

# Markets

## Supervision of HKEX

### Holiday trading on derivatives market

Holiday trading on the derivatives market commenced in May. On the first two holiday trading days<sup>1</sup>, nine types of MSCI contracts were traded including the MSCI China A 50 Connect Index futures contract and the market operated smoothly.

### New risk models of cash market

Following our approval, Hong Kong Exchanges and Clearing Limited (HKEX) implemented new risk models for the cash market in June. The new risk models strengthen the resilience of the clearing house by sizing the initial margin and default fund requirements for HKEX clearing participants more precisely based on a wide range of stress scenarios and ensure better alignment with international standards.

### Position limit regime

In April, we launched a two-month consultation on proposed changes to the position limit regime for listed futures and options contracts. A key proposal is to set out how the statutory prescribed limits and reporting requirements should be applied to unit trusts and sub-funds under an umbrella fund. Other proposed changes include reportable positions in contracts traded on holiday trading days and the inclusion of a broader range of contracts which may be authorised by the SFC for excess positions.

## OTC derivatives

In April, we concluded a joint consultation with the Hong Kong Monetary Authority (HKMA) on the addition of eight new calculation periods under the Clearing Rules for the over-the-counter (OTC) derivatives regulatory regime. Subject to the legislative process, the new calculation periods would come into effect on 1 March 2023. For the enhancements to the OTC derivatives reporting templates which will take effect in December 2022, we worked with the HKMA to update the supplementary reporting instructions and publish the data fields in the Government Gazette in June.

## Investor identification

We have been preparing for the late 2022 launch of the investor identification regime at the trading level for the securities market in Hong Kong. Frequently asked questions were published on the websites of the SFC and HKEX to provide further guidance. A test<sup>2</sup> has been arranged for intermediaries to assess system readiness for implementation. In addition, we have been promoting investors' awareness and understanding of the regime through the Investor and Financial Education Council on social media and through other channels.

## Automated trading services

As of 30 June, the number of automated trading services (ATS) providers<sup>3</sup> authorised under Part III of the Securities and Futures Ordinance (SFO) was 50, whilst 26 corporations, including 13 dark pool operators, were licensed under Part V of the SFO to provide ATS.

## ATS providers

	As at 30.6.2022	As at 31.3.2022	Change (%)	As at 30.6.2021	YoY change (%)
Under Part III	50	53	-5.7	51	-2
Under Part V	26	25	4	24	8.3

<sup>1</sup> 9 May and 3 June.

<sup>2</sup> The test assessed intermediaries' ability to connect to HKEX's systems for conducting activities under the new regime.

<sup>3</sup> Under the SFO, two regimes regulate ATS providers. Typically, those that offer facilities similar to those of a traditional exchange or a clearing house are authorised under Part III of the SFO. Intermediaries which provide dealing services with ATS as an added facility are licensed under Part V of the SFO.