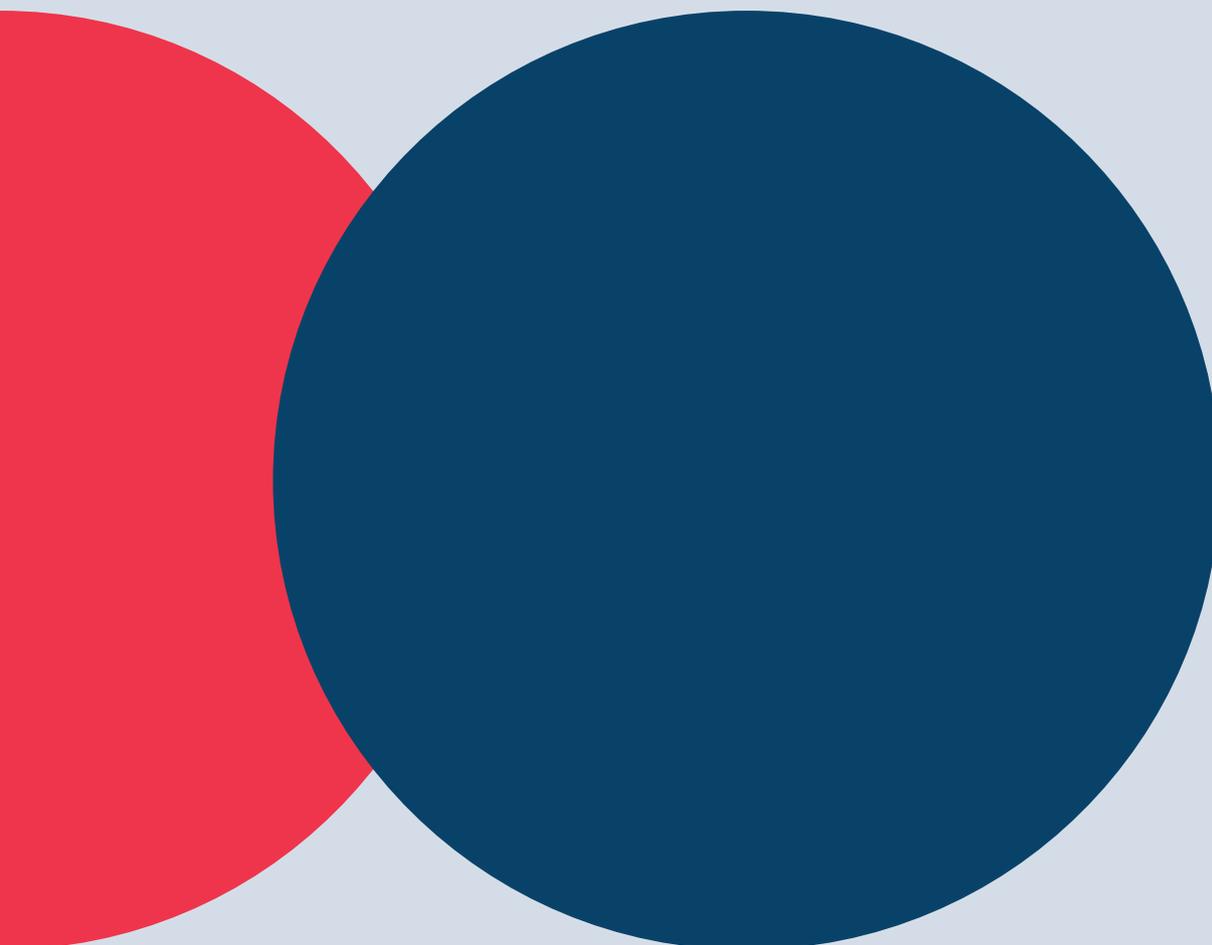


June 2017



CONSULTATION PAPER

PROPOSED AFTER-HOURS TRADING ENHANCEMENTS



CONTENTS

| | Page No. |
|---|----------|
| EXECUTIVE SUMMARY | 2 |
| Chapter 1: Background and Demand for Proposed After-Hours Trading Enhancements | 4 |
| Chapter 2: Proposed Extension of Trading Hours | 7 |
| Chapter 3: Proposed Inclusion of Equity Index Options | 10 |
| Chapter 4: Proposed Implementation Roadmap | 16 |
| Chapter 5: Proposed Clearing and Risk Management Arrangements | 17 |
| Chapter 6: Initial Market Feedback | 19 |
| Chapter 7: Timeline | 23 |
| Chapter 8: How to Respond to the Consultation Paper | 24 |
| | |
| APPENDIX | |
| Appendix I: Privacy Policy Statement | 25 |

EXECUTIVE SUMMARY

1. Hong Kong Exchanges and Clearing Limited (HKEX) introduced an After-Hours Trading (T+1) Session on 8 April 2013 for Hang Seng Index (HSI) Futures and H-shares Index (HHI) Futures. The T+1 Session enables investors to hedge or adjust their positions in quick response to major market news and events during business hours in the European and the United States (US) time zones and serves the strategic objective of positioning Hong Kong to offer products in asset classes which trade on a global basis (i.e. trading moves from Asia to Europe to North America each day weekday, excluding public holidays), including commodities and foreign exchange.
2. Since the introduction of the T+1 Session, the market has seen active participation and increased trading volume. Average Daily Volume (ADV) of equity index futures in the T+1 Session reached over 37,000 contracts in 2016, representing almost 6 times of that in 2013, while the percentage of the volume in the T+1 Session compared to the volume in the Day Session or “T Session” increased from 4% to 12%. About 84% of all HKFE Exchange Participants (EP) (143 out of 171) have registered for the T+1 Session¹, and the EP that can trade in the T+1 Session account for 95% of HSI Futures and HHI Futures volume in the T Session on average.
3. Equity index futures prices in the T+1 Session have become a benchmark that reflects market sentiment after major market news and events in other time zones since the session’s launch. Market data from the current T+1 Session suggests there is significant interest in trading when the US equity market is open², yet the current T+1 Session caters for only 2 hours 15 minutes of such trading in the US’s summer time and 1 hour 15 minutes in its winter time.
4. HKEX reviews its market structure periodically, taking into account the changes in market conditions and the latest industry feedback. The initial market feedback on the increasing volume in the T+1 Session indicated a need for a more comprehensive range of risk management and trading tools. It is thus proposed that equity index options that correspond to the equity index futures that are currently trading in the T+1 Session be added (i.e., HSI Options, HHI Options and their minis). International comparisons show that most derivatives exchanges offer equity index options trading in their T+1 Sessions.
5. In this Consultation Paper, HKEX proposes After-Hours Trading enhancements to further

¹ As of end of March 2017

² More than half of trades in equity index futures occur after US market opens (21:30 HKT)

release Hong Kong's potential for growth, and to maintain its competitiveness as an international financial centre. Such enhancements include the extension of trading hours and addition of equity index options to complement futures trading in the T+1 Session.

