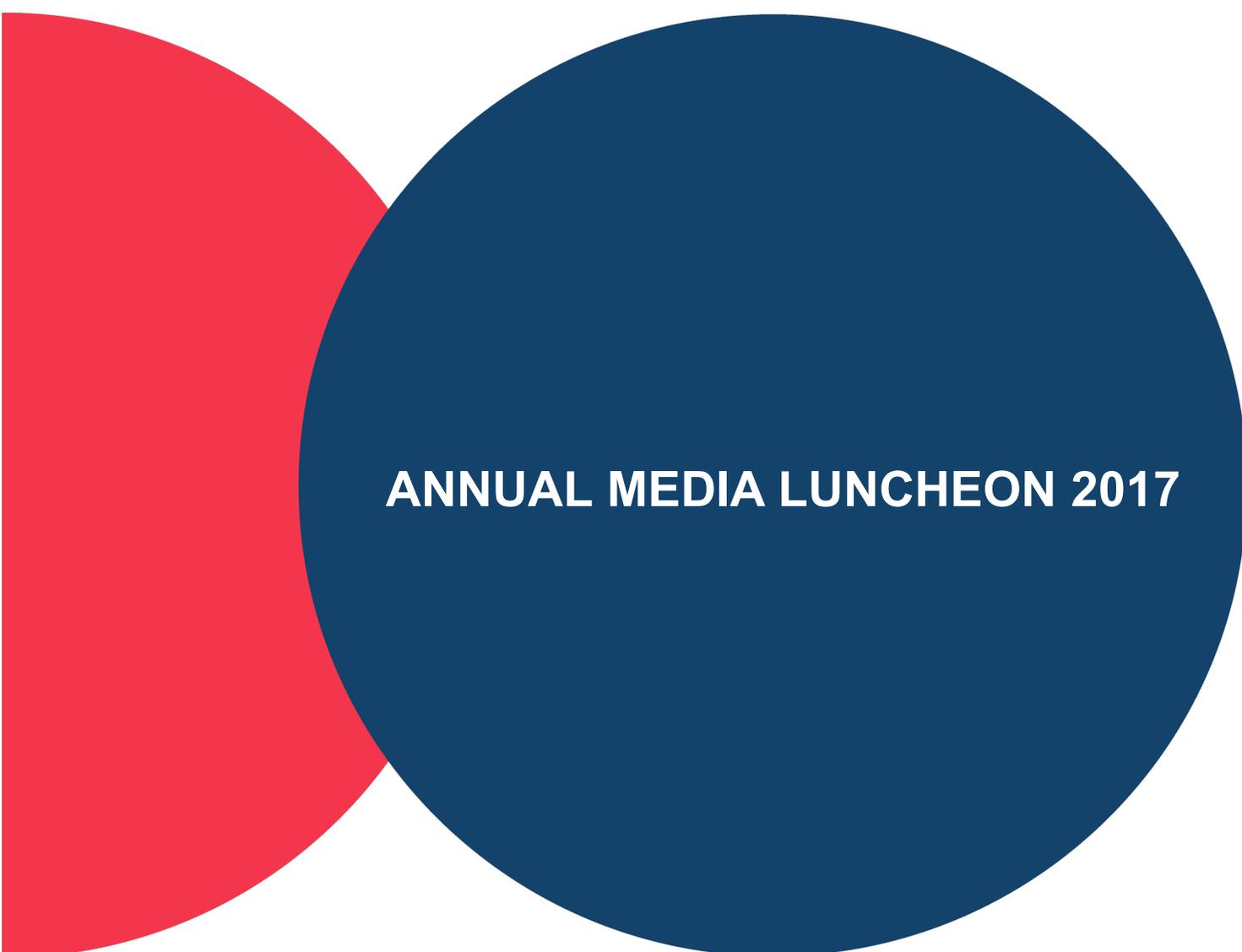


19 January 2017



**ANNUAL MEDIA LUNCHEON 2017**

**HKEX**  
香港交易所

**Charles Li**  
*Chief Executive*

