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Research Paper No. 50: A review of the global and local securities markets in 2011

19 January 2012

Executive summary

1. In 2011, major markets around the globe were confronted by a number of uncertainties.

2. The US credit rating was downgraded from AAA to AA+ with a negative outlook, and there were concerns about US banks given their exposures to European debt. Later, given a positive economic outlook and optimism about an accommodative monetary policy, the US markets generally outperformed. Other major markets however retreated as risks brought about by the European sovereign debt problems grew. Uncertainties about the global economic outlook paced losses. In Asia, the Japanese market was hit by the massive earthquake and subsequent tsunami and nuclear crisis. In the Mainland, market sentiment was clouded by uncertainties about monetary policies and measures to curb property price increase. The Hong Kong market underperformed, dragged down by financial stocks.

3. The US markets outperformed most major markets on news of higher forecasted economic growth for next year and an accommodative monetary policy – according to an International Monetary Fund (IMF) forecast, the growth of the United States (US) gross domestic product (GDP) is expected to accelerate from 1.5% in 2011 to 1.8% in 2012, despite possible slowdown in the growth of most other major economies. Meanwhile, the Federal Reserve signalled its intention to keep interest rates low until at least mid-2013. These positive factors outweighed concerns about the US and European debt problems. In August, Standard & Poor’s (S&P’s) downgraded the US credit rating. Worries about contagion from the European sovereign debt problem grew. In late November, the markets rose sharply as major central banks took co-ordinated action to lower interest rates for borrowing US dollars through swaps. By the end of 2011, the Dow had risen 5.5%, Nasdaq had dropped 1.8% and S&P had ended flat from their end-2010 levels.

4. In Europe, concerns grew of a possible debt restructuring in Greece and a spread of the European debt problems to bigger nations including Italy, Spain and France. Bond yields in Italy and Spain rose. There were worries also that France might lose its top sovereign rating. Disagreement among European leaders on how to alleviate the debt problem paced losses. By the end of 2011, the FTSE, DAX and CAC had fallen 5.6%, 14.7% and 17.0% respectively, while the PIIGS markets (namely, Portugal, Ireland, Italy, Greece and Spain) had plunged 13.1% to 51.9% (except Ireland, which rose 0.6%).

5. During 2011, the Japanese market retreated amid concerns about its economic performance. In March 2011, Japan was hit by a massive 9.0-magnitude earthquake. The subsequent tsunami and radiation leakage shook not only the Japanese economy but also stock markets around the world. In August 2011, Moody's downgraded Japan's sovereign rating from Aa2 to Aa3 as sluggish economic growth added to concerns about fiscal deficits. By the end of 2011, the Nikkei was 17.3% lower than its end-2010 level.

6. Asian markets generally declined, in the midst of the European sovereign debt problems that might affect regional economies. Some Asian countries rely on exports to Europe and trade financing from European banks. Compared to their end-2010 levels, the performance of benchmark indices in Asia ranged from a loss of 27.5% in Vietnam to a gain of 4.1% in the Philippines.

7. The Mainland market dropped amid concerns about high inflation as well as tightening credit and monetary policies. There were worries about local government debt problems and the tightening of liquidity conditions. Authorities also introduced measures to curb property prices. Worries grew about the risk of a hard landing. Effective 5 December

2011, the People's Bank of China (PBoC) lowered the reserve requirement ratio by 50 basis points (bps), the first time in three years. In late December 2011, the Shanghai Composite Index fell to below 2,200 points (a 33-month low) as trade and economic growth slowed down. By the end of 2011, the Shanghai Composite Index had dropped 21.7% from its end-2010 level.

8. In Hong Kong, market sentiment was clouded by the European sovereign debt problem, the downgrading of the US credit rating and the macro tightening measures in the Mainland. By the end of 2011, the Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI) had dropped 20.0% and 21.7% respectively from their end-2010 levels.

9. The Hong Kong stock market underperformed most other major markets, partly due to:
   (a) A high participation of European and US investors (around 70% of trading by overseas investors) in the Hong Kong market. Changes in their sentiment affect the performance of the Hong Kong market.
   (b) A heavy weighting of financial stocks in the HSI (45% for the HSI, which is higher than the 16% for FTSE and the 9% for Dow). As financial stocks were hit most by the debt problems in the US and Europe, the Hong Kong market was affected disproportionately.
   (c) A heavy weighting of Hong Kong in global indices. For example, for MSCI, the weighting was reported to be around 3% to 4%, the second highest in Asia after Japan, compared to around 1% to 2% three years ago. The higher weightings resulted in larger movements of capital flows.

10. Trading in exchange-traded derivatives grew in 2011, while trading in the cash market was moderate. In 2011, the average daily trading in the cash market rose 1% while that in futures and options increased 20% and 25% respectively from 2010.