6. To allow sufficient time for communication with market participants and to ensure system readiness, HKEX proposes to implement the enhancements in phases progressively as set out in Chapter 4.
7. Trading, clearing and risk management arrangements would be adjusted accordingly to support the enhancements. Specifically, a price limit mechanism for equity index options in the T+1 Session would be introduced in light of the difference in product nature between futures and options. Details of the two enhancements under the proposals are set out in Chapter 2 and 3, with clearing and risk management arrangements set out in Chapter 5.
8. HKEX has no plan at this time to introduce the T+1 Session in the cash market, as it is not a common practice among major stock exchanges.
9. HKEX invites the investing public and other market participants to comment and express their views on the proposal. Respondents should reply to this Consultation Paper by completing and returning the questions before 4 August 2017.
10. Consultation Conclusions summarising the main points made by the respondents and indicating the way forward will be issued after the consultation period.

CHAPTER 1: BACKGROUND AND DEMAND FOR PROPOSED AFTER-HOURS TRADING ENHANCEMENTS

11. This Consultation Paper sets out the demand for and the details of the proposal by HKEX to introduce enhancements in the After-Hours Trading (T+1) Session, that include the extension of trading hours and the inclusion of equity index options in the T+1 Session.

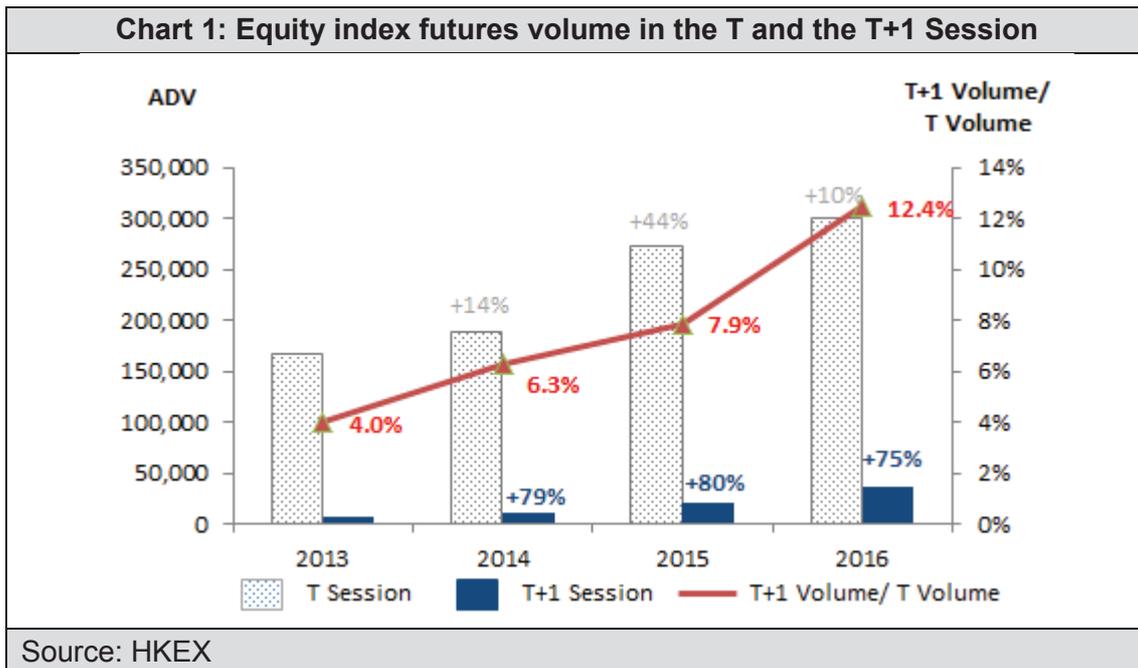
1.1 Background

12. HKEX introduced its T+1 Session on 8 April 2013, with Hang Seng Index (HSI) Futures and H-shares Index (HHI) Futures available for trading in the new session in addition to the Day Session (T Session). The T+1 Session established an indicator of market sentiment after the cash market close, and it enabled investors to hedge or adjust their positions in quick response to major market news and events during business hours in the European and US time zones. It also served the strategic objective of positioning Hong Kong to offer products in asset classes which trade on a global basis (i.e. trading moves from Asia to Europe to North America each day weekday, excluding public holidays), including commodities and foreign exchange.

13. As liquidity developed in the T+1 Session and more Exchange Participants (EP) became involved, HKEX added Mini-Hang Seng Index (Mini-HSI) Futures and Mini H-shares Index (Mini-HHI) Futures to the session in January 2014.

14. Since launch of the T+1 Session, increases were observed in terms of both numbers of registered EP and the session's Average Daily Volume (ADV). As of 31 March 2017, about 84% of all HKFE Participants (143 out of 171 EP) had registered for the T+1 Session, and EP registered for the session accounted for 95% of the T Session volume in the HSI Futures and HHI Futures market. In terms of EP participation, 136 EP have participated in the T+1 Session since its launch.

15. Apart from increased EP participation, trading volume has also experienced a significant increase. ADV of equity index futures in the T+1 Session reached over 37,000 contracts in 2016, representing almost 6 times of that in 2013 (as illustrated in Chart 1 below). The T+1 Session trading volume to the T Session trading volume also rose sharply, climbing from 4.0% in 2013 up to 12.4% in 2016.



16. With increasingly market participation and trading volume, the market was able to maintain a tight market bid/offer spread. In late last year, the average bid/offer spread in the T+1 Session was about 2.19 index points compared to 2.00 index points in the T Session³. In addition, trading and clearing operations in the T+1 Session have been orderly since its inception.
17. After considering the market conditions and the diverse interests of participants in the market ecosystem, HKEX proposes enhancements to extend trading hours in the T+1 Session and include equity index options in the session. HKEX believes an enhanced the T+1 Session would meet investors' needs by allowing better management of risk positions while further enabling them to hedge or to adjust their positions during night-time in quick response to major financial news and events around the world.
18. Over time, the extension of trading hours and the inclusion of equity index options could attract more European and US investors to participate in HKEX's derivatives market both during and after their working hours, which would add business for EP.