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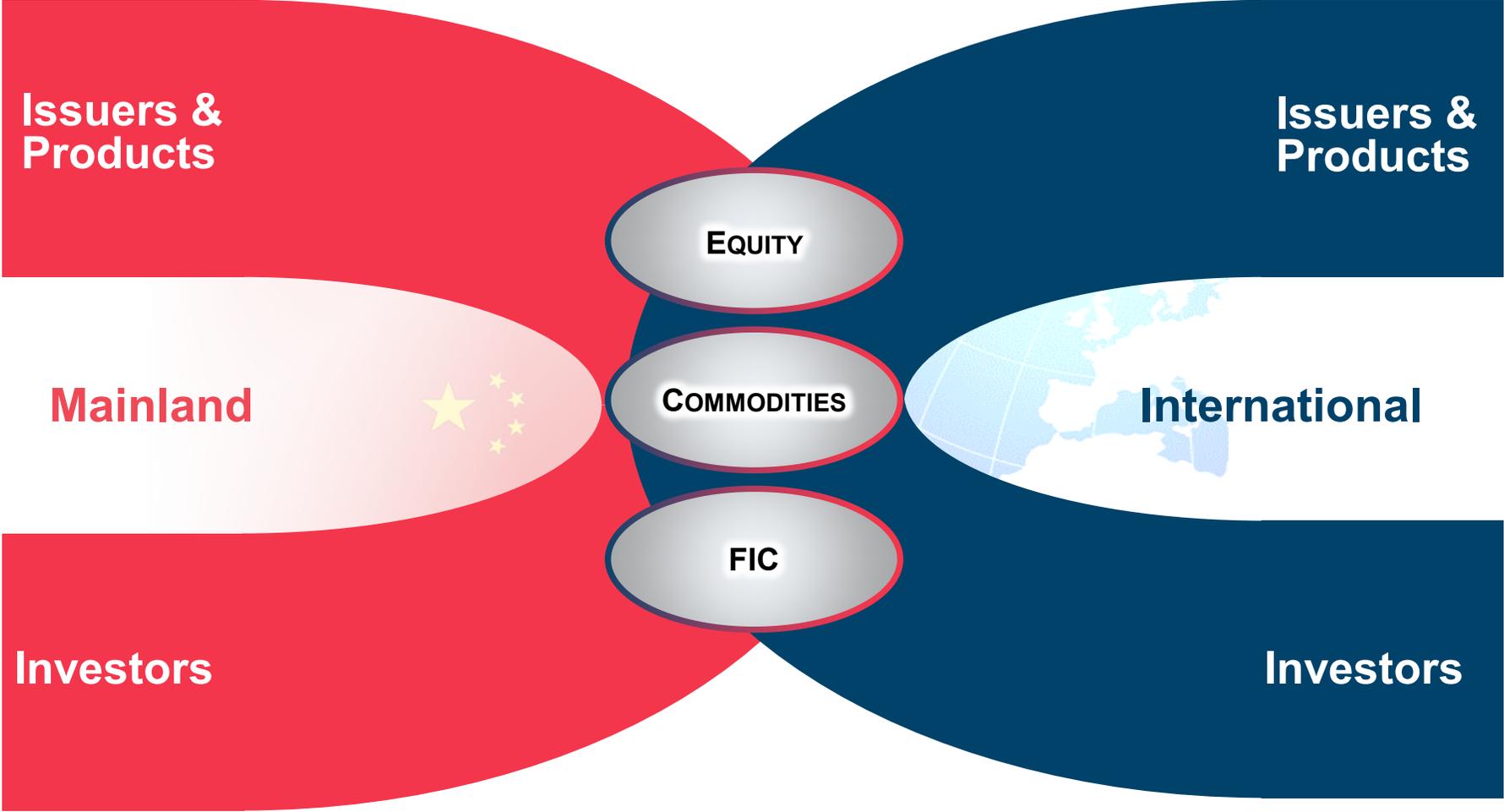
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# Recap of HKEX Strategic Plan 2016-18



