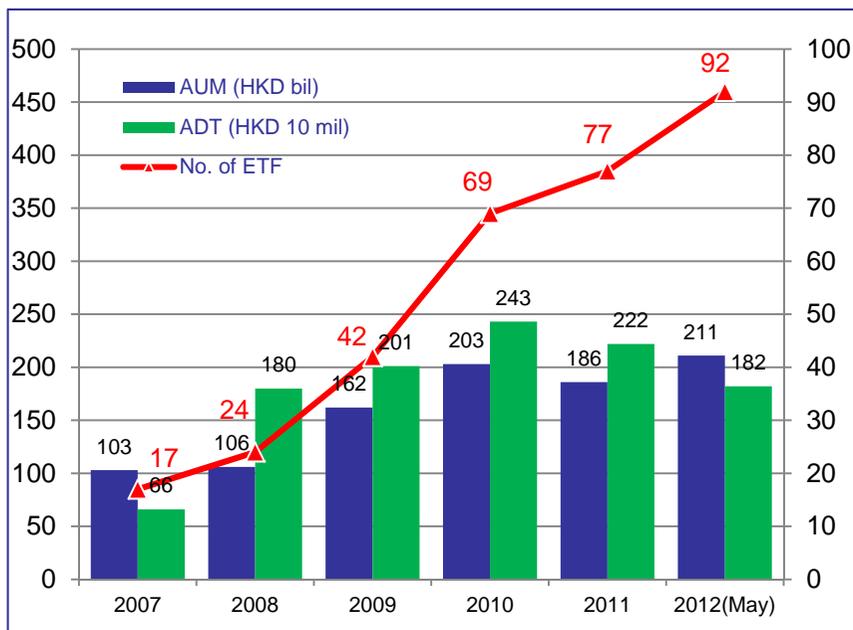
HKEx is one of leading ETF markets in Asia