1.2 Way Forward

19. This Consultation Paper sets out a proposal on the After-Hours Trading enhancements for comments. HKEX has no plan at this time to introduce the T+1 Session in the cash market as it is not a common practice among major exchanges.

³ Spot month HSI Futures, October to December 2016

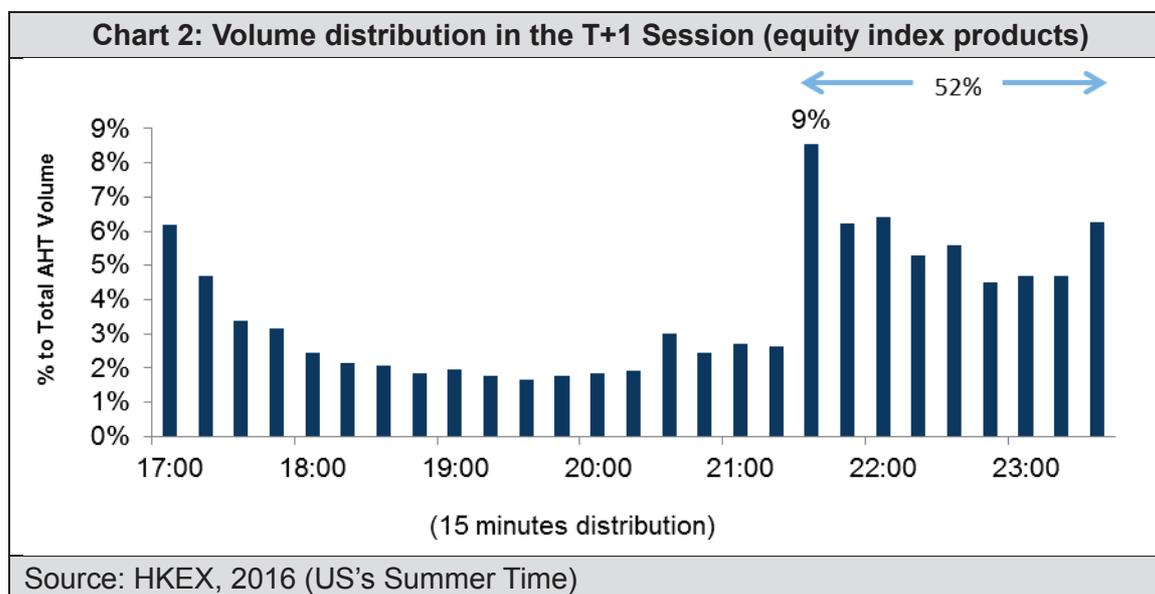
20. Conducting this market consultation demonstrates HKEX's commitment to work with market participants. HKEX asks those who with views on the proposal to submit their views and give their reasons along with any related ideas they may have. If respondents have concerns about the proposals that can be addressed with revisions, HKEX asks respondents to provide those details. The proposed After-Hours Trading enhancements are explained in the following chapters.

CHAPTER 2: PROPOSED EXTENSION OF TRADING HOURS

21. This Chapter sets out the details of the proposed After-Hours Trading enhancements with regards to the extension of trading hours of equity index products.

2.1 Rationale and Considerations

22. HKEX has been constantly monitoring the performance of the T+1 Session since its introduction. Data consistently shows more active trading occurs in the period which overlaps with the US equity market. As illustrated in Chart 2 below, the T+1 Session volume peaks after the US market opens⁴ and more than half of the trading volume in the T+1 Session occurred when US market is open. As the T+1 Session for equity index futures ends at 23:45 now, overlapping of US market and HKEX's T+1 Session is shortened from 2 hours 15 minutes to 1 hour 15 minutes when the US market moves from its summer time to winter time. Some market feedback suggested that the already limited coverage gets even more inadequate for them when the US market is in its winter time.

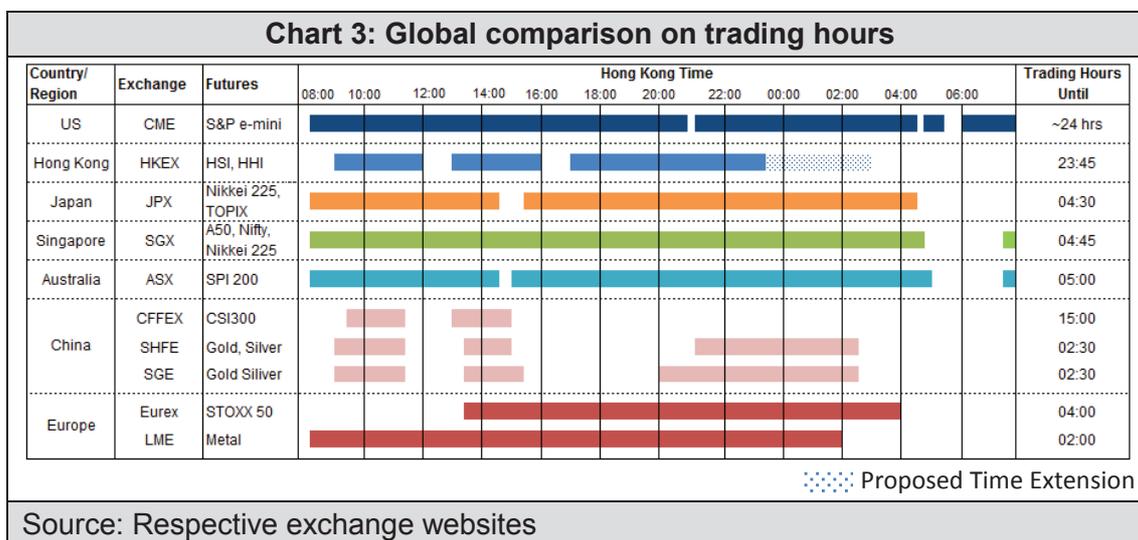


23. As shown in Chart 3, when compared with other major derivatives markets, Hong Kong has the shortest overlapping time with the US market⁵. In view of recent global financial developments, market movements between countries and regions have increasing correlation to each other. The existing T+1 Session trading hours can cover most of the European trading hours but only

⁴ 21:30 HKT during US's summer time, 22:30 HKT during US's winter time

⁵ 21:30 – 04:00 HKT during US's summer time

cover just over 2 hours of the US trading hours. In order to maintain the competitiveness of Hong Kong as an international financial centre and to provide investors with more comprehensive infrastructure for risk management purposes, there is a need for HKEX to review the trading hours arrangements in the T+1 Session.



