

21st January 2013

Clerk to Panel on Financial Affairs
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sir/Madam,

Re: Proposal of Hong Kong Exchanges and Clearing Limited ("HKEx") to Introduce After-hours Futures Trading

We note that the Legislative Council Panel on Financial Affairs will hold a meeting on 28 January 2013 to discuss HKEx's proposal on after-hours futures trading and we would like to reiterate our firm's views for the Panel's consideration.

Meeting International Standards

As per our views expressed in the initial public consultation we continue to strongly support the Exchange's proposal to introduce After-Hours Futures Trading (AHFT) as it would better align the Hong Kong futures market's trading hours to the rest of the world where many derivatives products are already traded around the clock. Major futures exchanges such as the CME, SGX, ASX and OSE have been offering after-hours futures trading for many years. HKEx should have trading conditions which at least match the leading exchanges worldwide to cater to rising demand from global investors. Financial institutions like us would be able to better meet the trading needs of our domestic and international clients.

Minimizing and Mitigating Overnight Gap Risk

Local client demand for managing risk exposures during European and US trading hours is growing. For example, if an international fund manager has bought Hang Seng Index Futures there is currently no efficient way of unwinding this position in the evening if there are any adverse overnight developments. Ultimately, the client needs to wait until the market reopens the following day in order to unwind their position. Currently, clients must use other benchmark futures contracts traded on other overseas exchanges as a proxy to hedge their open position in Hong Kong. Obviously, this is a far from a perfect hedge and increases trading costs. The rollout of after-hours futures trading would allow investors to better manage their risk exposure and minimize the gap risk.

Business As Usual

As a global financial institution, we have been operating around-the-clock operations to support clients' trading of Asian, European, and US markets, including the evening trading sessions of these exchanges. When Hong Kong starts offering AHFT, it will just be an additional market to cover. We already have risk management measures and procedures in place to handle the evening/night session trading of the other markets in APAC.

Based on our past experiences trading these markets during T+1 Night sessions, we have not encountered severe liquidity or excessive volatility issues as there has been sufficient oversight and responsible participation in these markets. There is no reason why Hong Kong should fear a different outcome. Furthermore, as a precautionary measure, we believe that HKEx's proposed price limit of +/-5%, effective during after-hours futures trading, would address concerns about potential excessive price movement.

Lastly, we are confident that After-Hours Futures Trading will ultimately attract more business opportunities to the Hong Kong futures industry which will in turn benefit Hong Kong as an international financial centre and enhance economic growth.

We trust you concur with our views and thank you for your attention.

Yours faithfully,

Anonymous

A global financial institution