Ranking by AUM

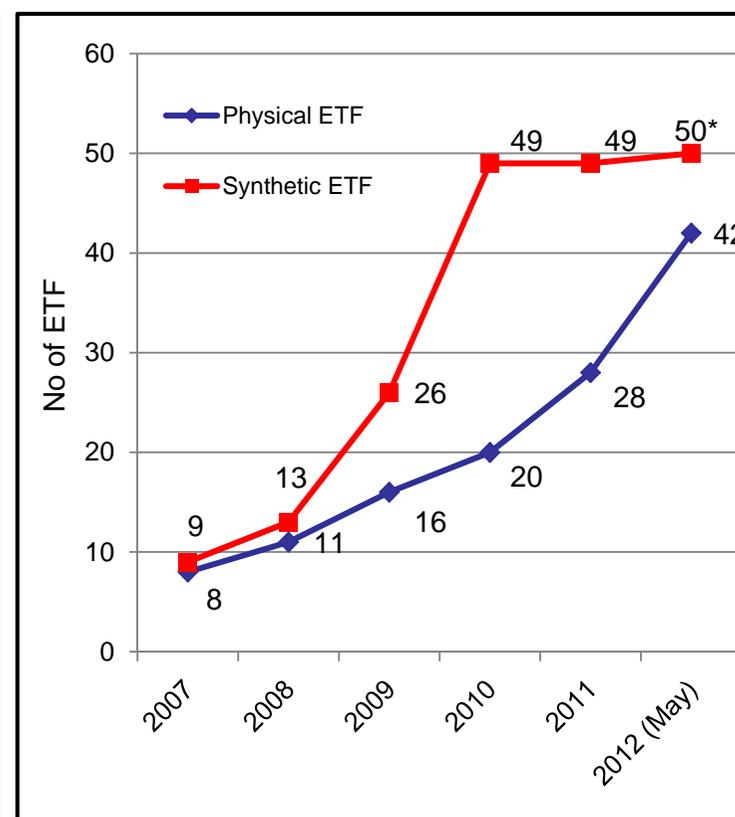
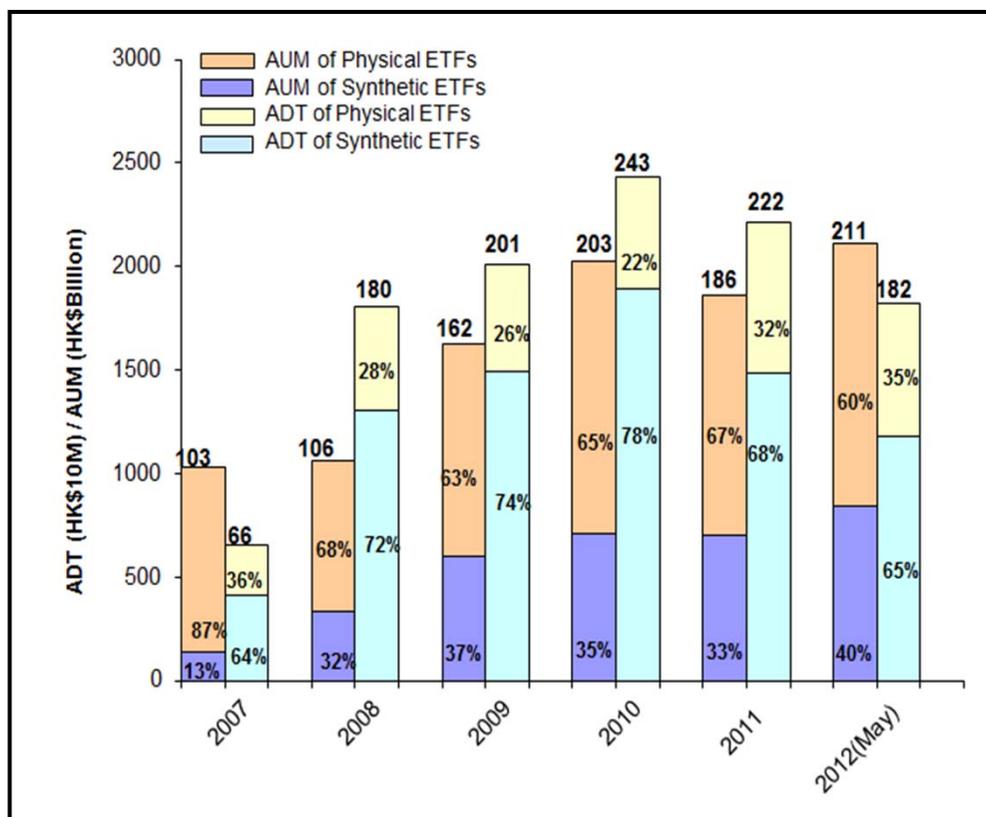
	Market	No. of Listings	AUM (US\$M)	Market Share
1	Japan	129	40,775	38.1%
2	Hong Kong	92	23,545	22.0%
3	Shanghai	25	13,372	11.9%
4	Korea	121	9,500	8.9%
5	Shenzhen	17	8,255	7.3%
6	Australia	68	4,140	3.9%
7	Taiwan	19	4,039	3.8%
8	India	34	1,985	1.9%
9	Singapore	93	1,677	1.6%
10	New Zealand	6	339	0.3%

