

Consultation Conclusions

Derivatives Holiday Trading



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DEFINITIONS

Term	Definition
“Business Day”	Refers to Monday to Friday (other than Hong Kong public holidays)
“CNH”	Offshore Renminbi
“CP(s)”	Clearing Participant(s)
“DCASS”	Derivatives Clearing and Settlement System
“EP(s)”	Exchange Participant(s)
“H CP(s)”	Holiday Trading CP(s). CP(s) who participate in Holiday Trading
“H Day(s)”	Holiday Trading Day(s). Hong Kong public holiday(s) with trading and clearing
“H EP(s)”	Holiday Trading EP(s). EP(s) who participate in Holiday Trading
“H Participant(s)”	Holiday Trading Participant(s). Participant(s) who participate in Holiday Trading
“H Product(s)”	Holiday Trading Product(s). Non-HKD denominated futures and options which can trade and clear on H Days
“H+1 Day”	The first Business Day after H Day(s)
“HKD”	Hong Kong Dollar
“HKCC”	HKFE Clearing Corporation Limited
“HKEX”	Hong Kong Exchanges and Clearing Limited
“HKFE”	Hong Kong Futures Exchange
“Holiday Trading”	Trading and clearing for non-HKD denominated futures and options on Hong Kong public holidays
“HK”	Hong Kong
“HPAD”	HKCC Participant Additional Deposits
“IM”	Initial margin
“JPY”	Japanese yen
“LOP”	Large Open Position
“NH CP(s)”	Non-Holiday Trading CP(s). CP(s) who do not participate in Holiday Trading
“NH EP(s)”	Non-Holiday Trading EP(s). EP(s) who do not participate in Holiday Trading

“NH Participant(s)”	Non-Holiday Trading Participant(s). Participant(s) who do not participate in Holiday Trading
“NH Product(s)”	Non-Holiday Trading Product(s). HKD denominated futures and options which will not be traded and cleared on H Days
“Participant(s)”	EP(s) and CP(s) are collectively referred to as Participant(s)
“RTGS”	Real Time Gross Settlement
“SGD”	Singapore Dollar
“US”	United States
“USD”	US Dollar
“VA”	Variation adjustment

EXECUTIVE SUMMARY

1. Hong Kong Exchanges and Clearing Limited's ("HKEX") markets have in recent years expanded to include a greater number and variety of derivative products beyond Hong Kong dollar ("HKD") denominated products. Many of these cover global and regional markets across different asset classes, helping further internationalise the products available to market participants.
2. This transformation to an internationally-focused market has played an important part in Hong Kong's ("HK") continuing development as an international financial centre, helping drive increased participation in HKEX markets from Mainland China and international investors. To maintain and strengthen this position, and allow investors to better manage or lower their overall portfolio risk, it is essential that the expanded suite of products is supported with the right infrastructure.
3. The ability to trade and clear, non-HKD denominated products, without being bound by HK public holidays, is of great importance for investors to effectively manage their portfolio risk.
4. On 9 November 2021, HKEX published a consultation paper on the proposed operational model for Derivatives Holiday Trading ("the Consultation Paper"): <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/November-2021-Derivatives-Holiday-Trading/Consultation-Paper/cp202111.pdf>.
5. The implementation of Derivatives Holiday Trading ("Holiday Trading") is to ensure HK retains its competitiveness as a financial hub, and to allow investors to better manage or lower their overall portfolio risk. The consultation period ended on 6 December 2021.
6. This conclusion paper outlines key market feedback for the operational arrangements and for Derivatives Holiday Trading in HK. HKEX received a total of 55 responses from Exchange Participants ("EPs") / Clearing Participants ("CPs") (EPs and CPs are collectively referred to as "Participants"), professional bodies/industry associations, other corporate entities and individuals. Statistics and key responses to the Consultation Paper are summarised in **Chapter 1**. A list of the respondents is provided in Appendix I. Copies of their responses are available here [https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses Jan 2022?sc lang=en](https://www.hkex.com.hk/News/Market-Consultations/2016-to-Present/Responses%20Jan%202022?sc_lang=en).
7. Responses for the Consultation Paper showed strong support on the launch of Holiday Trading and the proposed operational model. As such, HKEX confirms, subject to regulatory approval, it will proceed to launch Holiday Trading with the operational arrangements as proposed, with exception of minor adjustments on the liquidity management arrangement on days when both HK and the United States ("US") have mutual holidays, accounting for feedback received during the consultation. Please refer to **Chapter 2** for full details of HKEX's conclusions and the next steps.
8. HKEX plans to hold a market readiness test in late February 2022, ahead of the launch of Derivatives Holiday Trading for the Easter holidays in April. **All MSCI futures and options** will be included as the first batch of Holiday Trading Products ("H Products").
9. HKEX would like to take this opportunity to thank all those who shared their comments and views during the consultation process.

