



**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING

**BNP PARIBAS SECURITIES (ASIA) LIMITED**

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Clerk to Panel on Financial Affairs  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road, HK

Dear Sir/Madam

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

With reference to our upcoming attendance at the Legislative Council Panel on Financial Affairs' meeting on 28 January 2013 to discuss HKEx's proposal on after-hours futures trading, we are writing to you to reiterate our firm's views for the Panel's consideration.

Rising to International Standards

We support the Exchange's proposal to introduce after-hours futures trading, as it would better align Hong Kong futures market's trading hours to the rest of the world where some derivatives products are already traded around the clock. The proposal of after-hour futures trading has been pending for a few years, since then we see other exchanges already introducing various measures to cater to the rising demands from global investors who trade around the clock. A notable example is that Korea Stock Exchange ("KRX") has introduced in the recent years after-hours trading of its KOSPI 200 futures and options on other exchanges' platforms, i.e. CME and Eurex. Among all other key Asian Stock exchanges that have a leading market presence in the futures and options market, HKEx appears to be the only one that does not currently have after-hours trading. In our views, it is crucial for HKEX to offer after-hours trading in order to maintain its competitiveness in the financial services industry in the region. We foresee that after-hours trading can also help market participants like ourselves to meet the trading needs of our clients and thereby grow our trading and brokerage businesses.

Better risk management for investors

From dealing with our clients and looking at our own trading activity, we see that there is a real demand for managing risk exposures during the European and US trading hours, taking into account events or news in those time zones. In the absence of Hong Kong market's futures trading during those time zones, clients have been using S&P futures as a proxy for hedging, S&P or other CME/Asian night trading products however are not a perfect hedge solution to them given the different index components. The rollout of after-hours futures trading for Hong Kong would allow investors to better manage their risk exposure and minimize their gap risk.

Business Growth at low cost and other exchanges' offering

BNP Paribas has offices globally, we already have trading desks who work on Asian markets from Europe and the US, these desks also operate in the European and US markets, and we do have a full coverage team who can facilitate night trading to support clients' trading during evening trading sessions of other Asian exchanges. While we would still need to enhance our business set-up to support the after-hours trading for the Hong Kong products, it should not result in any material incremental costs to our existing business. On the other hand, our clients are professional investors who have risk management measures and funding arrangements in place to settle their margin calls while we are experienced in handling client margin call arrangement and any related support which might be required in this regard.



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Major futures exchanges such as CME, SGX, ASX, KRX and OSE have been offering after-hours futures trading for years. Based on our past experiences in trading these markets during the respective after-hours sessions, we have never encountered any major liquidity or excessive volatility issues given the sufficient and sustainable liquidity seen in these markets. Hong Kong has been a leading financial center for a number of years with many global institutional, professional and retail investors, we do not foresee that after-hours futures trading should be a concern for the market. Furthermore, we believe that the HKEx's proposed price limit of +/-5% effective during after-hours futures trading would be a precautionary measures that is in line with what other exchanges have in place, and that it should address concerns about any potential excessive price movements.

Last but not least, we are confident that after-hours futures trading should give rise to more business opportunities to the Hong Kong futures industry, this would benefit Hong Kong as an international financial centre, and would benefit market participants in providing better risk management solution for their client's investments and if any, their own trading businesses.

We appreciate your consideration into our views and thank you for your attention.

Yours faithfully,  
BNP Paribas Securities Asia Limited

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