11. Looking forward, major markets will continue to face significant headwind. The US and European debt problems appear to have become increasingly complicated and may last for some time. Further downgrading of credit ratings of sovereigns and financial institutions will dampen markets worldwide. Political elections in various countries may affect the economy and the pace of reforms. Uncertainties about economic outlook will affect market sentiment. In the Mainland, uncertainties about inflation and economic outlook as well as monetary policies will continue to weigh on sentiment. All these factors will have implications for the Hong Kong market.

Performance of worldwide stock markets in 2011

12. In 2011, major markets around the globe were confronted by a number of uncertainties. The US credit rating was downgraded, and there were concerns about US banks given their exposures to European debt, affecting market sentiment. Later, the US markets generally outperformed given a positive economic outlook and optimism about an accommodative monetary policy. Other major markets however, generally retreated as the risks brought about by the European sovereign debt problems grew. Uncertainties about the global economic outlook paced losses. In Asia, the Japanese market was hit by a massive earthquake in March which was followed by a tsunami and radiation leakage at one of its nuclear plants. In the Mainland, market sentiment was clouded by uncertainties about monetary policies and measures to curb increases in property prices. Most markets

bottomed in October. The Hong Kong market generally underperformed, dragged down by financial stocks.

Performance of major stock markets

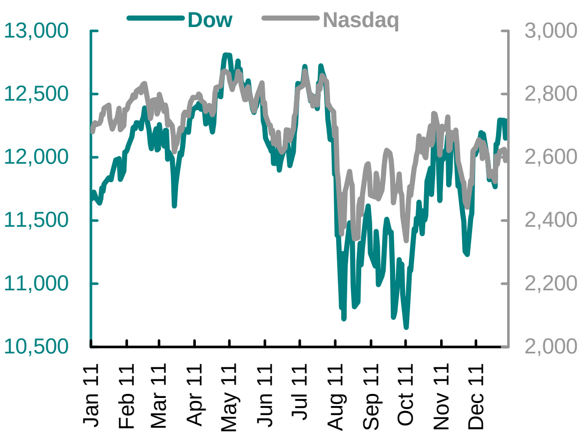
		End 2011	% change		PE Ratios
		Index Level	In 2011	In 2010	End 2011
Hong Kong and Mainland					
HK	-HSI	18,434.39	-20.0%	5.3%	8.34
	-HSCEI	9,936.48	-21.7%	-0.8%	8.25
China	-Shanghai Comp	2,199.42	-21.7%	-14.3%	11.53
	-Shenzhen Comp	866.65	-32.9%	7.5%	21.44
Asia					
Japan	-Nikkei 225	8,455.35	-17.3%	-3.0%	16.59
Australia	-AOI	4,111.00	-15.2%	-0.7%	13.97
Taiwan	-TWSE	7,072.08	-21.2%	9.6%	15.98
Korea	-KOSPI	1,825.74	-11.0%	21.9%	26.31
Singapore	-STI	2,646.35	-17.0%	10.1%	6.46
Thailand	-SET	1,025.32	-0.7%	40.6%	6.46
Malaysia	-KLCI	1,530.73	0.8%	19.3%	6.46
Indonesia	-JCI	3,821.99	3.2%	46.1%	16.69
Philippines	-PCOMP	4,371.96	4.1%	37.6%	15.60
Vietnam	-VN	351.55	-27.5%	-2.0%	7.19
US					
US	-Dow	12,217.56	5.5%	11.0%	12.62
	-Nasdaq	2,605.15	-1.8%	16.9%	22.32
	-S&P	1,257.60	0.0%	12.8%	13.24
Europe					
UK	-FTSE100	5,572.28	-5.6%	9.0%	9.96
Germany	-DAX	5,898.35	-14.7%	16.1%	9.91
France	-CAC	3,159.81	-17.0%	-3.3%	9.25
PIIGS and Hungary					
Portugal	-PSI20	5,494.27	-27.6%	-10.3%	10.31
Italy	-FTSEMIB	15,089.74	-25.2%	-13.2%	16.31
Ireland	-ISEQ	2,901.82	0.6%	-3.0%	N/A
Greece	-ASE	680.42	-51.9%	-35.6%	N/A
Spain	-IBEX	8,566.30	-13.1%	-17.4%	9.03
Hungary	-BUX	16,974.24	-20.4%	0.5%	7.93
Middle East and North Africa					
Egypt	-EGX30	3,622.35	-49.3%	15.0%	12.72
Dubai	-DFMGI	1,353.39	-17.0%	6.8%	44.74
Other BRIC					
Brazil	-IBOV	56,754.08	-18.1%	1.0%	9.20
Russia	-MICEX	1,402.23	-16.9%	23.2%	5.07
India	-Nifty	4,624.30	-24.6%	17.9%	13.59
Regional					
MSCI Asia Pacific Ex Japan		392.78	-18.0%	15.0%	10.88
MSCI BRIC		451.43	-19.5%	5.0%	N/A
MSCI Emerging Europe		4,314.64	-18.6%	16.3%	N/A
MSCI Latin America		3,602.28	-21.9%	12.1%	11.14