CHAPTER 1: COMMENTS AND RESPONSES ON HOLIDAY TRADING ARRANGEMENTS

10. The consultation received a total of 55 responses from a broad spectrum of market participants with a majority (40 out of 55 responses, 73% of total) being corporate responses.
11. All of the corporate responses were supportive to the implementation of Holiday Trading to support the continued development of HK as an international financial centre.
12. Details of the respondent types are as follows:

Respondent Types

13. Corporate respondents: accounting for 40 of the 55 respondents.
 - 13.1. 35¹ EPs and/or CPs accounting for 64% of the Hong Kong Futures Exchange (“HKFE”) futures and options in trading volume. The group also accounts for 84% market turnover of MSCI futures and options, which will be the first batch of products to be included for Holiday Trading.
 - 13.2. 3 professional bodies or industry associations covering a broad range of Participants; and
 - 13.3. 2 corporate entities; an information vendor and a market practitioner.
14. Individual respondents: accounting for 15 out of 55 respondents.

¹ Out of the 35 respondents from Participants, 2 of them (account for 6% of HKFE futures and options market shares; 16% of MSCI futures and options market shares) did not submit their responses directly in the consultation. However, upon follow up with these 2 Participants, they indicated that their responses will be reflected in one of the industry associations. HKEX also considered these HKEX Participants as respondents in the consultation.

Views from Respondents

Category	Views on Holiday Trading				
	Submission Received	Supportive (views on proposed arrangements)			Opposing Comments
		Total	(with comments)	(without comments)	
<u>Corporate</u>					
Participants (market shares%)	35	35	27	8	0
i. All HKFE futures and options	(64%)	(64%)	(57%)	(7%)	(0%)
ii. All MSCI futures and options	(84%)	(84%)	(80%)	(4%)	(0%)
Professional Bodies/ Industry Associations	3	3	3	0	0
Others	2	2	1	1	0
Total (%)	40 (100%)	40 (100%)	31 (78%)	9 (22%)	0 (0%)
<u>Individual</u>					
Total (%)	15 (100%)	14 (93%)	4 (26%)	10 (67%)	1 (7%)
Grand Total (%)	55 (100%)	54 (99%)	35 (64%)	19 (35%)	1 (1%)

15. Of the 55 responses received, 54 were supportive of the implementation of Holiday Trading with one individual respondent suggesting that HKEX should not implement Holiday Trading.

16. HKEX followed up with the individual respondent who expressed concern that HKD denominated products would be traded during Holiday Trading Days (“H Days”). HKEX explained that, per the information in the Consultation Paper, H Products will only cover non-HKD denominated futures and options (Full list of non-HKD denominated futures and options can be found in Appendix II). The respondent said that, with such confirmation, his concerns had been addressed.

17. Whilst there was major market support for the implementation of Holiday Trading, there were a few specific areas for which the respondents have provided comments. Details are outlined in the respective sections below.

Comments on Participanship

18. Participation in Holiday Trading is optional. EPs and CPs who consider becoming H EPs/ CPs (“H Participants”) are required to fulfil certain criteria² and non-Holiday Trading EPs/ CPs (“NH Participants”) will not be able to access H Products even on Business Days thereon. Several respondents asked about product accessibility for NH Participants after the implementation of Holiday Trading. Details of respondents’ feedback, and HKEX’s

² EPs who consider to be H EPs have to ensure their appointed CPs are H CPs, and CPs who consider to be H CPs have to ensure their settlement banks can support Holiday Trading. Nevertheless, both EPs / CPs who intend to be H EPs/ CPs are also required to declare their operational and system readiness. Details refer to the Consultation Paper point #2.

responses, are as follows:

- 18.1. **Non-Holiday Trading EPs' ("NH EPs'") accessibility to H Products after the implementation of Holiday Trading:** Several corporate respondents suggested that HKEX should continue to allow NH EPs to access H Products after the implementation of Holiday Trading. One respondent enquired if there are any ways for NH EPs to continue accessing H Products or participate in Holiday Trading via other Holiday Trading EPs ("H EPs").