# What Have We Achieved So Far?

1

**Expanded our asset class reach**

2

**Created mutual market access channels**

3

**Enhanced market microstructure and efficiency**

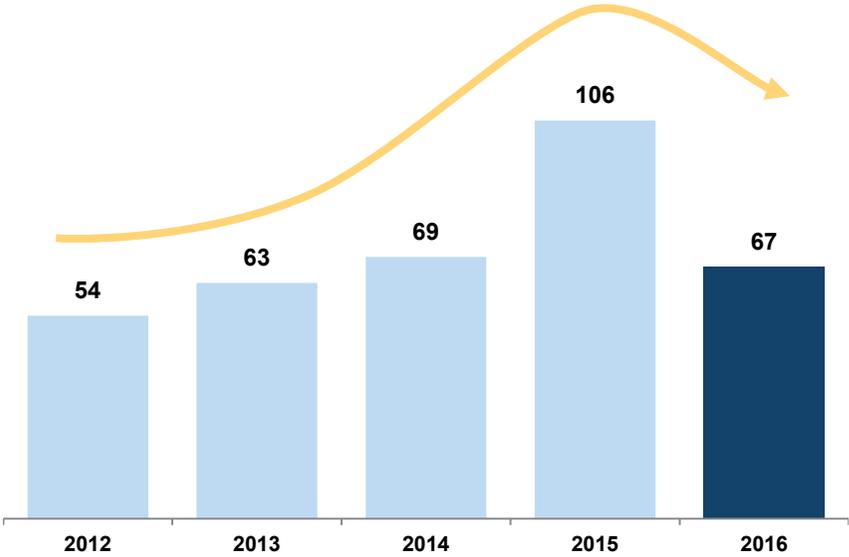
4

**Continued to build and upgrade systems and platforms**

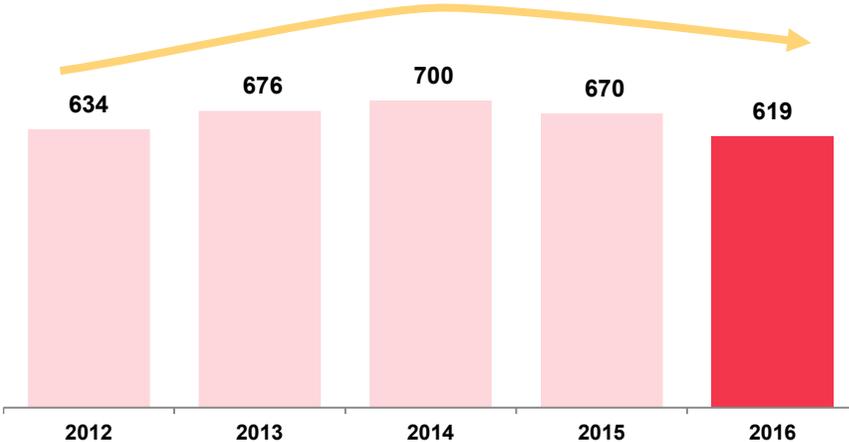


# Is Our Strategy Working? Yes & No

**HK Securities  
ADT  
(HK\$ billion)**



**London  
Commodities  
ADV  
('000 lots)**

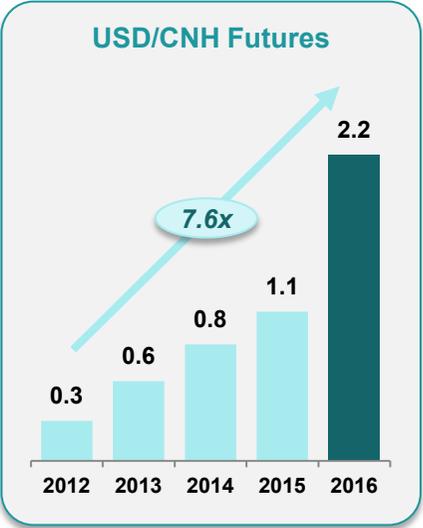
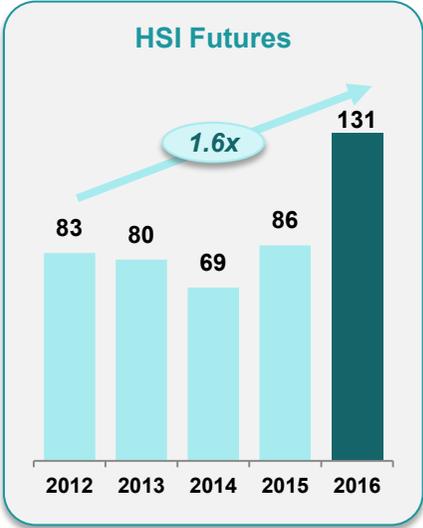
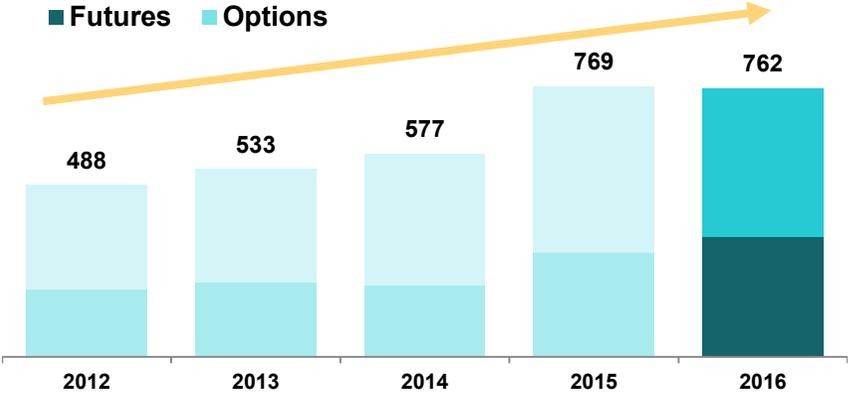


**Cyclical HKEX cash  
and LME volumes  
reflect challenging market  
conditions**



# Is Our Strategy Working? Yes & No

HK Derivatives  
ADV  
(’000 contracts)

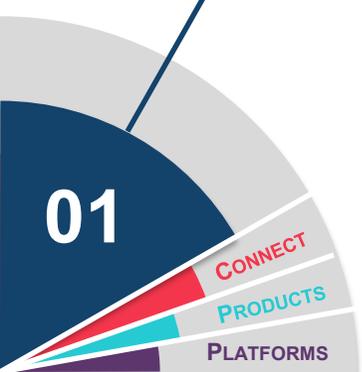