Source: Bloomberg

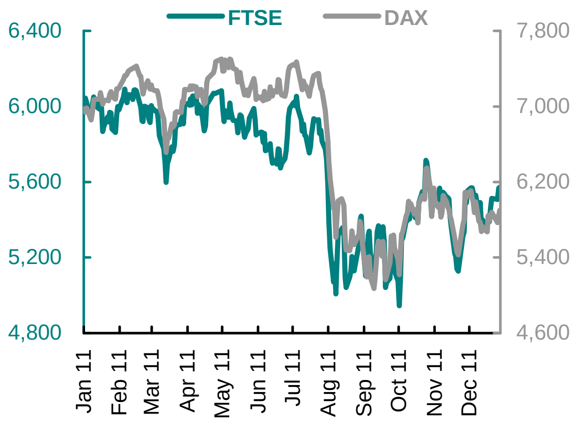
The **US**

13. In early 2011, the US markets extended gains on an optimistic outlook for global economies. President Obama's proposals for a corporate tax cut and the Federal Reserve's assurance of a loose monetary policy lent support. Political unrest in the Middle East and North Africa (MENA) and the natural disaster in Japan dragged down the US markets but the losses were quickly recouped on upbeat corporate earnings and economic data. The Dow and Nasdaq once rose to their three-year and 10-year highs respectively.

14. However, the markets dropped amid growing concerns about the US and European debt problems. In August, while the US Congress raised the statutory debt limit, S&P's downgraded the US credit rating from AAA to AA+ with a negative outlook, citing concerns about large budget deficits and rising debt burdens. Worries about contagion from the European sovereign debt problem also weighed on market sentiment. The credit ratings of some US banks also were downgraded, given concerns about their exposures to European debt. In October 2011 however, the markets rebounded on news of a positive economic outlook and loose monetary policy – according to an IMF forecast, the US GDP growth was expected to accelerate from 1.5% in 2011 to 1.8% in 2012, despite possible slowdown in growth in most other major economies. Meanwhile, Federal Reserve officials reiterated the intention to keep interest rates low until at least mid-2013. In late November, the markets rose sharply after major central banks took co-ordinated action to lower interest rates for borrowing US dollars through swaps. Improvement in employment data also paced gains. By the end of 2011, the Dow had risen 5.5%, Nasdaq had dropped 1.8% and S&P had ended flat from the end-2010 levels.



Performance of Dow and Nasdaq



Performance of FTSE and DAX

Source: Bloomberg

Europe

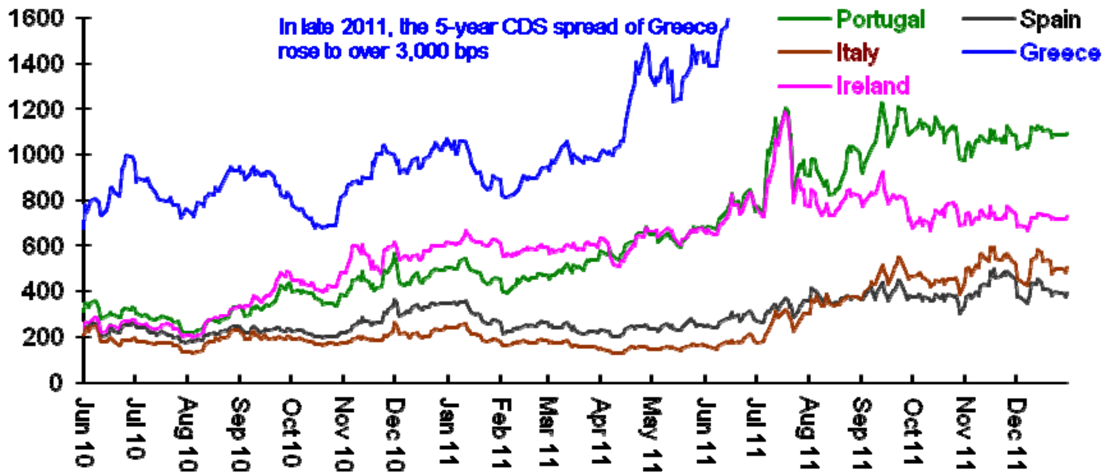
15. In early 2011, markets rose on signs of improvement in the global economic outlook. Concerns about the Eurozone debt problem eased after an increase in the size of the Eurozone rescue fund.