HKEX response: NH EPs may discuss with H EPs to establish bilateral commercial arrangements to continue accessing H Products after the implementation of Holiday Trading. However, even NH EPs have established such arrangements with H Participants, NH Participants and their clients who have positions of H Products would still be required to fulfil their money settlement for margin obligations and large open position ("LOP") reporting requirement on H Days, i.e. they would be subject to similar operational requirements as being H Participants. Participants should evaluate their business needs and the aforementioned factors to consider whether to become an H EP.

For more details on the rationale of only allowing H Participants to access H Products after the implementation of Holiday Trading, please refer to the Consultation Paper points #22 and #23.

Comments on the Operational Arrangements

19. The proposed trading, clearing, risk management, market data, and LOP reporting arrangements were highlighted in the Consultation Paper and respondents were invited to provide their comments on the proposal.

Trading arrangements

20. Respondents were supportive of the trading arrangements as highlighted in the Consultation Paper. Several respondents enquired about the trading arrangements for specific scenarios such as (i) HK and US mutual holidays³ and (ii) Last Trading Days. In addition, one respondent also expressed their concerns on market liquidity and depth during H Days. Details of their responses are as follows:

- 20.1. **Trading arrangements during HK and US mutual holidays:** One corporate respondent enquired if there will be trading during HK and US mutual holidays, and asked about money settlement during these holidays.

HKEX response: There will be trading and clearing for H Products during all weekday HK public holidays, with the exception of New Year's Day holiday. To address Participants' concerns on money settlement during HK and US mutual holidays, please refer to paragraph 21.2. Further details can be found in the Consultation Paper points #24 and #25.

- 20.2. **Last trading day arrangements for non-Holiday Trading Products ("NH Products") and physical settled H Products, for example USD/CNH futures:**

³ Holiday of Christmas Day and New Year's Day are HK and US mutual holidays every year. However, as holiday of the New Year's Day will not be an H Day under the current proposal, there will be no issues for Holiday Trading. Apart from holiday of Christmas Day, there are days that HK and US holidays may overlap. For instance, in 2021, President's Day and the third CNY holiday are both dated on 15 February 2021. The next overlap with of CNY and President's Day will occur in 2026.

One corporate respondent enquired if there will be any changes in the last trading day and settlement day for NH Products upon the implementation of Holiday Trading. In addition, one corporate respondent enquired whether the last trading day for physical settled non-HKD denominated contracts can fall on H Days when such contracts become H Products.

HKEX response: The last trading day and the final settlement day for NH Products will remain on HK Business Days and will not fall on any H Days.

For USD/CNH futures, the last trading day and the final settlement day will remain on HK Business Days even when such product become H Products.

- 20.3. **Market liquidity and market depth concerns on H Days:** One individual respondent noted that liquidity and market depth for H Products during H Days may not be comparable to a Business Day.

HKEX response: Holiday Trading is of paramount importance to the HK market continued development as an international financial centre. With holiday trading in place, growth of liquidity and participation will accumulate over the course of time. In addition, HKEX endeavors to encourage liquidity on H Days, where applicable, market makers and liquidity providers of the proposed products are equipped, familiar with and will be required to continue providing two-way quotes on H Days for H Products across markets. Further details can be found in the Consultation Paper point #39.

Post trade arrangements - clearing and risk management arrangements

21. Respondents were supportive towards the proposed arrangements and acknowledged the importance of having appropriate clearing risk management arrangements during H Days. A few respondents expressed concerns on (i) money settlement arrangement on H days; (ii) settlement bank readiness for Holiday Trading and (iii) the potential for creating an uneven playing field between H and NH Participants on H Days.

- 21.1. **No money settlement on H Days:** A few corporate respondents suggested that HKEX should allow all Participants (including H Participants) to fulfil their money settlement during the first Business Day after Holiday Trading due to limited banking support during H Days and referencing the practice at other international exchanges. One of the respondents provided suggestions on the modifications on risk management arrangements (such as allowing settlement price to remain unchanged during H Days so that there will be no variation adjustment (“VA”) margin call during H Days) to facilitate no money settlement on H Days.

HKEX response: With the introduction of Holiday Trading, H CPs’ portfolio are exposed to market risks on H Days in the same way as on Business Days. Therefore, to ensure appropriate and adequate risk arrangements for HKFE Clearing Corporation Limited (“HKCC”), HKEX proposes to follow the existing practice by enforcing the timely settlement on a daily basis from H CPs on H Days. For NH CPs, no settlement is required on H Days given that they do not trade or clear on those days.