24. Despite being able to cover most market moving data releases in the US, there are still a handful of announcements not covered by the current T+1 Session. For example, Federal Open Market Committee (FOMC) meeting minutes are scheduled to be announced at 02:00 HKT and Federal Reserve Chair Press Conferences are scheduled at 02:30 HKT (in US's summer time).
25. Extended trading hours would enable the broader investing public to participate in quick responses to major market events. Whilst institutional investors may leverage on OTC market or other proxies to manage their risks round the clock, the broader investing public will generally focus on listed products for market access and to manage risks accordingly.
26. Based on a market assessment, 68% of EP registered in the T+1 trading (97 out of the 143 EP) are offering overseas derivatives trading services and hence are able to support longer trading hours in the T+1 Session with minimal change in their operating arrangements. The broad availability of night trading services offered by brokers and the trading pattern shown above indicates that investors have a growing need to be able to trade after the T Session and beyond the end of the current T+1 Session.
27. In view of the above, HKEX proposes to extend trading hours in the T+1 Session in respond to market demand.

Consultation Question

Q1: In light of the need to enhance Hong Kong's position as an international financial centre and satisfy market demand, do you support the extension of trading hours in the T+1 Session? Please give reasons for your view.

2.2 Proposal

28. HKEX has considered the release time for market moving data in the US, the time needed for HKEX's system to conduct a series of tasks to prepare for next trading session as well as allowing EP to run their back-end systems and conduct regular system maintenance between the end of the T+1 Session and the beginning of the next trading day commences. HKEX therefore proposes to extend the trading hours of the T+1 Session to 03:00 in order to fully cover European equity markets and increase coverage of trading hours of the US equity market. The impact of any changes on the market and different groups of market participants will be monitored and adjustments considered if they appear to be necessary.

CHAPTER 3: PROPOSED INCLUSION OF EQUITY INDEX OPTIONS

29. This Chapter sets out the details of the proposed After-Hours Trading enhancements with regards to the inclusion of equity index options.

3.1 Rationale and Considerations

30. HKEX reviews its market structure and product offerings periodically, taking into account the changes in market conditions and the latest industry feedback. With the increasing futures volume in the T+1 Session, HKEX proposes to include options with the same underlying indices as the futures that are currently eligible to trade in the T+1 Session (i.e. HSI , HHI and their minis).

31. Initial market feedback indicated a need for a more comprehensive range of risk management and trading tools. Currently, investors with options positions are not able to close out positions or hedge outside the market's T Session. EP whose clients have portfolio that consist of both futures and options can only utilise the futures market prices to derive respective options prices in order to understand overall portfolio risk and take corresponding measures as appropriate.

32. Most other international exchanges in regions with a derivatives trading T+1 Session, offer both equity index futures and equity index options during the session. Equity index options in the T+1 Sessions in other markets are in demand, as shown by the data in Table 1 below.

| Table 1: International comparison on product offering in the T+1 Session (Equity Index Products) | | | | |
|---|-----------------|--|--------------------------|--------------------------|
| Country | Exchange | Underlying of Key Index Derivatives Product | Index Futures | Index Options |
| Hong Kong | HKEX | HSI; HHI | ✓ | ✗ |
| Japan | JPX | Nikkei 225; TOPIX | ✓ | ✓ |
| Singapore | SGX | Nikkei 225; Nifty 50 | ✓ | ✓ |
| Australia | ASX | SPI 200 | ✓ | ✓ |
| US | CME | S&P 500 e-mini | ✓ | ✓ |
| China ⁶ | CFFEX | CSI 300 | ✗ | - |

Source: Respective exchange websites

33. For EP of HKFE, the inclusion of equity index options in the T+1 Session would complement trading of index futures in the session, creating a virtuous interaction for both futures and options to facilitate further business volume growth.

34. Given the above, HKEX is of the view that introducing equity index options in the T+1 Session would enable HKEX to address the feedback from the market indicating demand for more products in the session while completing the current product offering in the T+1 Session.

Consultation Question

Q2: Do you agree that the inclusion of equity index options in the T+1 Session could facilitate better risk management by brokers and investors? Please give reasons for your view.

3.2 Proposal

3.2.1 Products

35. At the initial stage, HKEX proposes the inclusion of HSI Options, HHI Options, Mini-HSI Options

⁶ There is no T+1 Session for equity index futures trading in China Financial Futures Exchange (CFFEX) and index options are not available for trading in any session of CFFEX

and Mini-HHI Options in the T+1 Session due to their ample liquidity in the T Session.

36. As and when market conditions warrant and subject to regulatory approvals, HKEX might also consider introducing other derivatives market products across equity, fixed income, currency and commodities sectors in the T+1 Session in the future.

3.2.2 Trading Arrangements

37. Proposed trading arrangements in relation to proposed inclusion of additional products in the T+1 Session are set out below.

i. Price Limit

A price limit mechanism is applied to trading of equity index futures contracts⁷ in the T+1 Session in order to safeguard the market. Since the T+1 Session was introduced, the market has traded in an orderly fashion even at times when price volatility increased across global markets. The price limit mechanism used in the T+1 Session has been accepted by the market and operated smoothly since its inception.

Due to differences in product characteristics between options and futures, the existing approach for futures is not directly applicable to options. For example, the price of options is determined by a number of factors, including change in volatility and delta, and the price movement for options is generally less linear against the underlying instrument than it is for futures.

Exchanges overseas provide a safety net in the index futures and options markets by imposing different trading mechanisms as shown in Table 2 below. Similar to HKEX, CME has a futures trading mechanism specifically for its T+1 Session, i.e. price limit mechanism. Referencing to CME's practice, HKEX has included in the proposal a trading halt mechanism for the equity index options trading during its T+1 Session. Such mechanism has been accepted by market participants and operations have remained smooth on a number of occasions when market-moving events occurred in the T+1 Session.