16. Yet, gains were trimmed later. In April, the European Central Bank raised the benchmark interest rate by 25 bps to combat inflation, causing worries of the possible start of a rate hike cycle. Although European leaders agreed to a second bailout of Greece and a leveraging of the bailout fund, investors remained doubtful about the effectiveness of the

European rescue facilities. Concerns also grew of a possible debt restructuring in Greece and a spread of the Eurozone debt problems to bigger nations including Italy, Spain and France. Greece was downgraded by Moody's to Ca and by S&P's to CC in July. Italy's credit rating was also downgraded to A by S&P's in September and to A2 by Moody's in October. In October, Spain's credit rating was also downgraded by S&P's to AA- and by Moody's to A1.

17. In late 2011, investors were worried that France might lose its top sovereign rating. Also, 10-year bond yields in Italy and Spain rose above 7%, the level at which Ireland and Portugal had to seek bailouts previously. The higher borrowing costs added to uncertainties about the sustainability of their public finances. Moreover, there were worries that the austerity measures in Italy and Spain might have a negative impact on economic growth in the Eurozone. Disagreement among European leaders on how to alleviate the debt problems paced losses, and increased worries of the possible breakup of the Eurozone. There was also concern about the financial strength of European banks, given their huge exposures to debt in the Eurozone. In addition, political uncertainties weighed on the market as Greece and Italy changed their prime ministers. In December, S&P's warned of a possible cut in the credit ratings of 15 Eurozone countries and some major European financial institutions. The European Central Bank's highly anticipated 25 bps cut in interest rate in early December gave limited support to the markets. The European Central Bank subsequently launched the Long Term Refinancing Operation to ease banks' liquidity drains.

18. By the end of 2011, the FTSE, DAX and CAC had fallen 5.6%, 14.7% and 17.0% respectively, while the PIIGS markets had plunged 13.1% to 51.9% (except Ireland, which rose 0.6%).



Five-year credit default swap (CDS) spreads (basis points)

Source: Bloomberg

Asia

19. During 2011, the Japanese market retreated amid concerns about its economic performance. In March 2011, Japan was hit by a massive 9.0-magnitude earthquake. The subsequent tsunami and radiation leakage shook not only Japan's economy but also stock markets around the world. In August 2011, Moody's downgraded Japan's sovereign rating

from Aa2 to Aa3 as sluggish economic growth added to concerns about fiscal deficits. The persistent strength of the Yen also added pressure to the market. By the end of 2011, the Nikkei was 17.3% lower than its end-2010 level.

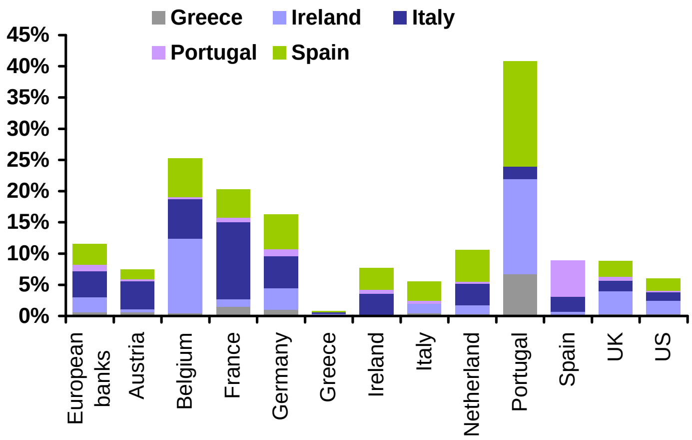
20. Concerns remained that the European sovereign debt problems might affect regional economies, since some Asian countries rely on exports to Europe and trade financing from European banks. Compared to their end-2010 levels, the performance of benchmark indices in Asia ranged from a loss of 27.5% in Vietnam to a gain of 4.1% in the Philippines.

The European Sovereign Debt Problem

21. In 2011, risks brought about by the European debt problem to the global market grew. While market attention previously focused on smaller nations, primarily Greece, there were growing concerns of contagion to bigger nations such as Italy, Spain and France. The problem also became more complicated given political uncertainties in some European countries.

22. Greece has been the main concern in past years. Claims of European banks on Greece amounted to 0.6% of their total foreign claims. However, European banks' claims on the PIIGS countries collectively amounted to 11.6% of their total foreign claims.

23. In addition, the interdependence among certain countries in the Eurozone can be significant. For instance, the exposure of Portuguese banks to the debts of Greece, Ireland and Spain accounted for almost 40% of its total foreign claims.



Banks' exposure to PIIGS (Preliminary figures) (% of total foreign claims) (June 2011)

Source: BIS Consolidated Bank Statistics

24. Looking forward, investors will need to keep an eye on how the sovereign debt problems may impact the balance sheets or earnings of European financial institutions, and the potential spillover effect on US banks. Any further downgrading of sovereigns and institutions by credit rating agencies may affect credit market conditions and add to market volatility. Market performance and reaction will very much depend on political proposals to address market concerns. Developments in the debt crisis will also affect the global economic outlook.