- 21.2. **HKD and US Dollar (“USD”) settlement during H Days (including HK and US mutual holidays):** Several corporate respondents expressed concern about the HKD and USD settlement arrangements during (i) H Days and (ii) H Day which is HK and US mutual holiday and asked if HKEX would consider accepting cash in other currencies.

HKEX response: For the margin requirements on all H Days, as mentioned in the Consultation Paper, HKCC has already proposed to revise the 50-50 collateral rule during H Days so that H CPs are allowed to fulfil all their HKD/USD margin requirements by any acceptable cash (i.e. HKD/USD/CNH/EUR/JPY/SGD⁴) and non-cash collaterals⁵ on all H Days (including HK and US mutual holidays). It is anticipated that the funding pressure on H Days would be alleviated.

For VA obligations on H Days, in the absence of HKD Real Time Gross Settlement (“RTGS”) on H Days, HKD liquidity is limited and could result in funding pressure of Holiday Trading CPs (“H CPs”) to pay HKD VA obligations. Therefore, HKEX proposed to collect USD for HKD VA obligation during all H Days (including HK and US mutual holidays). For USD VA obligations for USD denominated contracts, H CPs should fulfil these in USD during all H Days.

From the consultation feedback, HKEX noted Participants’ concern on settling VA obligations on HK and US mutual holidays. Therefore, HKEX will allow H CPs to satisfy their HKD / USD VA obligations by any acceptable cash collaterals⁴ if H CPs cannot meet all the HKD / USD VA obligations in HKD / USD on HK and US mutual holidays. H CPs are required to pay the corresponding settlement currency back on the first Business Day after HK and US mutual holidays to replace the amount of acceptable cash collaterals in other currencies utilised during the HK and US mutual holiday.

For the avoidance of doubt, if the day after an HK and US mutual holiday is still an H Day but not an HK and US mutual holiday, the original proposal for VA settlement on H Day will be applied.

The arrangements for HKD and USD margin and VA settlement for H CPs during (i) H Day which is an HK public holiday as well as (ii) H Day which is an HK and US mutual holiday are summarised below.

⁴ Where existing SGD limit as a general collateral (i.e. SGD 25 million per CP) for non-SGD denominated contracts is still in place and will be extended to all holidays.

⁵ Where non-cash collateral could satisfy up to 50% of the margin requirement.

	Margin	VA⁶
(i) H Day which is an HK Public Holiday only⁷		
<i>HKD</i>	<i>Covered by HKD collateral first, the shortfall can be covered by other cash and non-cash collateral^{4&5}. 50-50 collateral rule will be relaxed.</i>	<i>Settled in HKD, any outstanding balance can be covered by USD on H Days first and paid back in HKD on the first Business Day after H Day (“H+1 Day”).</i>
<i>USD</i>	<i>Covered by USD collateral first, the shortfall can be covered by other cash and non-cash collateral^{4&5}. 50-50 collateral rule will be relaxed.</i>	<i>Must be settled in USD.</i>
(ii) H Day which is HK and US Mutual Holiday		
<i>HKD</i>	<i>Same arrangement as (i).</i>	<i>Settled in HKD, with any outstanding balance can be covered by other cash collateral⁴ on HK and US mutual holidays first and paid back in HKD on H+1 Day. If the next day after HK and US mutual holiday is an H Day which is HK public holiday, follow the same arrangement as (i).</i>
<i>USD</i>	<i>Same arrangement as (i).</i>	<i>Settled in USD, if any outstanding balance can be covered by other cash collateral⁴ on HK and US mutual holiday first and paid back in USD on the next day.</i>

- 21.3. **Settlement banks’ readiness:** A few corporate respondents suggested that HKEX should negotiate or initiate a market wide discussion with settlement banks in HK to ensure their readiness before the implementation of Holiday Trading and ensure that the banks have the ability to settle USD during those H Days that are also bank holidays in US. One corporate respondent expressed concern that most of the H Participants may use the same settlement banks, and may impose additional funding pressure for USD on H Days.

HKEX response: HKEX has engaged with the major settlement banks, which cover over 95% of the market share, and they have confirmed that they will support money settlement services in CNY, USD, JPY, SGD, and EUR during H Days.

On concerns about concentration at a particular bank, upon HKEX’s engagement with the settlement banks, the banks did not indicate any liquidity concerns on H Days.

