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# Annual Review : Achievements and New Initiatives

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13 January 2009

# Agenda

- ❖ New Records in 2008
- ❖ HKEx's Principles during This Turbulent Time
- ❖ Major Achievements in 2008
- ❖ Key Initiatives in 2009
- ❖ Q & A

# New Records in 2008

## In the Securities Market

Mil shares	2008	Pre-2008 Record
<b>Total turnover in shares</b>	<b>27,104,291</b>	23,163,365 (Year 2007)
HK\$	2008	Pre-2008 Record
<b>Trading turnover of CBBCs</b>	<b>\$1,039.6 bil</b>	\$71.4 bil (Year 2007)
<b>Trading turnover of ETFs *</b>	<b>\$441.1 bil</b>	\$160.6 bil (Year 2007)
<b>Number of newly listed CBBCs</b>	<b>4,231</b>	391 (Year 2007)

\* Transaction in foreign currency are excluded

# New Records in 2008

## In the Derivatives Market

	Volume (Contracts)	
	2008	Pre-2008 Record
<b>Total Futures and Options</b>	105,006,736	87,985,686 (Year 2007)
<b>Total Futures</b>	44,721,743	32,723,598 (Year 2007)
<b>Total Options</b>	60,284,993	55,262,088 (Year 2007)
<b>Hang Seng Index Futures</b>	21,716,508	17,160,964 (Year 2007)
<b>Mini-Hang Seng Index Futures</b>	7,961,028	4,325,977 (Year 2007)
<b>H-shares Index Futures</b>	14,440,965	10,846,277 (Year 2007)
<b>Stock Options</b>	54,692,865	45,982,968 (Year 2007)

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## HKEx's Principles during This Turbulent Time

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***“Back to basics –  
focus on market quality”***

***“Leverage on our strengths,  
focus on our core businesses”***

***“System reliability, accessibility  
and serviceability”***

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## Major Achievements in 2008

### Primary Market Development

- ❖ Launched a pilot scheme for posting Web Proof Information Pack on the HKEx website (Jan)
- ❖ Published a joint consultation paper with the SFC on the issue of paper application forms with electronic prospectuses (April)
- ❖ Introduced a depositary receipt framework (July)
- ❖ Repositioned GEM as a second board (July)
- ❖ Commissioned Independent Strategic Review of Listing Regime (in progress)
- ❖ Commissioned review of Listing Rules applicable to mining and resources companies (in progress)
- ❖ Continued to actively promote Hong Kong market in the Mainland and overseas with marketing trips that included visits to Australia, Canada, India, Japan, Kazakhstan, Macau, Malaysia, the Middle East, Outer Mongolia, Russia, Singapore, South Korea, Taiwan, the US, UK, Ukraine and Vietnam



## Major Achievements in 2008

### Secondary Market Development

- ❖ Introduced flexible position limits for Exchange Participants (Jan)
- ❖ Enhanced block trade execution arrangement (Apr)
- ❖ Introduced closing auction session (CAS) (May), published a consultation paper on introduction of a price control mechanism in CAS (Nov)
- ❖ Introduced five-digit stock codes (May)
- ❖ Revised stock options market maker obligations (Jul)
- ❖ Signed market data collaboration agreement with Shanghai Stock Exchange (Oct)
- ❖ Recruited new Exchange Participants (ongoing)
- ❖ Reviewed short-selling restrictions with the SFC (ongoing)
- ❖ Expanded market data services to the Mainland with additional Mainland real-time information vendors (ongoing)

## Major Achievements in 2008

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### Product Development

- ❖ Facilitated issuance of Market Access Products (Jan)
- ❖ Launched Mini H-share Index Futures (Mar)
- ❖ Launched new stock option classes (Jun)
- ❖ Listed seven new ETFs including the first gold ETF (May - Jul)
- ❖ Re-launched gold futures (Oct)

## Major Achievements in 2008

### Market Quality Enhancement

- ❖ Published a combined consultation paper on 18 substantive policy issues relating to listing matters (Jan), published the consultation conclusions and the rule amendments of 15 out of 18 issues (Nov)
- ❖ Launched the HKExnews website, a designated website for issuer news and regulatory filings (Feb)
- ❖ Implemented revised suspension policy (Mar)
- ❖ Completed the final phase of the Electronic Disclosure project (Jun)
- ❖ Published GEM consultation conclusions to reposition GEM as a second board (effective Jul)
- ❖ Published consultation conclusions on shortening the deadlines for half-year and annual reporting by Main Board issuers (effective 2010)
- ❖ Began publishing listing enforcement guidance letters and request for assistance announcements (Nov)