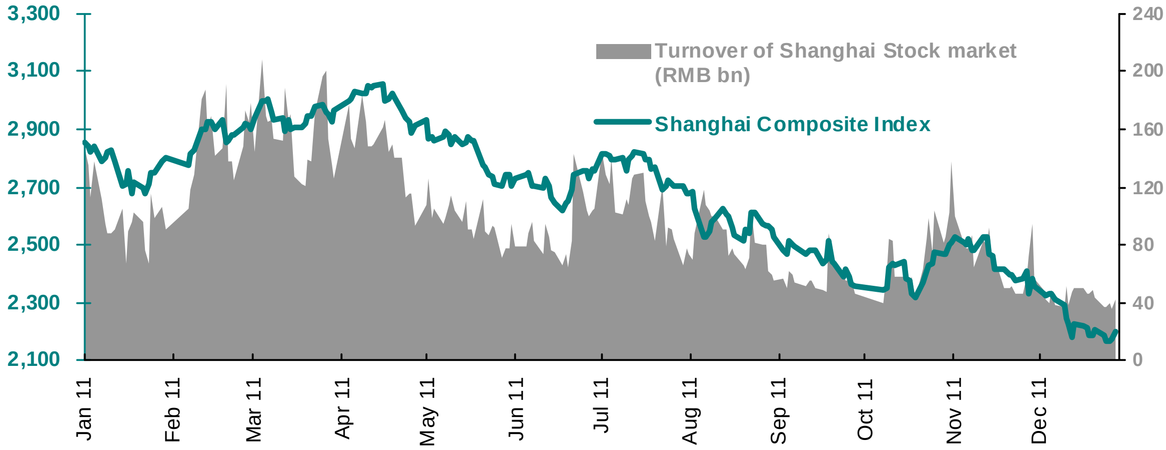
25. As for European financial institutions' operations in Hong Kong in 2011, the combined market share of major French and German financial institutions was about 11.6% in the cash market. In Hong Kong's derivatives market, major European financial institutions accounted for 7.6% of the trading in HSI futures and 10.7% of the trading in HSCEI futures.

The Mainland

26. The Mainland market rose in early 2011 on strong economic data and upbeat corporate earnings. However, most gains were erased later amid concerns of high inflation as well as tightening credit and monetary policies. The central bank raised the base interest rate

three times to 3.5% during 2011. There were also worries about local government debt problems and the tightening of liquidity conditions. Authorities introduced measures to curb property prices such as property tax in some cities and bans on buying second homes.

27. GDP growth eased somewhat to 9.1% in Q3 2011 from 9.7% in Q1 and 9.5% in Q2, raising worries about the risk of a hard landing. Effective 5 December 2011, the PBoC lowered the reserve requirement ratio by 50 bps, the first time in three years. While consumer price inflation eased, there were uncertainties about a possible slowdown in economic growth given a slowdown in the growth of industrial production and exports. In late December, the Shanghai Composite Index fell to below 2,200 points, a 33-month low, and by the end of 2011, the Shanghai Composite Index had dropped 21.7% from its end-2010 level.



Shanghai Composite Index

Source: Bloomberg

Hong Kong

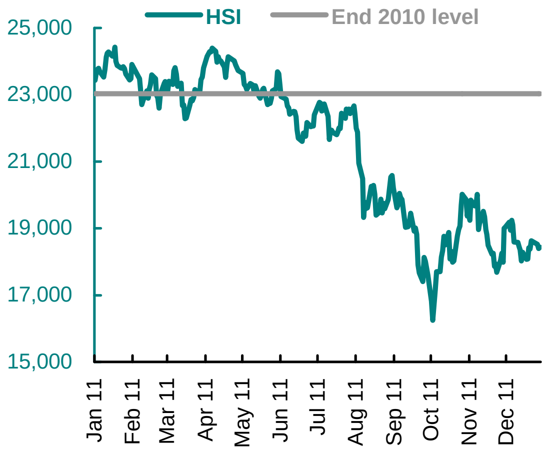
28. The Hong Kong market rose briefly in early 2011 but retreated in the aftermath of the natural disasters and nuclear crisis in Japan. Volatile oil prices amid the political unrest in the MENA region also hit the market. Later, market sentiment was clouded by the deterioration of the European sovereign debt problems and the downgrading of the US credit rating. Investors were worried about the effectiveness of the measures to solve the European debt problem and the gloomy economic outlook. Investors were also concerned about further macro tightening measures in the Mainland.