- 21.4. **Level playing field between H and NH Participants:** Several corporate respondents expressed concern that Holiday Trading would create an uneven playing field between H and NH Participants where H Participants are required to settle all HKFE products earlier than NH Participants.

⁶ On H Days, H CPs are only liable to cover the VA outstanding balance by other cash collateral if such balance exceeds HKD 1 million.

⁷ Detailed arrangements for HKD and USD settlement during HK public holidays can be found in the Consultation Paper Appendix 5 points #14 to #19.

HKEX response: HKEX believes that this is an essential measure to facilitate appropriate risk management coverage for H CPs during the H Days. More details can be found in the Consultation Paper Appendix 5 point #3.

- 21.5. **Clients' ability to transfer money to H Participants:** A few corporate respondents expressed concern on the ability of clients to transfer money to their brokers during H Days in order to fulfil margin calls.

HKEX response: Upon the implementation of Holiday Trading, H Participants should issue margin calls during H Days to their clients who trade H Products. To facilitate money transfers from clients to their brokers during H Days, one possible solution is for clients to have a bank account under the same settlement bank as the Participants.

Market data arrangements

22. In relation to market data arrangement, all respondents supported the proposed arrangement and one respondent sought clarification on the commercial package of market data upon the implementation of Holiday Trading.

- 22.1. **Market data package:** One individual respondent enquired if it would be feasible to allow investors to choose H + NH or NH Products market data package in the future.

HKEX response: During the initial stage of implementation of Holiday Trading, there will be no change on the current commercial arrangement of providing data for all trading products by market at a single price.

LOP reporting arrangements

23. In relation to LOP reporting, almost all respondents supported the proposed arrangement. Nevertheless, there are specific areas for which the respondents have provided suggestions in relation to (i) LOP report submission timeframe and (ii) reporting content.

- 23.1. **Submission timeframe:** A few corporate respondents suggested that there should be no LOP reporting during H Days and any reporting should be conducted on the Business Days after H Days.

HKEX response: LOP reporting is a key market surveillance tool that is essential to maintaining the integrity of the market. The proposed LOP reporting arrangement for H Products during H days serves to facilitate market confidence and orderly trading. Please refer to the Consultation Paper point #30.2.

- 23.2. **Reporting content:** A few corporate respondents enquired if reporting both H and NH Products' positions on H Days would be acceptable and one corporate respondent suggested that LOP reporting form and contents should remain the same as Business Days during H Days.

HKEX response: To facilitate Participants' system setup and reporting logistics, it is acceptable for Participants to combine the LOP in NH Products together with LOP in H Products into one LOP report for submission. Please refer to the Consultation Paper point #30.3.ii.

The reporting form and the required content for LOP reporting on H Days will be the same as the ones currently used for Business Days. Please refer to the

Comments on Implementation Schedule

24. HKEX in the Consultation Paper outlined the implementation schedule of Holiday Trading, including to hold a market readiness test in the first quarter in 2022 and, subject to market readiness and regulatory approval, to launch Holiday Trading in April to cover the Easter holidays. In addition, HKEX also outlined the long term target to allow all non-HKD denominated futures and options to be H Products. During the consultation, several respondents provided their comments on the aforementioned areas and their responses were as follow:

24.1. **Readiness lead time to meet April launch schedule:** A few corporate respondents noted that HKEX should provide adequate preparation lead time for the market to be ready for implementation in April to cover the Easter holidays.

HKEX response: HKEX notes the market concerns on the implementation schedule for Holiday Trading. While targeting an April 2022 implementation to cover the Easter holidays, the final schedule will be subject to market readiness and the participation rate in the readiness test scheduled in late February 2022, as well as regulatory approval.

24.2. **Schedule for non-HKD denominated products to be H Products:** A few corporate respondents enquired if HKEX has a schedule to allow all non-HKD denominated futures and options to become H Products.

HKEX response: HKEX plans to allow all non-HKD denominated products to become H Products, but inclusion will be subject to market readiness and regulatory approval. The full list of non-HKD denominated futures and options can be found in Appendix II of the conclusion paper and further details can be found in the Consultation Paper point #17.

24.3. **Considerations of HKD denominated products to be H Products:** A couple of corporate respondents suggested HKEX should consider including HKD denominated futures and options (e.g. Hang Seng Index futures and options, single stock futures and options) as H Products to allow H Participants and its clients to manage their risk during H Days.

HKEX response: Currently HKEX has no plans to include HKD denominated futures and options as H Products. Any future plans to revisit the arrangements will depend on market interest among other factors for consideration.