⁷ Futures contracts in the T+1 Session can only trade within a prescribed range. The prescribed range is the futures contract last traded price in T Session plus or minus a prescribed percentage of the last traded price. The prescribed percentage of different futures in the T+1 Session is as follows: HSI futures (standard and minis), 5%; HHI futures (standard and minis), 5%; USD/CNH futures, 3%

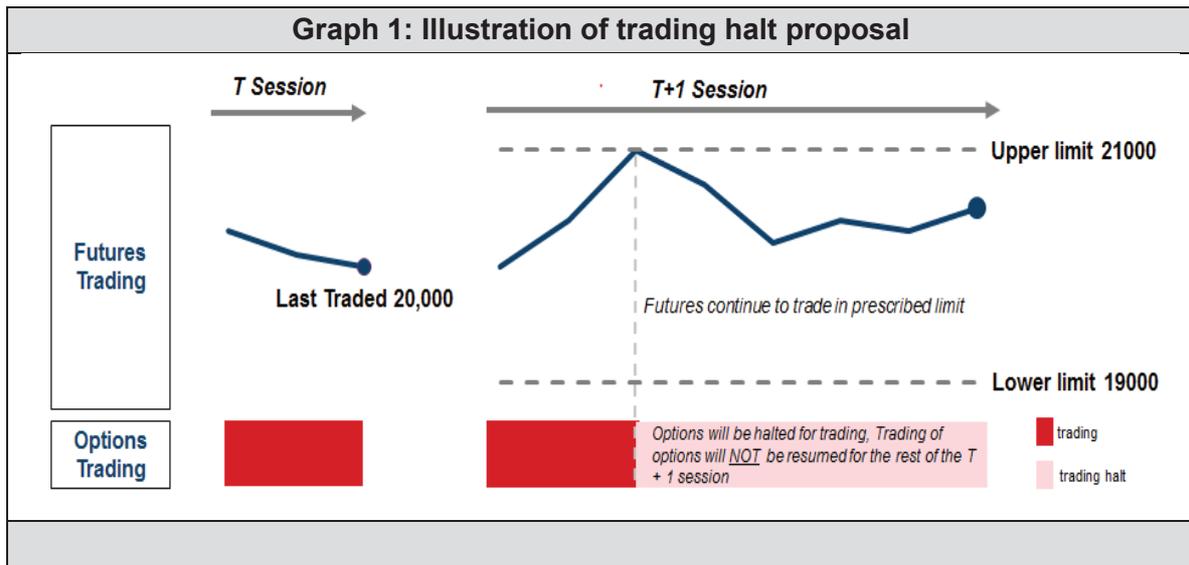
| Table 2: International comparison index futures and options trading mechanisms ⁸ | | | | | | | |
|---|----------------------------|----------------------|--------------|--------------------|----------------------|-----------------|--------------------|
| Exchanges | Applicable Trading Session | Equity Index Futures | | | Equity Index Options | | |
| | | Price Limit | Trading Halt | Cooling Off Period | Price Limit | Trading Halt | Cooling Off Period |
| HKEX | After-Hours | ✓ | x | x | x | ✓ (proposed) | x |
| CME | After-Hours | ✓ | x | x | x | ✓ | x |
| SGX | All Hours | x | x | ✓ | x | x ⁹ | x |
| JPX | All Hours | x | x | ✓ | x | x | ✓ |

Source: Respective exchange websites

HKEX proposes a trading halt mechanism for proposed equity index options trading in the T+1 Session with reference to the price of spot month futures with the same underlying index. Under the proposed trading halt mechanism, when the resting bid of the front month futures reaches its upper price limit or its resting ask reaches its lower limit, trading of all options of the same class and contract multipliers would be for halted, as illustrated in Graph 1 below. For example, if the resting bid of the front month HSI Futures standard contract reaches its upper limit at 21,000 in the T+1 Session, trading of all the HSI Options standard contracts would be for halted trading. Trading halts for Mini-HSI Options would be determined by the resting bid and the upper price limit of Mini-HSI Futures.

⁸ Price Limit - products to trade within a prescribed price range; Trading Halt - products to cease trading when prices reach certain levels; Cooling Off Period - products to cease trading/ trade within range when prices reach certain level. Trading will resume and the triggering prices will be adjusted according to specifications of the mechanism

⁹ Trading halt is only applicable during the last trading day of the options



During a trading halt, the system will not accept any new orders / trades including Block Trades and Tailor Made Combinations¹⁰. All existing orders will remain in the system and will not be subject to modification or cancellation. As a result, day orders will be cancelled upon the end of the trading session and Good Till Cancel, or GTC orders will remain valid.

Under the proposed mechanism, a trading halt for equity index options would be triggered when the spot month futures reached its price limit during the T+1 Session. For ease of reference, the spot month futures price limits have been reached once since the introduction of futures trading in the T+1 Session (they were reached when Dow Jones Industrial Average plunged over 1,000 points on 24 August 2015). The proposed trading halt is aimed at balancing the need to maintain an orderly market while minimising interference in the market. Compared to other measures such as cooling off periods, trading halts are easier to understand and operate and less of a burden operationally for EP.

HKEX proposed a trading halt mechanism does not have any resumption arrangements initially because it would be the first mechanism of its kind at HKEX and resumption arrangements make implementation more challenging. The addition of resumptions later is a possibility under the proposal.

¹⁰ Block Trade and Tailor Made Combinations that consists of one or more legs where the market of which is halted will be rejected by the system

Consultation Question

Q3: Do you agree that the proposed trading halt could mitigate / reduce risk to the market while maintaining a simple mechanism? Please give reasons for your view.

ii. *Other Trading Arrangements*

Market Makers

Similar to that in the T Session, market makers would be recruited in the T+1 Session to provide two-way market quotations and liquidity during the session under the proposal.

Block Trade Facility

The proposal includes a block trade facility for equity index options traded in the T+1 Session with the same set of rules and criteria as the facility for the T Session.

Tailor-Made Combination (TMC)

The proposal includes a TMC function that is like the one for the T Session and can be used for all equity index futures and options traded in the T+1 Session.

Handling of Error Trades

Similar to the current arrangements for the T+1 Session futures trading, the existing error trade rules for equity index options would apply to trading of the products in the T+1 Session.