29. The HSI and HSCEI bottomed to around 16,000 and 8,100 in early October. By the end of 2011, the HSI and the HSCEI had dropped 20.0% and 21.7% respectively from their end-2010 levels. The Hong Kong stock market underperformed most other major markets. This was partly due to the following:

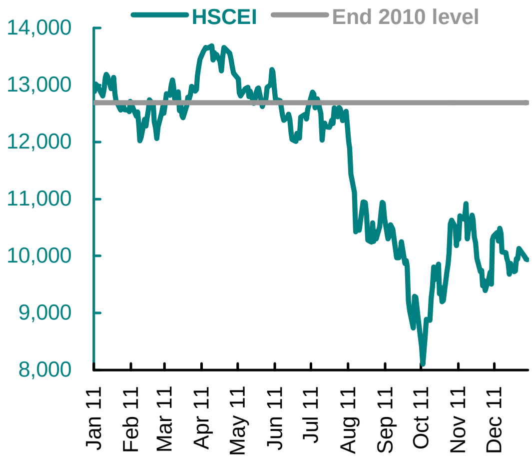
    (a) A high participation of European and US investors in the Hong Kong market – among overseas investors, European and US investors are the largest group, accounting for around 70% of trading by overseas investors in Hong Kong. The performance of the Hong Kong market is therefore susceptible to changes in their sentiment.

    (b) Heavy weighting of financial stocks in the HSI – the weighting of financial stocks in the HSI was around 45%, which was much higher than that of other benchmark indices such as the FTSE (16%) and Dow (9%). As financial stocks were hit the most by the debt problems in the US and Europe, the Hong Kong market was affected disproportionately.

(c) Heavy weightings of Hong Kong in global indices – the current weightings of Hong Kong in global indices such as the MSCI and FTSE were high. For MSCI, the current weighting was reported to be around 3% to 4%, the second highest in Asia after Japan. These were higher than the around 1% to 2% of three years ago. Capital flows are triggered as fund managers adjust their portfolios for funds tracking benchmark indices. The higher weightings resulted in larger movements of capital flows.



Performance of the HSI



Performance of the HSCEI

Source: Bloomberg

Risks and uncertainties facing financial markets and economic outlook

30. Major markets will continue to face significant headwind:

(a) The US and European debt problems have become increasingly complicated and may last for some time. The problems are clouded by political uncertainties and economic fragility. Despite concerted efforts to address the problem, the scale and effectiveness of the initiatives remain uncertain. Investors also are worried that new governments may lack the determination to address structural issues. Further downgrading of credit ratings of sovereigns and financial institutions will dampen markets worldwide. Political elections in various countries may affect the economy and the pace of reforms. Uncertainties about economic outlook will affect market sentiment.

(b) In the Mainland, worries about the inflation outlook and uncertainties about monetary policies will continue to weigh on sentiment. Investors also are concerned that the slowdown in GDP growth may indicate the end of the Mainland's boom cycle. As the risks of a hard-landing of the Mainland economy grow, Hong Kong's economic and market outlook also may be adversely affected.

(c) The Asian markets likely will be affected by volatile capital flows. The debt problems in the US and Eurozone may weigh on market sentiment. In addition, export-oriented economies in Asia may be affected by the slowdown in economic growth and decreasing demand from the US and Europe.

(d) As an open economy, Hong Kong has a high participation of international investors. The economic outlook in the US and development in the European sovereign debt problem likely will have implications on the Hong Kong market. Also, developments in the Mainland's economy may have an impact on the movements of funds in or out of the Hong Kong market.

Trading activity in the local stock market

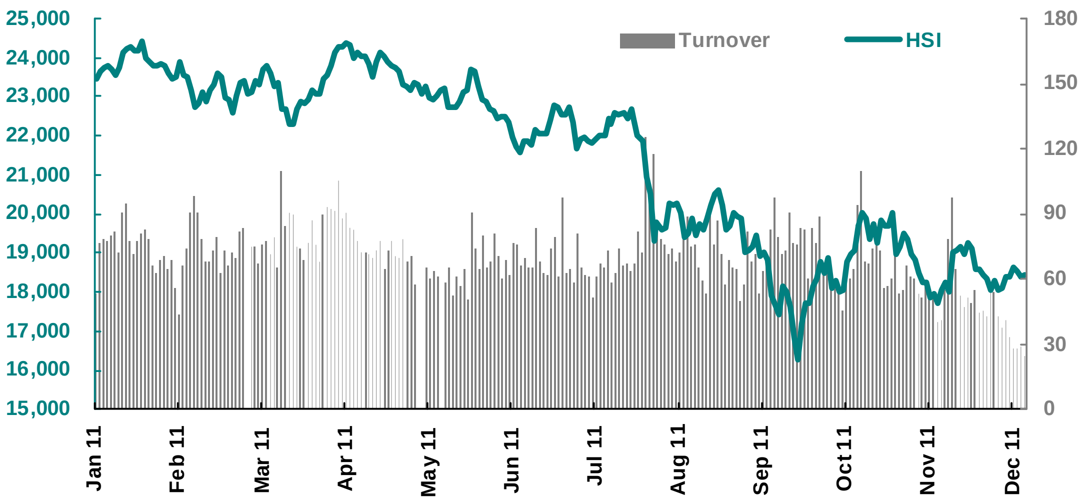
31. Trading activity in the local stock market was moderate in 2011. The average daily turnover amounted to $69.7 billion[1], 1% higher than that in 2010. Clouded by uncertainties about the European debt problem, trading became less active in late 2011.