Source: Deutsche Bank Asia-Pac ETF Market Weekly Review 12 June 2012

HKEx's ETF market has grown substantially in recent years

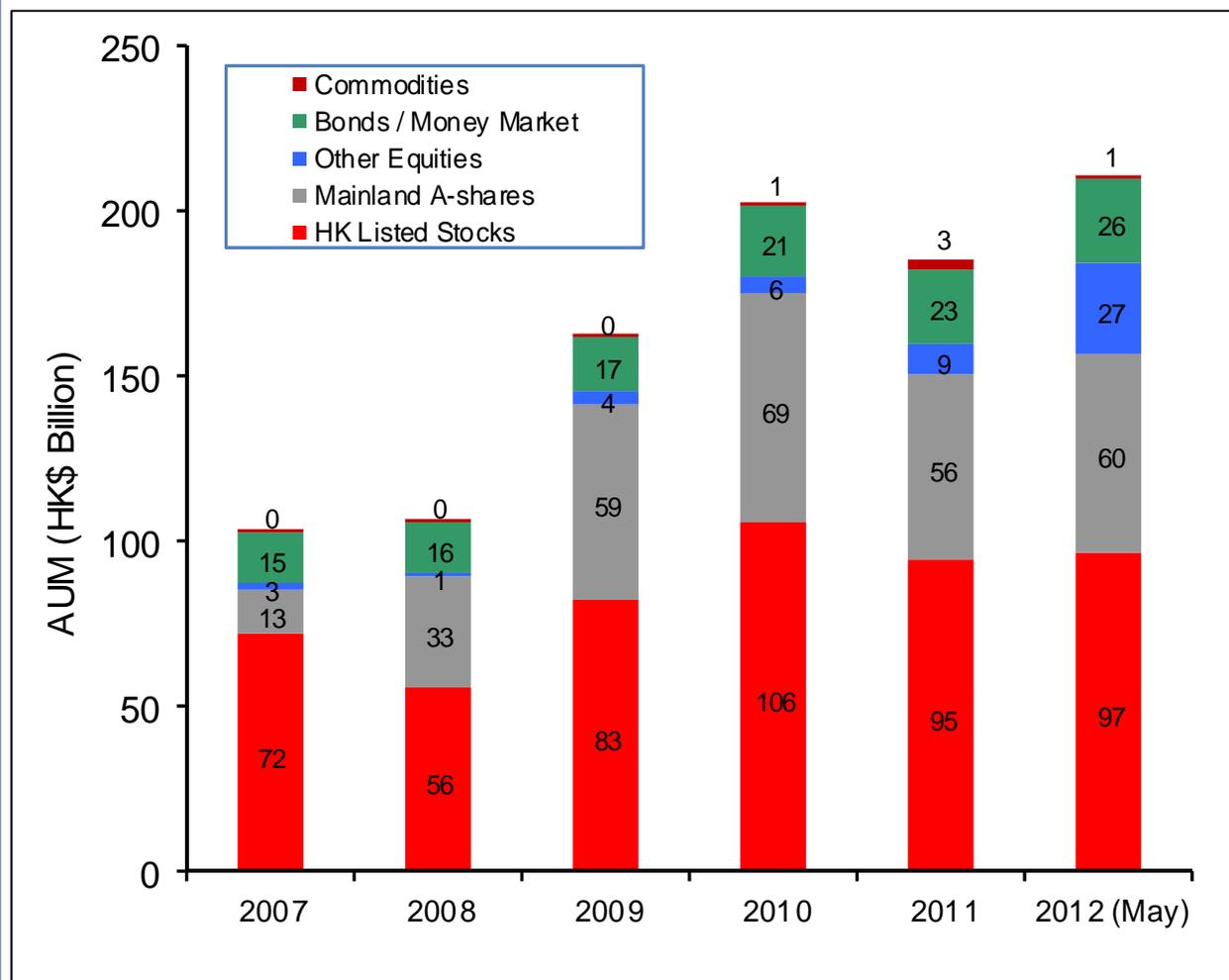


Turnover of Physical ETF has increased in recent years



*12 synthetic ETFs were delisted in March 2012

HKEx's ETF market consists of diverse underlying assets



Underlying Asset	No. of ETFs (May 2012)
HK Listed Stocks	18
Mainland A Shares	24
Other Equities	43
Bonds / Money Market	4
Commodities	3
Total	92

Global, Regional and Local Managers issue ETFs in Hong Kong

North America Origin (3)

ETF Manager	No of ETFs
BlackRock Asset Management North Asia Ltd	14
State Street Global Advisors Asia Ltd	3
State Street Global Advisors Singapore Ltd	1

Europe Origin (2)

ETF Manager	No of ETFs
DB Platinum Advisors	30
HSBC Investment Funds (HK) Ltd	5

Asia Origin (10)

ETF Manager	No of ETFs
Mirae Asset Global Investments (HK) Ltd	8
Enhanced Investment Products Ltd	7
BOCI-Prudential Asset Management Ltd	5
Hang Seng Investment Management Ltd	4
Ping An of China Asset Management (Hong Kong) Company Ltd	4
Da Cheng International Asset Management Co Ltd	3
Sensible Asset Management Hong Kong Ltd	5
China International Capital Corporation Hong Kong Asset Management Ltd	1
CMS Asset Management (HK) Co., Ltd	1
Polaris Securities (Hong Kong) Ltd	1

As of 31 May 2012

Market makers provide liquidity in ETF market

North American Origin (6)

Securities Market Maker	No of ETFs
Citigroup Global Markets Asia Ltd	43
Bluefin HK Ltd	16
Morgan Stanley Hong Kong Securities	6
Timber Hill Securities Hong Kong Ltd	3
Merrill Lynch Far East Ltd	2
J.P. Morgan Broking (Hong Kong) Ltd	1

Asian Origin (6)

Securities Market Maker	No of ETFs
Phillip Securities (HK) Ltd	6
China Merchants Securities (HK) Co., Ltd	5
Nomura Securities (Hong Kong) Ltd	5
Polaris Securities (Hong Kong) Ltd	3
BOCI Securities Ltd	1
Hang Seng Securities Ltd	1