**Resilient equity derivatives volumes and growing uptake in FIC products helped hedge against subdued cash equity turnover**



# Key Focus





# *LISTING*

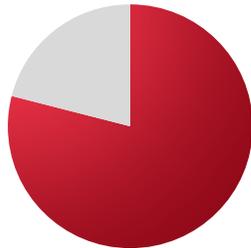
# Robust IPO Market...



# Listing

**But...**

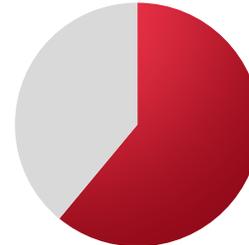
## Geographic Concentration



**79%**

*from Mainland  
and Hong Kong  
(based on 2010-16 IPO funds raised)*

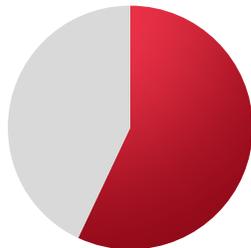
## Sector Concentration



**61%**

*are financials and  
consumer goods  
(based on 2010-16 IPO funds raised)*

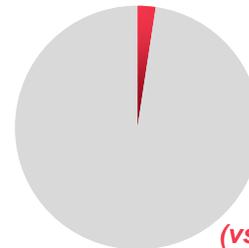
## Small Cap Concentration



**57%**

*% of IPOs with market cap  
less than US\$100mil  
(2016)*

## Lack of New Economy Companies



**2%**

*are internet, biotech and  
technology companies  
(vs 24% in US and 11% in Shenzhen)  
(based on 2010-16 IPO funds raised)*