CHAPTER 4: PROPOSED IMPLEMENTATION ROADMAP

38. To allow sufficient time for communication with the market and to ensure system readiness, the proposed changes would be implemented in phases.
39. Currently, around half of the EP registered for the T+1 Session (68 out of 143 EP) have already completed certification testing with HKEX that showed they can support trading until 01:00. As there would be no significant changes to the trading and clearing arrangements when extending trading hours of equity index futures to 01:00, HKEX proposes to begin by extending trading of those products until 01:00 to provide more overlap with the US market, especially during the US's winter time¹¹.
40. As equity index options would be a new product in the T+1 Session, and the trading arrangements would differ from those of futures traded in the T+1 Session, HKEX proposes to include them after trading of equity index futures in the T+1 Session is extended to 01:00 and there is a period of smooth trading that indicates the market is familiar with and comfortable with the extension.
41. After the trading hours extension to 01:00 and the inclusion of equity index options, HKEX would observe product liquidity as well as Participants' participation rate and consider further extending the equity index futures trading hours to 03:00 as market conditions warrant. Subject to market demand and product liquidity, trading hours of equity index options and other products could also be extended to 03:00.

Consultation Question

Q4: Do you have any other comments on the proposed implementation roadmap?

¹¹ For 2017-18, the US's winter time will be effective from 5 November 2017 until 11 March 2018

CHAPTER 5: PROPOSED CLEARING AND RISK MANAGEMENT ARRANGEMENTS

5.1 Clearing Arrangements

5.1.1 Position Recording

42. Under the proposal, equity index options positions are maintained according to clearing dates and separate records are held at all times for the T Session and the T+1 Session positions. This is similar to the existing position recording mechanism for equity index futures. Moreover, clearing service will continue in the event of trading halt.

5.1.2 Clearing of Trades Executed in the T+1 Session

43. After the first extension of trading hours of equity index products to 01:00, the T+1 Session Cutoff Time will be 01:45 (i.e. 45 minutes after the close of the T+1 Session) to allow Clearing Participants (CP) to conduct post-trade activities after the T+1 Session ends, so as to align the current practice with existing products which trade till 01:00.

44. As per statistics in March 2017, only 0.4% of the daily post-trade activities (in terms of contractual volume) were conducted during the 45 minutes after the close of the T+1 Session. This is less than one-fifth of the post-trades that were conducted 30 minutes before market open of the T Session on the next Business Day for the purpose of Mandatory Intra-day Variation Adjustment and Margin (MMC) calculation. Furthermore, HKEX believes that by maintaining the 45-minute T+1 Session Cutoff Time beyond trading hours, CP may incur more operational cost to run this extra clearing window. In view of the low post-trades volume after the close of the T+1 Session and to save CP's operational cost, HKEX proposes to align the T+1 Session Cutoff Time with the close of trading at 03:00 upon further extension of trading hours. For trades executed in the T+1 Session, CP can perform post-trades (i) during T+1 Session; and/or (ii) from 07:30 on the next Business Day same as current practice. There will be no change to the start time of clearing service due to the proposed After-Hours Trading enhancements.

45. CP are recommended to review if their resources, operational and internal systems (including back-office system) will be ready to support the proposed After-Hours Trading enhancements.

Consultation Question

Q5: Do you agree with the alignment of the T+1 Session Cutoff Time with the close of trading hours at 03:00? Please provide reasons if you disagree with that.

5.2 Risk Management Arrangements

46. Current risk management arrangements to mitigate the risks arising from the T+1 Session as set out below will also be applied,
- i. Monitoring of CP's Capital-Based Position Limits (CBPL) on an hourly basis during the T+1 Session¹², supplemented by ad-hoc CBPL monitoring; and
 - ii. Mandatory variation adjustment and margin call following the market open of each T Session and payable by 12:00 noon.

¹² Reference Risk Parameter Files for CBPL monitoring are released before the opening of T+1 session, on an hourly basis during T+1 session and after the close of T+1 session

CHAPTER 6: INITIAL MARKET FEEDBACK

47. HKEX conducted a soft market consultation with market participants and its Derivatives Market Consultative Panel¹³ on the proposed enhancements in the T+1 Session. In this chapter, the initial feedback about HKEX's proposal from the soft market consultation are set out and addressed.

6.1 Extension of Trading Hours in the T+1 Session

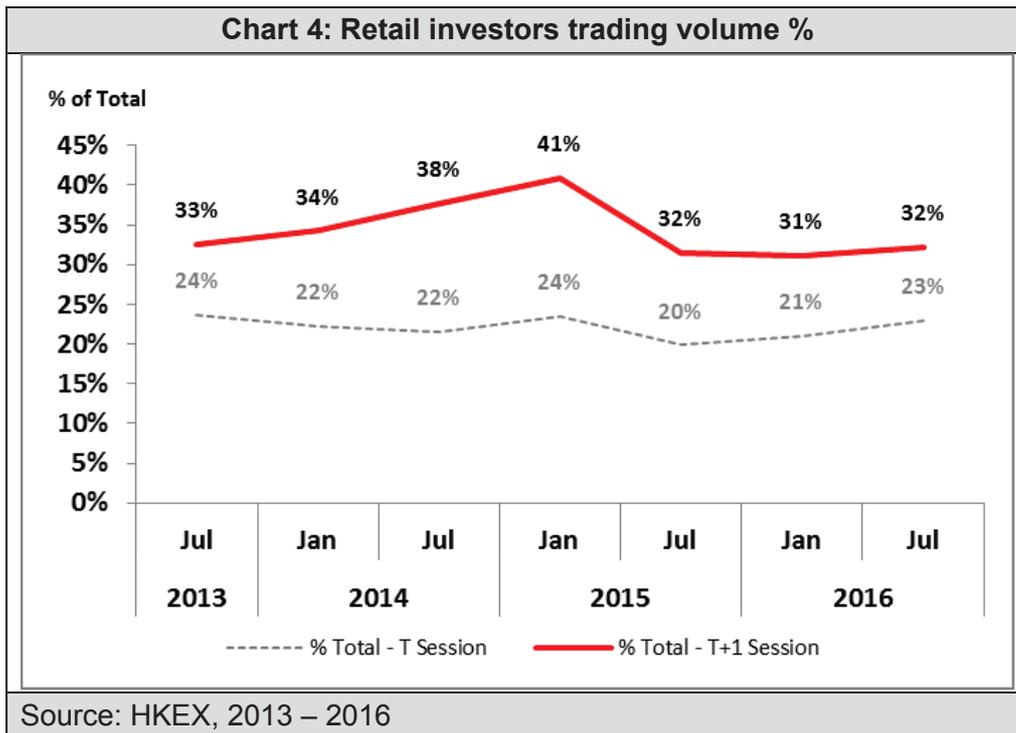
48. Initial market feedback from both retail and institutional EP was generally supportive to the extension of trading hours. Some of the concerns are summarised below.

