

**For Information**

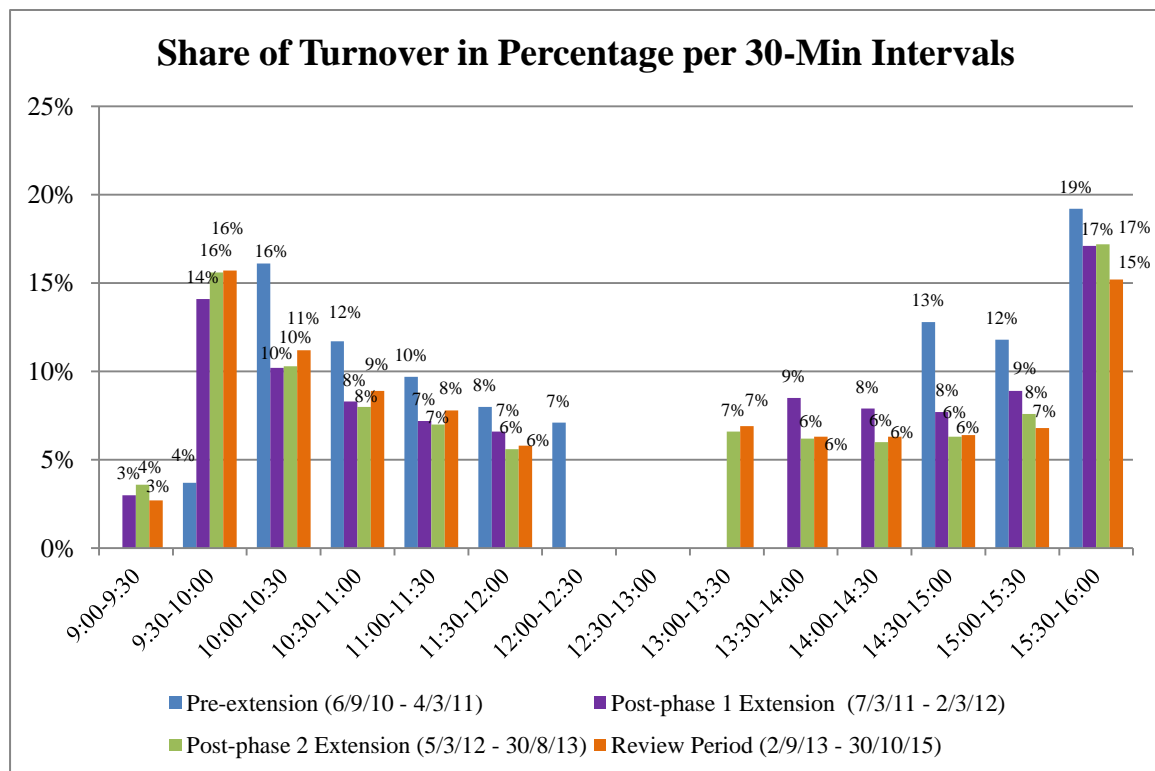
**Update on Extension of Trading Hours in the Securities Market**

**Purpose**

Further to the information paper dated 11 November 2013 on the extension of trading hours in the securities market (Ref: CB(1)356/13-14(01)), this information paper provides the latest trading statistics and analyses the impact of the extension of trading hours on the Hong Kong securities market and Exchange Participants (“EPs”) of different sizes.

**Trading Statistics on Extension of Trading Hours in the Securities Market**

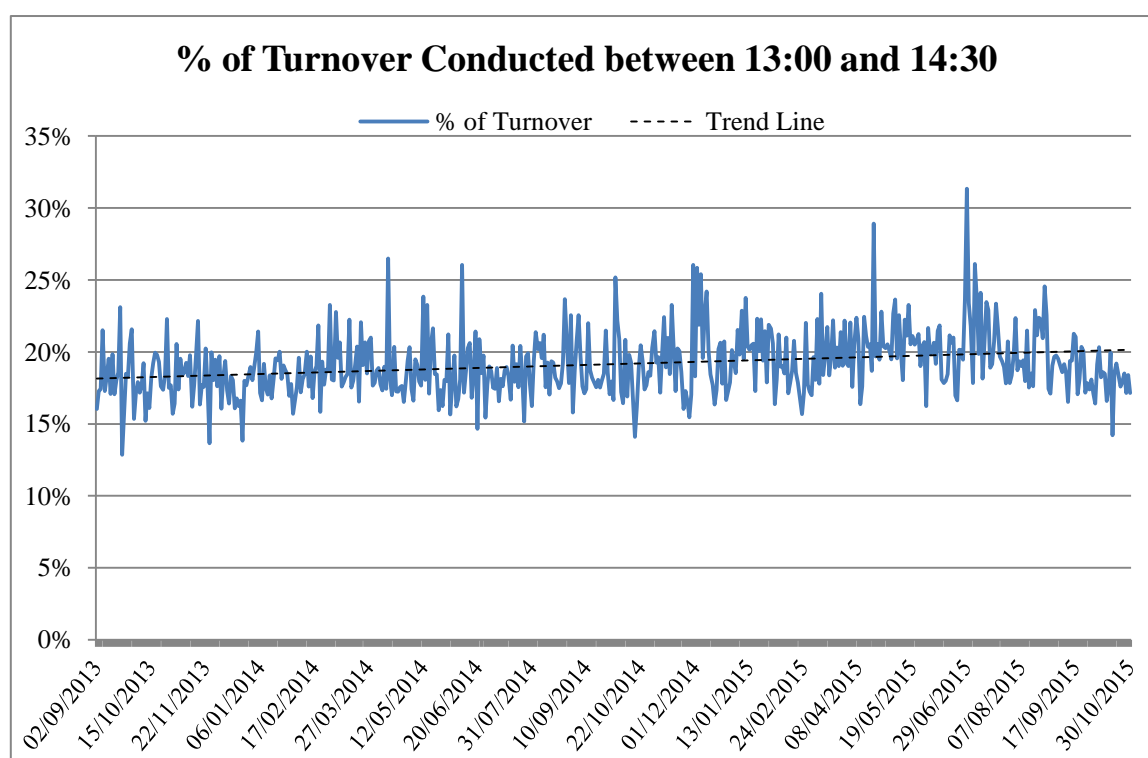
2. The latest trading statistics for the period of September 2013 to October 2015 (the “Review Period”) are shown in the graphs below –



