



BY COURIER

21 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: Expression of Support for Hong Kong Exchanges and Clearing Limited (“HKEx”)’s Proposal to Introduce After-Hours Futures Trading (“AHFT”)

Newedge appreciates the opportunity to provide our comment to the Legislative Council Panel on Financial Affairs in its special meeting to discuss AHFT proposed by the HKEx.

Newedge, which is one of the world’s largest brokerage organizations, offers its customers clearing and execution facilities across multiple asset classes including futures, securities (fixed income and equities), options, FX and various OTC instruments. Newedge maintains offices in over 15 countries, and is a member of over 85 exchanges worldwide. As of December 2011, Newedge had an estimated global market share in listed derivatives of 11% (clearing) and 12% (execution), and over Euro 40.5 billion of client assets on deposit. Newedge in HK consists of Trading Participants of HKFE, SEHK, HKMEx and a Clearing Participant of HKCC, SEOCH and HKSCC. Newedge in HK is consistently ranked as one of the top brokers on the HKFE in terms of execution and clearing volume.

Newedge is fully supportive of the HKEx’s proposal on AHFT and firmly believes it will benefit Hong Kong Futures Market Participants as well as the Hong Kong financial industry as a whole. Specifically, we believe AHFT will benefit the Hong Kong Futures market by: 1) Enabling investors to better manage their risk; 2) Attracting more overseas investors to participate in HKEx’s derivatives market and 3) Ensuring that Hong Kong is keeping pace with developments in other Global Financial Centers.

From a risk perspective, our clients currently are lacking an optimal method to manage overnight risk exposures. In our global world with a 24 hour trading environment this could leave Hong Kong investors exposed to risks from events



or news happening during the European or US time zones. We believe HKEx's proposal to introduce AHFT will satisfy client demands to better hedge their exposure to overnight risk and to find new trading opportunities.

We believe the AHFT initiative will be an important step towards increasing listed derivatives trading in Hong Kong markets from overseas investors. While US and European investors are able to trade Hong Kong futures via night desks or setting up offices in Asia – it is clear that both of these set-ups create some barriers to entry. Establishing AHFT should allow easier access to HK markets to more overseas investors and at the same time increase trading and arbitrage opportunities across global markets. As a result, we are confident that AHFT will bring more trading business to Hong Kong which will benefit the Hong Kong futures brokerage industry as a whole.

Lastly, for several years our clients have been actively participating in after hours trading available at a number of exchanges across the globe such as CME, SGX, ASX and OSE. The HKMEX also has a similar trading arrangement. We view HKEx's AHFT rollout as a natural extension of its business to provide a transparent, orderly and centralized trading avenue in line with other global major exchanges. It will also ensure that the HK futures industry remains competitive on the global landscape.

Thank you for your kind consideration of Newedge's comments.

For and on behalf of
Newedge Financial Hong Kong Ltd / Newedge Broker Hong Kong Ltd

A handwritten signature in black ink, appearing to read "Ronald Savino".

Ronald Savino
Chief Administrative Officer, Asia Pacific
and Managing Director, Hong Kong