# Listing



## WHAT'S NEXT?

---

**Listing Consultation**

**GEM Review**

**New Board**

# Listing Consultation

- The joint consultation ended on 18 November 2016 after a 2-month extension
- SFC and HKEX are considering and analysing all submissions carefully



# GEM Review

## KEY AREAS



- **Optional placing-only offering mechanism and minimum shareholders requirement**
- **Entry Requirements**
- **Transfer (to Main Board) Mechanism**

**There is also an ongoing holistic review of regulations in connection with listed company activities across both the Main Board and GEM, including:**

- **Backdoor listing**
- **Fund raising**
- **Handling of long suspended companies**
- **De-listing**

*All the above initiatives are led by the Exchange's Listing Committee*

## THE THREE KEY QUESTIONS

Q1

### TARGET USERS

### WHAT DO WE HAVE IN MIND?



**INTERNATIONAL**  
COMPANIES

- Multinational issuers
- ASEAN / “Belt-and-Road” issuers



**EMERGING**  
COMPANIES

- SME / early-stage issuers



**COMPANIES WITH**  
**NON STANDARD VOTING**  
STRUCTURES

- Weighted voting rights issuers

## THE THREE KEY QUESTIONS

Q2

### TARGET USERS



**INTERNATIONAL**  
COMPANIES



**EMERGING**  
COMPANIES



**COMPANIES WITH**  
**NON STANDARD VOTING**  
STRUCTURES

### WHAT'S NEEDED TO ATTRACT THEM?

- More flexibility under the Joint Policy Statement regarding the listing of overseas companies
- Reduced financial hurdles
- Lower ongoing compliance costs
- Possibility of weighted voting rights structures in the context of a New Board

## THE THREE KEY QUESTIONS

Q3

WHAT ARE THE KEY CONSIDERATIONS?

*Which investors should be eligible?*

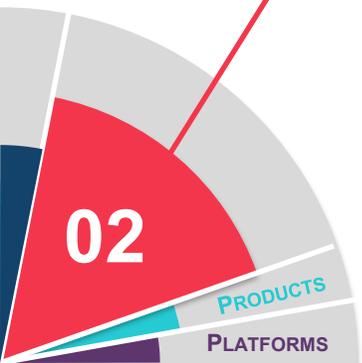
*Appropriate initial offering requirements?*