Half-hour Interval	Pre-extension (6/9/10 - 4/3/11)	Post-Phase 1 Extension (7/3/11 - 2/3/12)	Post-Phase 2 Extension (5/3/12 - 30/8/13)	Review Period (2/9/13 - 30/10/15)
9:00-9:30		3.0%*	3.6%*	2.7%*
9:30-10:00	3.7%*	14.1%	15.6%	15.7%
10:00-10:30	16.1%	10.2%	10.3%	11.2%
10:30-11:00	11.7%	8.3%	8.0%	8.9%
11:00-11:30	9.7%	7.2%	7.0%	7.8%
11:30-12:00	8.0%	6.6%	5.6%	5.8%
12:00-12:30	7.1%			
12:30-13:00				
13:00-13:30			6.6%	6.9%
13:30-14:00		8.5%	6.2%	6.3%
14:00-14:30		7.9%	6.0%	6.3%
14:30-15:00**	12.8%	7.7%	6.3%	6.4%
15:00-15:30	11.8%	8.9%	7.6%	6.8%
15:30-16:00	19.2%	17.1%	17.2%	15.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Pre-opening Session

\*\* Mainland markets close at 15:00



### **Impact on the Hong Kong Securities Market**

3. From the three graphs above, it is noted that during the Review Period (September 2013 to October 2015) –

- (a) The trading activities between 13:00 and 14:30 continued to be active, contributing to 19.5% of the daily turnover (similar to the trading activities recorded within the six months after the Post-Phase 2 Extension). The percentage of turnover conducted during this period ranged from about 13% to 31% (see last graph above). This shows that investors are well utilizing this new time window for trading.
- (b) As the Mainland markets are open from 13:00 in the afternoon and close at 15:00, this two-hour time period is particularly important for price discovery of the Mainland related securities in the Hong Kong market. The extension of trading hours allows our market to open earlier in the afternoon and at the same time of the Mainland markets to facilitate trading of these securities. Before the extension of trading hours, our market's trading hour only overlapped with the Mainland's for half an hour (14:30 – 15:00) in the afternoon session and around 12.8% of our market's daily turnover was conducted in this period. After the extension of trading hours, Mainland market's afternoon trading session (13:00 – 15:00) is totally covered by our trading hours. According to the trading statistics for the twenty six months under the Review Period, around 25.9% of market turnover was concluded in the two-hour session from 13:00 to 15:00. This demonstrates that improved price discovery and trading facilitation have been achieved since investors can spread out their trading more evenly and complete more trades before the Mainland markets close.

### **Impact on Exchange Participants of Different Sizes**

4. The following table shows EP participation by different EP categories for the period between 13:00 and 14:30 as well as for the whole day during September 2013 to October 2015.

EP Category*	Number of EPs participated (Their respective share by trading turnover)	
	Between 13:00 to 14:30	For the whole day
Category A (EPs ranking 1 to 14)	14 (51.1%)	14 (52.5%)
Category B (EPs ranking 15 to 65)	51 (35.7%)	51 (34.7%)
Category C (EPs ranking > 65)	452 (13.2%)	454 (12.8%)
<b>Total</b>	<b>517 (100.0%)</b>	<b>519 (100.0%)</b>

*\*Categorization based on their respective ranking*

5. Almost all trading EPs (517 out of a total of 519 EPs which had conducted trading in the Review Period) participated and traded in the additional 1.5 hours, indicating that this additional time window is useful for EPs or their clients to conduct trading.

6. It is further noted that the share of Category B and Category C EPs for the 1.5 hour additional time window was 1.4% higher than their share for the whole day which indicates that these EPs trade relatively more actively during the new time window than the rest of the day. This shows that the relatively smaller EPs are well utilizing and have benefited from the additional time window.

### **Conclusion**

7. Based on the above trading statistics, it is observed that more trading is now conducted in the additional time window from 13:00 to 14:30 when the Mainland markets commence trading. This may also indicate that the price discovery function of Mainland related securities in our market has improved as EPs and investors can react to the market news during these important trading periods. EPs, in particular the relatively smaller EPs, are actively participating in the additional trading hours and the trading volume during the additional trading hours has increased steadily. As the Hong Kong and Mainland securities markets become even more closely linked with the launch of

Shanghai-Hong Kong Stock Connect, we believe that the Hong Kong market and its investors will continue to benefit from the extension of trading hours implemented in March 2011 and March 2012 respectively.

**Hong Kong Exchanges and Clearing Limited**  
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