32. Mainland stocks remained the most actively traded stocks, although its share of total market turnover decreased to 37% from 39% in 2010. Trading in HSI stocks (excluding H-shares and red chips) was about 14%, while derivative warrants (DWs) and callable bull/bear contracts (CBBCs) together accounted for 26% of the trading (24% in 2010).

Average daily turnover ($ bn)

	2011	2010	2009	% change over	
				2010	2009
HSI (ex H shares & red chips)	9.6 (14%)	8.4 (12%)	7.9 (13%)	14%	22%
Mainland Stocks	25.9 (37%)	26.7 (39%)	28.5 (46%)	-3%	-9%
H-shares	*19.0 (27%)*	*18.9 (27%)*	*20.8 (33%)*	*0%*	*-9%*
Red chips	*6.9 (10%)*	*7.8 (11%)*	*7.8 (12%)*	*-11%*	*-11%*
Derivative Warrants	10.7 (15%)	10.8 (16%)	6.6 (11%)	-1%	61%
CBBCs	7.5 (11%)	5.8 (8%)	6.7 (11%)	29%	12%
Others	16.0 (23%)	17.3 (25%)	12.5 (20%)	-8%	28%
Market Total	**69.7(100%)**	**69.1(100%)**	**62.3(100%)**	**1%**	**12%**

Sources: HKEx and SFC Research



HSI performance and market turnover ($ bn)

Source: Bloomberg

Short-selling activity

33. Compared to 2010, short selling was higher in both absolute terms and relative to total market turnover. In 2011, the average daily short selling was $5,428 million, or 7.8% of total market turnover, compared with $4,302 million, or 6.2%, in 2010.

[1] Unless otherwise specified, the currency referred to in this report is the Hong Kong dollar.

Initial public offerings (IPOs)

34. Hong Kong remains the leading IPO centre in the world, although IPO activities were less active than in 2010. A total of 80 equity IPOs were launched last year, raising a total of $249 billion, compared to 94 IPOs (raising $449 billion) launched in 2010.

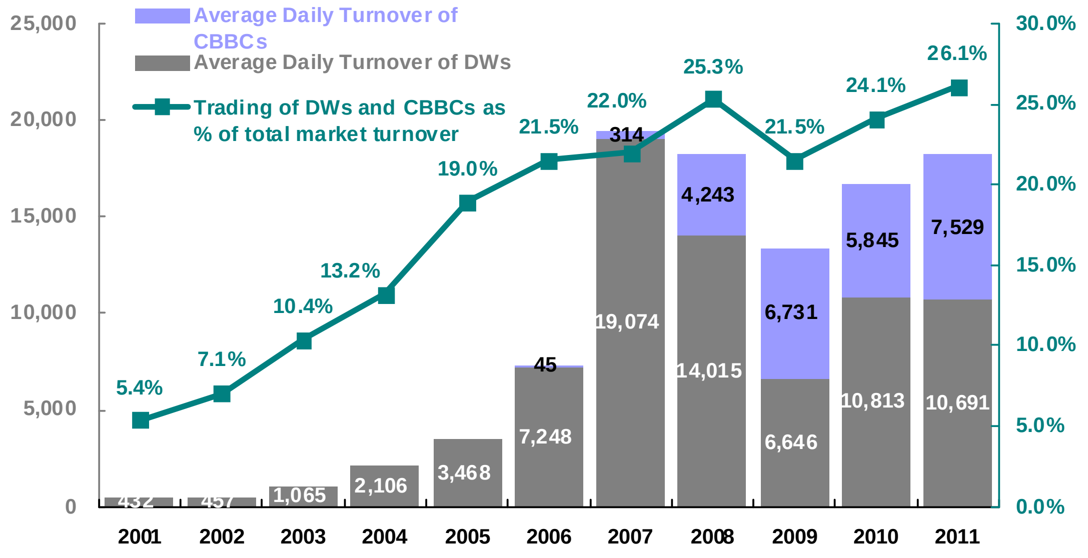
Exchange-traded funds (ETFs)

35. The average daily turnover of ETFs shrank slightly to $2.2 billion in 2011, compared with $2.4 billion in 2010. ETFs accounted for 3.2% of total market turnover (3.5% in 2010).

Derivative warrants (DWs) and callable bull/bear contracts (CBBCs)

36. In 2011, trading in DWs increased in absolute terms, but fell as a percentage of total market turnover. Trading in DWs rose to $11 billion (15.3% of total market turnover), compared to $10.8 billion (15.6%) in 2010.