6.1.1 Market Development

49. Some market participants commented that most trades in the T+1 Session are from institutional investors hence the extension of trading hours may only bring marginal benefits to retail investors.

50. HKEX Response: The participation rate for retail investors in the T+1 Session is similar to that in the T Session (in the range of 31- 41% as shown in Chart 4 below). HKEX believes the enhancements in the T+1 Session would bring benefits to both institutional investors and retail investors.

¹³ Derivatives Market Consultative Panel is comprised mainly of representatives of market participant firms and industry experts who provide expertise and advice and act as a sounding board for policy recommendations, strategic initiatives and major investments in relation to the derivatives market.



6.1.2 Product Liquidity

51. Some market participants commented that the existing trading volume in the T+1 Session is still relatively low when compared to other markets and suggested the Exchange consider extending the trading hours when the market becomes more mature.
52. HKEX Response: Although the existing futures trading volume in the T+1 Session has yet reached its full potential, data suggests that volume of Hong Kong's futures market is generally higher at times when its trading overlaps with trading in the US market. When compared to other Asian exchanges as illustrated in Table 3, HKEX's trading hours in the T+1 Session has the least overlap with the US market and thus the proposed extension may facilitate further growth of the Hong Kong market.

| Table 3: Comparison on trading hours and volume | | | |
|--|-------------------|---|---|
| Exchange | Underlying | Overlapping Trading Hours with US Market (Summer Time) | Futures Trading Volume % (T+1 / T) |
| HKEX | HSI | 2 hours 15 mins | 12% |
| SGX | Nikkei 225 | 6 hours 30 mins | 45% |
| JPX | Nikkei 225 | 6 hours 30 mins | 43% |
| Source: Bloomberg, November – December 2016 | | | |

6.2 Inclusion of Equity Index Options in the T+1 Session

53. Initial market feedback from retail and institutional EP was generally supportive to the inclusion of equity index options to the T+1 Session. Some of the concerns are summarised below.

6.2.1 Market Development

54. Some market participants commented that the availability of options in the T+1 Session would increase the operational burden for market participants by raising the potential risk exposure in the session.

55. HKEX Response: Risk in equity index derivatives is often seen on a portfolio basis, which takes into account both futures and options. With the absence of options trading in the T+1 Session, EP and their clients are not be able to assess the market prices and risk for a portfolio of futures and options with the same underlying index. The inclusion of equity index options in the T+1 Session would provide better price visibility to market participants and facilitate the risk management actions which a holder of both equity index futures and options deemed to be appropriate.

6.2.2 Price Quotations

56. Some market participants raised concerns about the availability of market makers to provide quotes and liquidity during the T+1 Session.

57. HKEX Response: HKEX will endeavour to recruit market makers before any launch of options in the T+1 Session. In the initial market feedback, a number of market makers expressed interest in signing up for the T+1 Session.

6.2.3 Trading Halt Mechanism

58. Many market participants said it was important to maintain a free environment for trading in the T+1 Session. Some recognised the need for a mechanism to ensure orderly option price movement, especially when futures are trading at their price limits.
59. HKEX Response: Given the interests of all market participants and the need to maintain an orderly market, the current proposal is to introduce a trading halt mechanism only when the spot month futures are trading at their price limits (i.e. 5% away from the last price of the T Session). Such a mechanism is employed now by an international exchange which has price limits for futures trading in its T+1 Session.

CHAPTER 7: TIMELINE

60. The consultation period for this Consultation Paper is five weeks and will close on 4 August 2017. HKEX will then summarise the comments received and if applicable, set out the final models and implementation in Consultation Conclusions Paper.

CHAPTER 8: HOW TO RESPOND TO THE CONSULTATION PAPER

61. HKEX invites written comments on the proposals made in this paper no later than 4 August 2017.

62. Responses should be made by completing and returning the questionnaire on this subject (a softcopy of which in Word format is available at <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp2017063q.doc>), by one of the following methods:

By mail or hand delivery to:

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong
Re: Consultation Paper on the Proposed After-Hours Trading Enhancements

By fax to: (852) 2524-0149

By e-mail to: response@hkex.com.hk

Please mark in the subject line:
Re: **Consultation Paper on the Proposed After-Hours Trading Enhancements**

63. HKEX's submission enquiry number is (852) 2840-3844.

64. HKEX invites views on the proposals, supported, where appropriate, with reasons. Respondents are reminded that HKEX will publish responses on a named basis in the consultation conclusions, unless requested otherwise.

65. HKEX's policy on handling personal data is set out in Appendix I of this paper.

APPENDIX I: PRIVACY POLICY STATEMENT

Hong Kong Exchanges and Clearing Limited, and from time to time, its subsidiaries (together the "Group") (and each being "HKEX", "we", "us" or "member of the Group" for the purposes of this Privacy Policy Statement as appropriate) recognise their responsibilities in relation to the collection, holding, processing, use and/or transfer of personal data under the Personal Data (Privacy) Ordinance (Cap. 486) ("PDPO"). Personal data will be collected only for lawful and relevant purposes and all practicable steps will be taken to ensure that personal data held by us is accurate. We will use your personal data which we may from time to time collect in accordance with this Privacy Policy Statement.

We regularly review this Privacy Policy Statement and may from time to time revise it or add specific instructions, policies and terms. Where any changes to this Privacy Policy Statement are material, we will notify you using the contact details you have provided us with and, where required by the PDPO, give you the opportunity to opt out of these changes by means notified to you at that time. Otherwise, in relation to personal data supplied to us through the HKEX website or otherwise, continued use by you of the HKEX website or your continued relationship with us shall be deemed to be your acceptance of and consent to this Privacy Policy Statement, as amended from time to time.

If you have any questions about this Privacy Policy Statement or how we use your personal data, please contact us through one of the communication channels set out in the "Contact Us" section below.