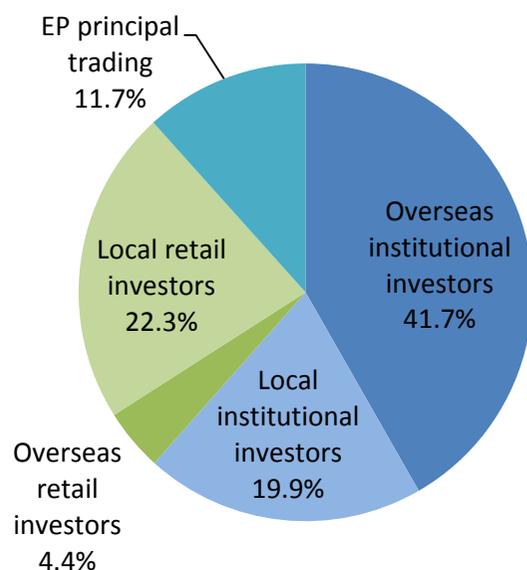
European Origin (10)

Securities Market Maker	No of ETFs
Deutsche Securities Asia Ltd	37
UBS Securities Hong Kong Ltd	22
IMC Asia Pacific Ltd	12
Optiver Trading Hong Kong Ltd	12
Credit Suisse Securities (Hong Kong) Ltd	9
SG Securities (HK) Ltd	6
HSBC Securities Brokers (Asia) Ltd	7
BNP Paribas Securities (Asia) Ltd	3
HSBC Broking Securities (Hong Kong) Ltd	2
Tibra Trading Hong Kong Ltd	2

As of 31 May 2012

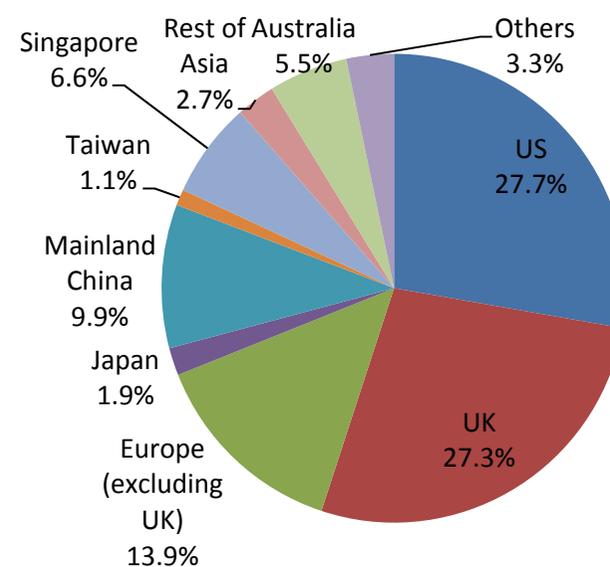
HKEx cash market has a diverse mix of investors

Distribution of securities market trading value by investor type (Oct 2010 – Sep 2011)



- Overseas investors contributed 46% to total market turnover

Distribution of overseas investor trading value by origin (Oct 2010 – Sep 2011)



- US and European investors contributed 69% of the market turnover from overseas.