37. Trading in CBBCs increased in both absolute terms and as a percentage of total market turnover, rising to $7.5 billion (10.8% of total market turnover) from $5.8 billion (8.5%) in 2010.



Turnover of DWs and CBBCs (HK$ mn)

Source: SFC research

Exchange-traded derivatives

38. Trading in exchange-traded derivatives increased in 2011, a gain of 23% from 2010. Trading in futures products rose by 20% in 2011. Among futures products, HSI futures remained the most actively-traded contract, accounting for nearly half of all futures trading. Compared to 2010, its average daily trading volume increased by 11%. The second most actively-traded futures were HSCEI futures, accounting for almost one-third of all futures trading. As at the end of 2011, open interests of HSI and HSCEI futures were 86,409 and 106,277 contracts respectively, compared to 88,816 and 94,734 contracts as at end-2010.

39. Trading in options rose by 25% in 2011. Stock options remained the most actively-traded options product and trading volume rose 23% compared to 2010.

Average daily trading volume of derivatives by product type (contracts)

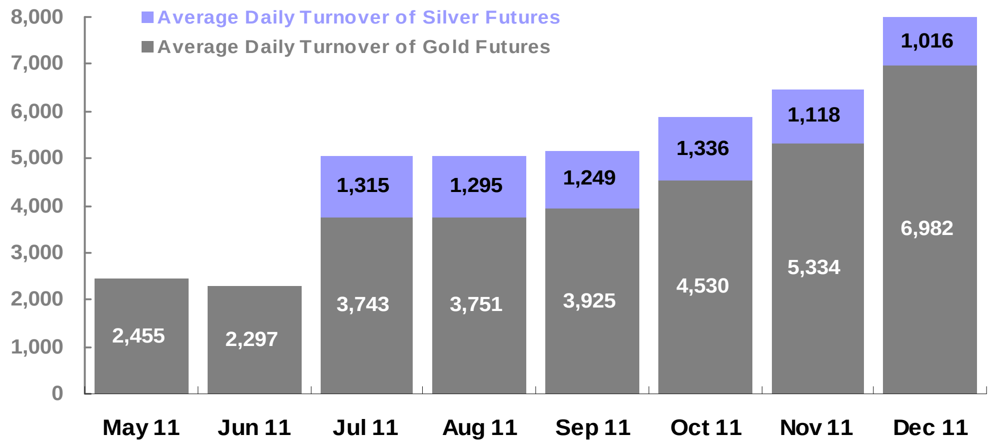
		2011	2010	2009
Futures	HSI Futures	94,036	84,462	89,368
	Mini-HSI Futures	41,933	33,336	32,761
	HSCEI Futures	61,116	49,919	59,428
	Mini-HSCEI Futures	7,516	3,985	1,726
	Stock Futures	1,809	961	1,058
	3-Month HIBOR Futures	2	4	98
	Gold Futures	15	23	62
	Other futures products*	263	27	4
	Total Futures	**206,688**	**172,717**	**184,505**
Options	HSI Options	43,452	34,197	15,723
	Mini-HSI Options	3,888	1,939	646
	HSCEI Options	15,364	11,690	6,642
	Stock Options	302,750	245,485	225,074
	Other options products**	133	55	2
	Total Options	**365,586**	**293,365**	**248,087**
Total Futures and Options		**572,275**	**466,082**	**398,134**

Remarks:
The average daily trading volume was based on the number of trading days after the product was launched.
* One-Month HIBOR Futures, Three-year Exchange Fund Note Futures, Hang Seng China H-Financials Index Futures, FTSE/Xinhua China 25 Index Futures, HSI Dividend Point Index Futures (launched on 1 November 2010) and HSCEI Dividend Point Index Futures (launched on 1 November 2010)
** FTSE/Xinhua China 25 Index Options, Flexible Hang Seng Index Options and Flexible H-shares Index Options

Sources: HKEx and SFC Research

Trading of gold and silver futures on the HKMEx

40. On 18 May 2011, Hong Kong Mercantile Exchange Ltd (HKMEx)[2] commenced operation, with the trading of US dollar-denominated gold futures contracts. During 18 May and 30 December 2011, the average daily turnover of gold futures on HKMEx was 4,229 contracts. Launched on 22 July 2011, the average daily turnover of US dollar-denominated silver futures on HKMEx was 1,228 contracts during 22 July and 30 December 2011.



Average daily turnover of gold and silver futures on the HKMEx (number of contracts)

Remark: Gold futures and silver futures on the HKMEx commenced trading on 18 May and 22 July 2011 respectively.
Source: SFC Research

[2] In April 2011, HKMEx was authorized under section 95 of the Securities and Futures Ordinance to provide automated trading services, and operates a futures market pursuant to such authorization.