*Appropriate ongoing listing obligations?*

*Role of the sponsor?*

*More stringent de-listing regime?*

# *CONNECT*

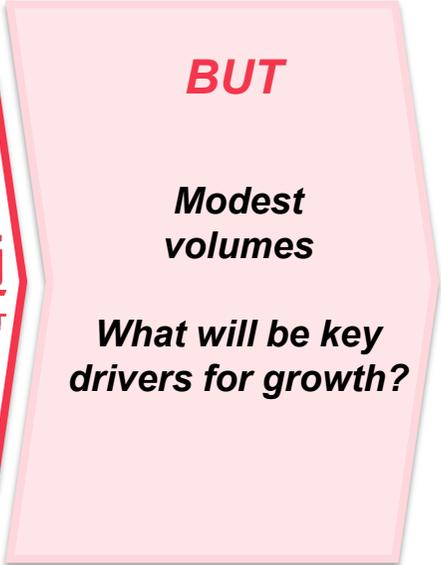


# Connect

NARROW  
ACCESS



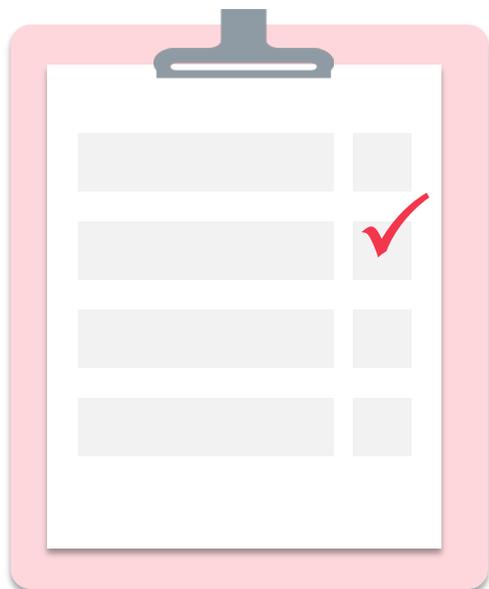
BROAD  
ACCESS



THE BUILDING  
BLOCKS  
FOR CONNECT

- 1 Alignment of Trading Hours
- 2 RMB Readiness
- 3 Build Connect Infrastructure
- 4 Regulatory Cooperation





## WHAT'S NEXT?

---

### Stock Connect Extension

*ETFs, listed bonds, holiday trading, SBL, etc.*

### Primary Connect

*Cross-border fund raising*

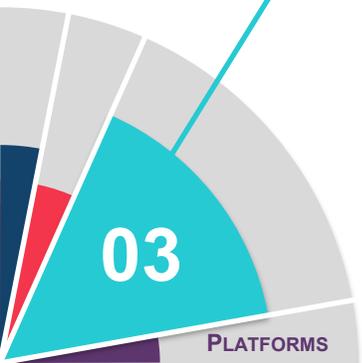
### Bond Connect

*Cross-border access to interbank bond market*

### Commodities

*London – HK – Mainland China*

# *PRODUCTS*



# Products



## CLIENT DRIVERS

### EQUITY

Portfolio diversification and risk management

### FIC

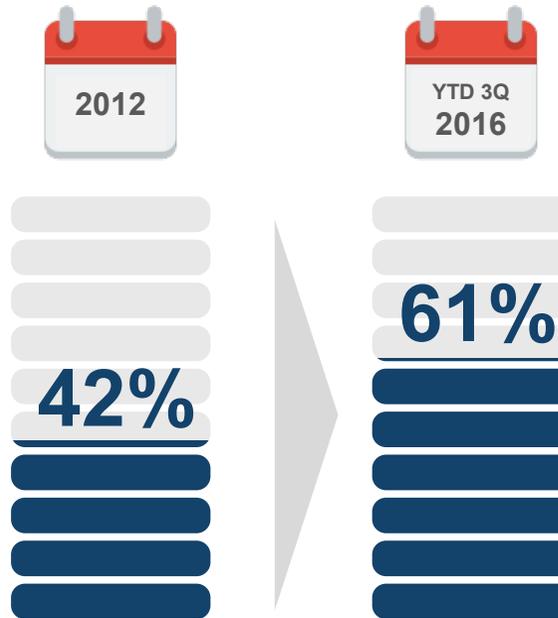
Hedging fluctuating currency and rates

### COMMODITIES

Benchmarks and hedging price risk

# HKEX

## DIVERSIFICATION OF HKEX GROUP REVENUE



Trading and Clearing Fee Revenue Generated from Derivatives

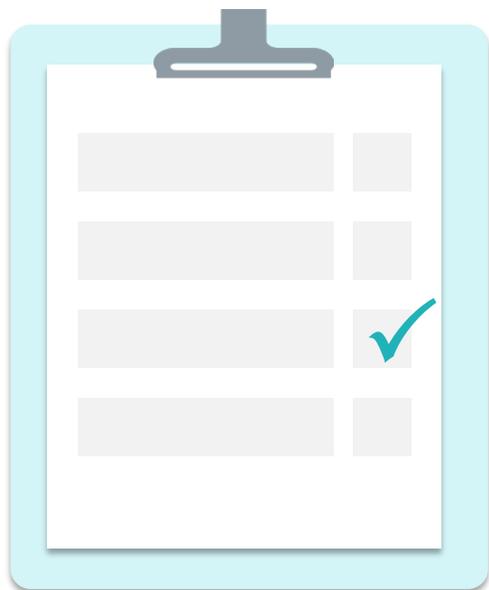
## BUT

New products **take time** to build liquidity

Mainland investors **take time** to mature and arrive here

RMB / rates risk management needs **take time** to grow





## WHAT'S NEXT?

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### ETFs

- *Leveraged & Inverse product scope expansion*
- *Revamp market making programme*