Retail Participation in ETFs*

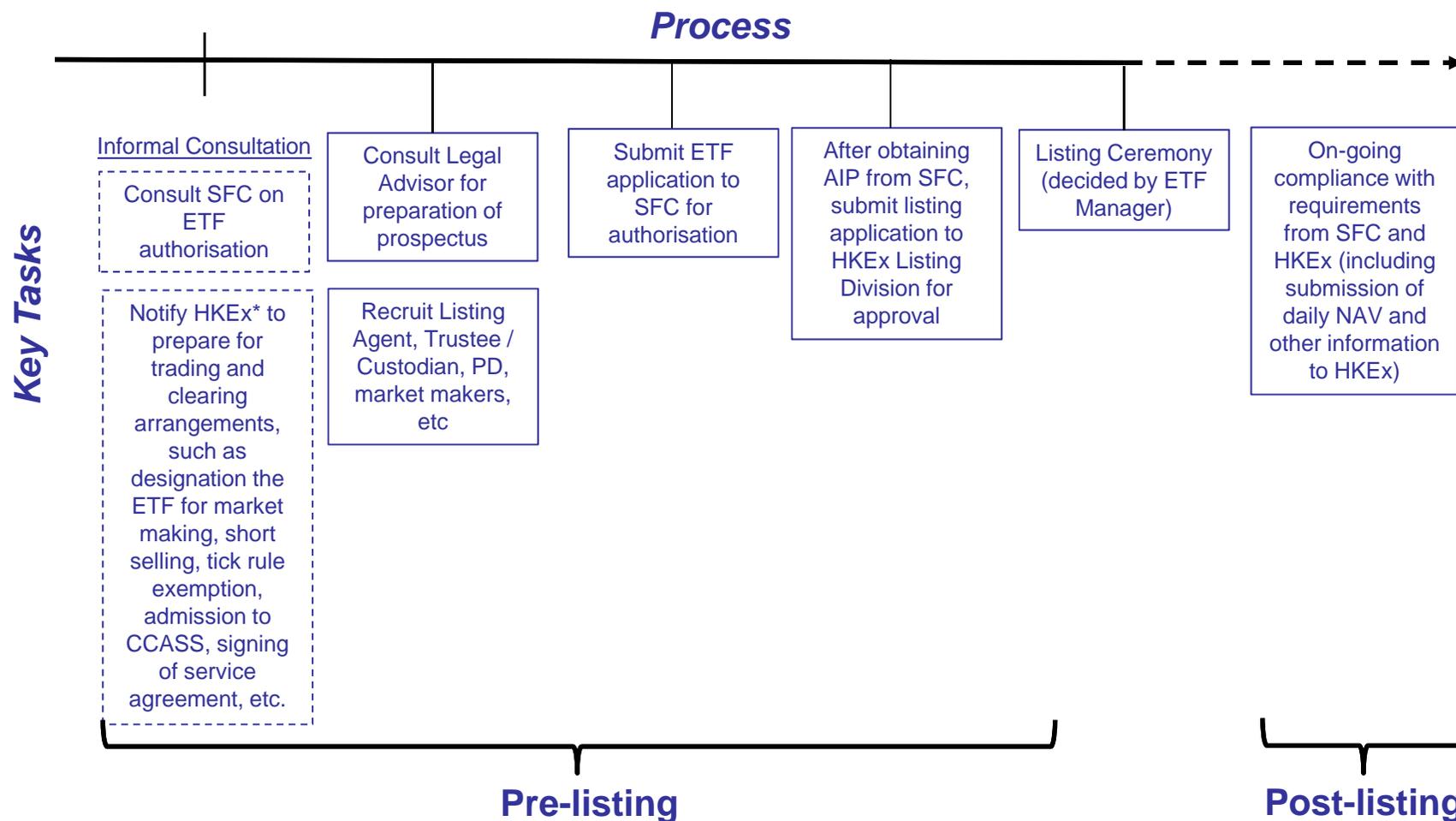
- 35.7% of Hong Kong adults are cash market retail investors, among which 21% have invested in ETFs

Source: HKEx statistics

HKEx is ready for RMB products

- HKEx has completed 4 market rehearsals for Exchange Participants in the past two years to ensure their front-end and back-end systems as well as operation procedures are capable of handling RMB transactions
- Over 80% Exchange Participants in terms of market share have already traded RMB products
- RMB products currently listed on HKEx include 1 ETF, 1 REIT and 23 Bonds. Average daily turnover of RMB products reaches HKD 13.5 million
- To facilitate the market to get ready for trading under the dual counter model, HKEx has also completed a practice session for its Exchange and Clearing Participants

ETF Listing Process



* HKEx Trading Division is the main point of contact for ETF Managers.

ETF Listing Process

	Pre-listing	Post-listing
SFC	<ul style="list-style-type: none"> • Authorise ETF managers • Authorise ETFs under Code on Unit Trusts and Mutual Funds (UT Code) 	<ul style="list-style-type: none"> • Administer continuous obligations for ETF managers • Administer continuous obligations for ETFs under UT Code
HKEx - Listing	<ul style="list-style-type: none"> • Approve under Chapter 20 of Listing Rules 	<ul style="list-style-type: none"> • Administer continuous obligations under Listing Rules
Trading	<ul style="list-style-type: none"> • Key contact point for ETF managers, SMMs & other ETF participants • Designate for market making & short selling with tick rule exemption • Prescribe market making obligations & approve SMM permits • Assist SMM to conduct readiness test 	<ul style="list-style-type: none"> • Provide & administer trading rules & platform • Monitor SMMs' performance • Provide information on individual ETFs including through HKEx's ETF website • Provide ETF product education and marketing
Clearing & Settlement	<ul style="list-style-type: none"> • Admit ETF units as CCASS eligible securities 	<ul style="list-style-type: none"> • Provide custody, clearing & settlement services • Handle book entry for creation & redemption process

Thank You