For more details, please refer to the Consultation Paper points #14, #18. In addition, a full list of HKD denominated futures and options can be found in Appendix II of this conclusion paper.

Other Comments

25. Of the responses received, there were several areas that respondents sought clarification regarding the Holiday Trading arrangements. Please see below for more details:

25.1. **Post trade activities:** All HKFE products will be allowed to have post trade activities for H CP during H Days. For Non H CPs, all post trade activities will be

restricted⁸ (e.g. give-up, take-up). The clearing and settlement timeline would follow that of the current Business Days.

- 25.2. **Withdrawal of excess collateral will not be available during H Days:** HKEX will review the need for this feature and consider after the implementation of Holiday Trading if market conditions allow and subject to regulatory approval.
- 25.3. **End of day reports:** The report generation timeline would follow that of the current Business Days. Any HKD shortfall will be converted to USD and the direct debit instruction issued accordingly. Such information can be found in Common Collateral Management System report CCMPY02.
- 25.4. **Margin call during H Days:** Since all HKFE products, including NH Products denominated in HKD will be subject to clearing on H Days, hence there will be margin call to H CPs for both H and NH Products on H Days.
- 25.5. **Additional payment obligation:** The existing practice of the calculation and collection of payment obligation, including initial margin (“IM”), VA and additional margin) applicable on Business Days will continue to be applied to H Days. No additional payment obligation will be required as a result of being an H CP.
- 25.6. **Holiday margin:** The holiday margin rate is set in line with the existing margin methodology, and the margin period of risk is adjusted with reference to the number of holidays in the holiday period. HKEX will continue to follow the margining methodology after the implementation of Holiday Trading. HKEX will follow the existing practice to publish the holiday margin rate via circular prior to the holiday period.
- 25.7. **Reserve fund:** CPs are not required to settle the HKCC Participant Additional Deposits (“HPAD”) on H Days. The settlement lead time of HPAD is maintained at one HK Business Day after disseminating notification to all CPs.
- 25.8. **Capital-based position limit (“CBPL”):** The assessment and triggering mechanism of the CBPL on H Days will follow the existing practice on normal Business Days. H CPs will be required to settle the CBPL margin, if any, during H Days, which follow the same principle as the settlement of IM and VA. For the avoidance of doubt, it is proposed to exclude H Days in counting grace period for both H CPs and non-Holiday Trading CPs (“NH CPs”).
- 25.9. **Default and auction arrangement:** The default management process during an HK public holiday will be similar to the procedures on a Business Day. There will be no separate default fund tranches for H CPs and NH CPs. For H Products which are not subject to holiday margin, HKEX will perform default management on HK public holidays. For H Products which are subject to holiday margin, the market risk exposures throughout the H Days will be mitigated by the margin collected beforehand, so there will be sufficient resources for HKEX to perform liquidation after H Days. HKEX retains the flexibility to perform liquidation on the H Days.

⁸ In addition, to facilitate post trade activities for H Participants before or during H Days, HKEX will also publish a list of H Participants after the completion of the readiness test in late February 2022 and the list will be updated as needed from time to time

CHAPTER 2: CONCLUSIONS AND NEXT STEPS

26. Responses to the Consultation Paper show overall market support for the implementation of Holiday Trading, including the proposed arrangements and implementation roadmap.
27. Having carefully considered the responses from different market participants, HKEX plans to introduce Holiday Trading in **April 2022 to cover the Easter holidays** subject to market readiness and regulatory approval, with a readiness test to be held in **late February 2022**. Should Participants choose not to become H Participants, they will have four weeks after the readiness test to unwind their positions in the relevant H Products.
28. **All MSCI futures and options** will be included as the first batch of H Products.
29. Following the public consultation, there will be no major changes in the proposed trading, clearing, risk management, market data and LOP reporting arrangements for Holiday Trading.
30. As mentioned, some respondents sought clarification from HKEX on the arrangements during HK and US mutual holidays during the consultation, including trading arrangements (paragraph 20.1) and USD money settlement arrangements (paragraph 21.2).
31. These mutual holidays occur one to two times per annum⁹, settlement banks who support Holiday Trading will continue to allow USD money settlement, i.e. RTGS for USD being available. The banks have indicated no USD liquidity issues for these periods.
32. To allow Participants and their clients to have greater flexibility to manage liquidity under their existing operational models, HKEX will make arrangements for those H Days that are HK and US mutual holidays:
 - 32.1. **Collateral to cover HKD or USD VA payment obligations:** Please refer to paragraph 21.2 in Chapter 1.
 - 32.2. **Criteria of established Clients:** Upon the implementation of Holiday Trading, H Participants should issue margin calls during H Days to their clients who trade H Products and clients who trade H Products should continue fulfilling their money settlement for margin obligations during H Days. In addition, to meet the criteria of established Clients as specified in HKFE Rule 617(b), an established Client must have demonstrated to the EP a record of consistently meeting margin obligations.