We will take all practicable steps to ensure the security of the personal data and to avoid unauthorised or accidental access, erasure or other use. This includes physical, technical and procedural security methods, where appropriate, to ensure that the personal data may only be accessed by authorised personnel.

Please note that if you do not provide us with your personal data (or relevant personal data relating to persons appointed by you to act on your behalf) we may not be able to provide the information, products or services you have asked for or process your requests, applications, subscriptions or registrations, and may not be able to perform or discharge the Regulatory Functions (defined below).

Purpose

From time to time we may collect your personal data including but not limited to your name, mailing address, telephone number, email address, date of birth and login name for the following purposes:

1. to process your applications, subscriptions and registration for our products and services;
2. to perform or discharge the functions of HKEX and any company of which HKEX is the recognised exchange controller (as defined in the Securities and Futures Ordinance (Cap. 571)) ("Regulatory Functions");
3. to provide you with our products and services and administer your account in relation to such products and services;
4. to conduct research and statistical analysis;

5. to process your application for employment or engagement within HKEX to assess your suitability as a candidate for such position and to conduct reference checks with your previous employers; and
6. other purposes directly relating to any of the above.

Direct marketing

Where you have given your consent and have not subsequently opted out, we may also use your name, mailing address, telephone number and email address to send promotional materials to you and conduct direct marketing activities in relation to HKEX financial services and information services, and financial services and information services offered by other members of the Group.

if you do not wish to receive any promotional and direct marketing materials from us or do not wish to receive particular types of promotional and direct marketing materials or do not wish to receive such materials through any particular means of communication, please contact us through one of the communication channels set out in the "Contact Us" section below. To ensure that your request can be processed quickly please provide your full name, email address, log in name and details of the product and/or service you have subscribed.

Identity Card Number

We may also collect your identity card number and process this as required under applicable law or regulation, as required by any regulator having authority over us and, subject to the PDPO, for the purpose of identifying you where it is reasonable for your identity card number to be used for this purpose.

Transfers of personal data for direct marketing purposes

Except to the extent you have already opted out we may transfer your name, mailing address, telephone number and email address to other members of the Group for the purpose of enabling those members of the Group to send promotional materials to you and conduct direct marketing activities in relation to their financial services and information services.

Other transfers of personal data

For one or more of the purposes specified above, your personal data may be:

1. transferred to other members of the Group and made available to appropriate persons in the Group, in Hong Kong or elsewhere and in this regard you consent to the transfer of your data outside of Hong Kong;
2. supplied to any agent, contractor or third party who provides administrative, telecommunications, computer, payment, debt collection, data processing or other services to HKEX and/or any of other member of the Group in Hong Kong or elsewhere; and
3. other parties as notified to you at the time of collection.

How we use cookies

If you access our information or services through the HKEX website, you should be aware that cookies are used. Cookies are data files stored on your browser. The HKEX website automatically installs and uses cookies on your browser when you access it. Two kinds of cookies are used on the HKEX website:

Session Cookies: temporary cookies that only remain in your browser until the time you leave the HKEX website, which are used to obtain and store configuration information and administer the HKEX website, including carrying information from one page to another as you browse the site so as to, for example, avoid you having to re-enter information on each page that you visit. Session cookies are also used to compile anonymous statistics about the use of the HKEX website.

Persistent Cookies: cookies that remain in your browser for a longer period of time for the purpose of compiling anonymous statistics about the use of the HKEX website or to track and record user preferences.

The cookies used in connection with the HKEX website do not contain personal data. You may refuse to accept cookies on your browser by modifying the settings in your browser or internet security software. However, if you do so you may not be able to utilise or activate certain functions available on the HKEX website.

Compliance with laws and regulations

HKEX and other members of the Group may be required to retain, process and/or disclose your personal data in order to comply with applicable laws and regulations or in order to comply with a court order, subpoena or other legal process (whether in Hong Kong or elsewhere), or to comply with a request by a government authority, law enforcement agency or similar body (whether situated in Hong Kong or elsewhere) or to perform or discharge the Regulatory Functions. HKEX and other members of the Group may need to disclose your personal data in order to enforce any agreement with you, protect our rights, property or safety, or the rights, property or safety of our employees, or to perform or discharge the Regulatory Functions.

Corporate reorganisation

As we continue to develop our business, we may reorganise our group structure, undergo a change of control or business combination. In these circumstances it may be the case that your personal data is transferred to a third party who will continue to operate our business or a similar service under either this Privacy Policy Statement or a different privacy policy statement which will be notified to you. Such a third party may be located, and use of your personal data may be made, outside of Hong Kong in connection with such acquisition or reorganisation.

Access and correction of personal data

Under the PDPO, you have the right to ascertain whether we hold your personal data, to obtain a copy of the data, and to correct any data that is inaccurate. You may also request us to inform you of the type of personal data held by us. All data access requests shall be made using the form prescribed by the Privacy Commissioner for Personal Data ("Privacy Commissioner") which may be found on the official website of the Office of the Privacy Commissioner or via this link

<https://www.pcpd.org.hk/english/publications/files/Dforme.pdf>

Requests for access and correction of personal data or for information regarding policies and practices and kinds of data held by us should be addressed in writing and sent by post to us (see the "Contact Us" section below).

A reasonable fee may be charged to offset our administrative and actual costs incurred in complying with your data access requests.

Termination or cancellation

Should your account or relationship with us be cancelled or terminated at any time, we shall cease processing your personal data as soon as reasonably practicable following such cancellation or termination, provided that we may keep copies of your data as is reasonably required for archival purposes, for use in relation to any actual or potential dispute, for the purpose of compliance with applicable laws and regulations and for the purpose of enforcing any agreement we have with you, for protecting our rights, property or safety, or the rights, property or safety of our employees, and for performing or discharging our functions, obligations and responsibilities.

General

If there is any inconsistency or conflict between the English and Chinese versions of this Privacy Policy Statement, the English version shall prevail.

Contact us

By Post:

Personal Data Privacy Officer
Hong Kong Exchanges and Clearing Limited
12/F., One International Finance Centre
1 Harbour View Street
Central
Hong Kong

By Email:

DataPrivacy@HKEX.COM.HK

Hong Kong Exchanges and Clearing Limited
12/F, One International Finance Centre
1 Harbour View Street, Central, Hong Kong

info@hkex.com.hk
t: +852 2522 1122 f: +852 2295 3106
hkexgroup.com | hkex.com.hk