### Equity Derivatives

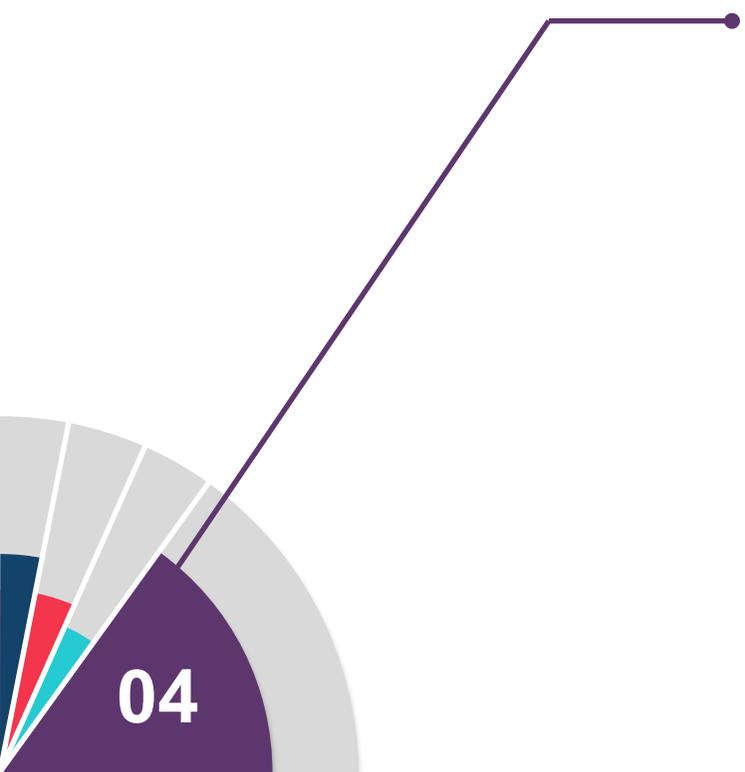
- *A-shares futures*
- *Weekly index options*

### FIC

- *Ministry of Finance Treasury Bond futures*
- *More RMB products*
- *OTC Clear – expand service offering*

### Commodities

- *Gold futures (HK)*
- *Iron ore futures (HK)*
- *Precious and ferrous products (LME)*



# *PLATFORMS*

04

# Platforms

## WHAT'S NEXT?



Hong Kong



London

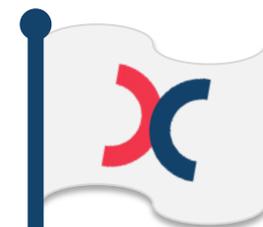


Mainland



# Key to Our Success: **CONVICTION**, **DETERMINATION** and **PATIENCE**

- We will pursue our mission to build full asset class capabilities
- We built Stock Connect as a long-term structural support for that vision
- We will not be deterred by subdued market performance in securities & commodities markets
- Our aspiration to become a Derivatives Powerhouse has already begun to bear fruit:
  - ✓ 14% increase in total futures turnover vs 2015
  - ✓ Turnover of USD/CNH futures more than doubled
  - ✓ 75% increase in AHFT full year turnover vs previous high in 2015
- We will continue to invest and transform our market to capture these opportunities in 2017



# Key to Our Success: **CONVICTION**, **DETERMINATION** and **PATIENCE**

Each step may be small, but together they represent a giant leap forward for HKEX and the Hong Kong financial market in the future.