During HK and US mutual holidays, there may be a situation that an established Client is unable to complete fund transfers to the EP within the prescribed timeframe to settle an outstanding margin call due to a lack of banking support. If an established Client is able to demonstrate to the EP with documentary evidence that (i) there is sufficient funding with the bank to fulfil the margin obligations, (ii) fund transfer instructions have been placed with the bank pending completion due to the abovementioned reason and (iii) the fund transfer in (ii) being completed on the day which H Products open for trading immediately after US banking holidays.

⁹ Holiday of Christmas Day and New Year's Day are HK and US mutual public holidays every year. However, as holiday of New Year's Day is not an H Day, there will be no issues for Holiday Trading. Apart from holiday of Christmas Day, there are days that HK and US public holidays may overlap. For instance, in 2021, President's Day and the third CNY holiday are both dated on 15 February 2021. The next overlap with CNY and President's Day will occur in 2026.

It is considered acceptable not to treat the outstanding margin call as an unfulfilled margin call for the purpose of EP's assessment under HKFE Rule 617(b).

For the avoidance of doubt, these arrangements will only be applicable to H Days which are HK and US mutual holidays and will not be applicable on other H Days.

APPENDIX I: LIST OF RESPONDENTS

Corporate Respondents - Participants

- 1 Grand Capital Futures Limited
- 2 Jinrui Futures (Hong Kong) Limited
- 3 – 35 33 Participants that requested anonymity

Corporate Respondents - Professional Body / Industry Associations

- 36 Hong Kong Securities & Futures Professional Association
- 37 Hong Kong Securities Association
- 38 Futures Industry Association

Corporate Respondents - Market Practitioner

- 39 one market practitioner that requested anonymity

Corporate Respondents – Information Vendor

- 40 one information vendor that requested anonymity

Individual:

- 41 Poon Hoi Wing
- 42 – 55 14 individuals who requested anonymity

APPENDIX II: LIST OF HKD DENOMINATED AND NON-HKD DENOMINATED FUTURES AND OPTIONS IN HKEX

HKD Denominated Futures and Options	Non-HKD Denominated Futures and Options
<p><u>A) Equity Index</u></p> <ol style="list-style-type: none"> 1. CES China 120 Index Futures 2. FTSE/JSE Top40 Futures 3. Hang Seng China Enterprises Index Futures 4. Hang Seng China Enterprises Index Futures Options 5. Hang Seng China Enterprises Index Options¹⁰ 6. Hang Seng Index Futures 7. Hang Seng Index Futures Options 8. Hang Seng Index Options¹¹ 9. Hang Seng Mainland Banks Index Futures 10. Hang Seng Mainland Oil & Gas Index Futures 11. Hang Seng Mainland Properties Index Futures 12. Hang Seng TECH Index Futures 13. Hang Seng TECH Index Options 14. HSCEI (Gross Total Return Index) Futures 15. HSCEI (Net Total Return Index) Futures 16. HSCEI Dividend Point Index Futures 17. HSI (Gross Total Return Index) Futures 18. HSI (Net Total Return Index) Futures 19. HSI Dividend Point Index Futures 20. HSI Volatility Index Futures 21. IBOVESPA Futures 22. MICEX Index Futures 23. Mini Hang Seng Index Futures 24. Mini Hang Seng Index Options 25. Mini-Hang Seng China Enterprises Index Futures 26. Mini-Hang Seng China Enterprises Index Options 	<p><u>A) Equity Index (to be included as first batch of H Products)</u></p> <ol style="list-style-type: none"> 1. MSCI AC Asia ex Japan Net Total Return Index Futures 2. MSCI Australia Net Total Return (USD) Index Futures 3. MSCI China A 50 Connect (USD) Index Futures 4. MSCI China (USD) Index Futures 5. MSCI China Net Total Return (USD) Index Futures 6. MSCI China Free (USD) Index Futures 7. MSCI China Free (USD) Index Options 8. MSCI China Free Net Total Return (USD) Index Futures 9. MSCI Emerging Markets (USD) Index Futures 10. MSCI Emerging Markets Asia ex China Net Total Return (USD) Index Futures 11. MSCI Emerging Markets Asia ex Korea Net Total Return (USD) Index Futures 12. MSCI Emerging Markets Asia Net Total Return (USD) Index Futures 13. MSCI Emerging Markets EMEA Net Total Return (USD) Index Futures 14. MSCI Emerging Markets ex China Net Total Return (USD) Index Futures 15. MSCI Emerging Markets ex Korea Net Total Return (USD) Index Futures 16. MSCI Emerging Markets Latin America Net Total Return (USD) Index Futures 17. MSCI Emerging Markets Net Total Return (USD) Index Futures 18. MSCI Hong Kong Net Total Return (USD) Index Futures 19. MSCI India (USD) Index Futures 20. MSCI India Net Total Return (USD) Index Futures 21. MSCI Indonesia (USD) Index Futures 22. MSCI Indonesia Net Total Return (USD) Index Futures 23. MSCI Japan (JPY) Index Futures 24. MSCI Japan Net Total Return (JPY) Index Futures 25. MSCI Japan Net Total Return (USD) Index Futures 26. MSCI Malaysia (USD) Index Futures