## Major Achievements in 2008

### System Development

- ❖ Continued to maintain 100 per cent operational uptime for systems
- ❖ Upgraded AMS/3, CCASS/3 and MDF capacity and technology (Mar)
- ❖ Upgraded HKATS and DCASS to OMX 19.1 software (Mar)
- ❖ Upgraded securities market surveillance system (SMARTS) (Mar)
- ❖ Upgraded SDNet bandwidth (May)
- ❖ Upgraded DCASS and Price Reporting System (Jul)
- ❖ Completed technology upgrade of CCASS/3 middle-tier subsystem (Aug)
- ❖ Completed independent review of IT governance and electronic disclosure system (Sep)

## Major Achievements in 2008

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### Service Enhancement

- ❖ Launched CCASS shareholding disclosure service (Apr)
- ❖ Streamlined admission and registration procedures for Exchange Participants jointly with the SFC (Jun)
- ❖ Issued a request for expression of interest regarding provision of free basic HKEx market data on websites (Sep)
- ❖ Provide CCASS participants with option to receive settlement monies for CNS transactions in good funds on T+2 settlement day (Oct)

## Major Achievements in 2008

### Corporate

- ❖ Hosted World Federation of Exchanges' Town Hall Meeting (Mar), Asia-Pacific Financial Information Conference (Oct) and Association of National Numbering Agencies' EGM (Nov)
- ❖ Commissioned Business Environment Council to review CSR policies and practices, and conduct a green audit of operations (Apr)
- ❖ Received Global and Home Market ratings of 7.5 and 10.0 (max = 10) respectively from GovernanceMetrics International (Aug)
- ❖ 2008 HKMA Best Annual Reports Awards: Gold Prize (General Category) (Nov)
- ❖ 2008 HKICPA Best Corporate Governance Disclosure Awards: Gold Award (Hang Seng Index Category) (Nov)
- ❖ Signed CSR and Carbon Reduction charters (Dec)

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# Key Initiatives in 2009

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## Market Development

- ❖ Publication of Consultation Conclusions on Introduction of a Price Control Mechanism in Closing Auction Session
- ❖ Working groups with the Mainland exchanges on training and information sharing
- ❖ Active promotion to Mainland enterprises and overseas companies with Mainland business connections



# Key Initiatives in 2009

## Product Development

- ❖ Certified Emission Reduction futures and emissions trading platform (mid 2009)
- ❖ Derivatives on A-share related ETFs
- ❖ Options with flexible features
- ❖ Nominee/custody services for unlisted ELI/ELN
- ❖ Futures on precious metals
- ❖ Listing of ETFs with various underlying assets
- ❖ Working with market participants to promote investor education and risk awareness of HKEx products

# Key Initiatives in 2009

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## Service Enhancement

- ❖ Admission of remote participants
- ❖ Revamp of the HKEx corporate website (2009 Q3)
- ❖ Provision of free real-time basic market prices on websites (2009 H2)
- ❖ Automation of stamp duty collection process (2009 H2)

# Key Initiatives in 2009

## Market Quality

- ❖ Implementation of action plan from the Independent Strategic Review of Listing Regime
- ❖ Completing Review of Listing Rules regarding listing requirements and disclosure obligations for mineral companies (Chapter 18)
- ❖ Publication of review of Web Proof Information Pack Pilot Scheme
- ❖ Publication of Consultation Conclusions on Periodic Financial Reporting – quarterly reporting
- ❖ Publication of Conclusions on Combined Consultation Paper on Proposed Changes to the Listing Rules (public float, general mandates and self-constructed fixed assets)
- ❖ Review of Code on Corporate Governance Practices
- ❖ Supporting SFC on electronic filing for Disclosure of Interests
- ❖ Publication of conclusions on issue of paper application forms with electronic prospectuses with the SFC

# Key Initiatives in 2009

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## System Development

- ❖ Move of HKATS/DCASS primary data and consolidation of IT offices (mid 2009)
- ❖ Exploration of consolidating three production data centres
- ❖ Further capacity upgrade of derivatives trading and information dissemination systems (2009 Q3)
- ❖ A three-year plan to revamp AMS/3 (end of 2009) and develop the next generation trading system with enhanced functionality and capacity (2012)

# Key Initiatives in 2009

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## Corporate

- ❖ Initiation of phase 2 of project “LISA”, the Listing Information Support Application
- ❖ Continuous support of socially responsible practices in workplace, marketplace, community and environment
- ❖ Implementing succession planning

## Q & A