¹⁰ including flexible and weekly

¹¹ including flexible and weekly

	<ul style="list-style-type: none"> 27. MSCI Malaysia Net Total Return (USD) Index Futures 28. MSCI New Zealand Net Total Return (USD) Index Futures 29. MSCI Pacific ex Japan Net Total Return (USD) Index Futures 30. MSCI Pacific Net Total Return (USD) Index Futures 31. MSCI Philippines (USD) Index Futures 32. MSCI Philippines Net Total Return (USD) Index Futures 33. MSCI Singapore Free (SGD) Index Futures 34. MSCI Singapore Free Net Total Return (USD) Index Futures 35. MSCI Singapore Net Total Return (USD) Index Futures 36. MSCI Taiwan (USD) Index Futures 37. MSCI Taiwan (USD) Index Options 38. MSCI Taiwan Net Total Return (USD) Index Futures 39. MSCI Taiwan 25/50 (USD) Index Futures 40. MSCI Taiwan 25/50 Net Total Return (USD) Index Futures 41. MSCI Thailand (USD) Index Futures 42. MSCI Thailand Net Total Return (USD) Index Futures 43. MSCI Vietnam (USD) Index Futures 44. MSCI Vietnam Net Total Return (USD) Index Futures
<u>B) Single Stock</u> 27. Stock Futures 28. Stock Options	<u>B) Single Stock</u> nil
<u>C) Interest Rate</u> 29. 1-Month HIBOR Futures 30. 3-Month HIBOR Futures	<u>C) Interest Rate</u> nil
<u>D) Foreign Exchange</u> nil	<u>D) Foreign Exchange</u> <ul style="list-style-type: none"> 45. INR Currency Futures - INR/CNH Futures 46. INR Currency Futures - INR/USD Futures 47. RMB Currency Futures - AUD/CNH Futures 48. RMB Currency Futures - CNH/USD Futures 49. RMB Currency Futures - EUR/CNH Futures 50. RMB Currency Futures - JPY/CNH Futures 51. RMB Currency Futures - Mini USD/CNH Futures 52. RMB Currency Futures - USD/CNH Futures 53. RMB Currency Options - USD/CNH Options
<u>E) Commodity</u> nil	<u>E) Commodity</u> <ul style="list-style-type: none"> 54. CNH Gold Futures 55. CNH London Aluminium Mini Futures

	<ul style="list-style-type: none"> 56. CNH London Copper Mini Futures 57. CNH London Lead Mini Futures 58. CNH London Nickel Mini Futures 59. CNH London Tin Mini Futures 60. CNH London Zinc Mini Futures 61. CNH Silver Futures 62. Iron Ore Futures¹² 63. USD Gold Futures 64. USD London Aluminium Mini Futures 65. USD London Copper Mini Futures 66. USD London Lead Mini Futures 67. USD London Nickel Mini Futures 68. USD London Tin Mini Futures 69. USD London Zinc Mini Futures 70. USD Silver Futures
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Note: Sort in alphabetical order for each product group

¹² including monthly and quarterly contracts

Hong Kong Exchanges and Clearing Limited

8/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

hkexgroup.com | hkex.com.hk

info@hkex.com.hk
T +852 2522 1122
F +852 2295 3106