

Profile of the Index Futures Market in Hong Kong

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Summary

- *The Hong Kong derivatives market² is very concentrated on index futures. Index futures accounted for 56% of the total derivatives turnover volume in 2003, the highest in Asia.*
- *Hang Seng Index Futures (HSIF) have a good mix of institutional trading and retail trading. Both large and small transactions made important contributions to the increase in turnover volume in 2003. Spikes in turnover volume are observed prior to the settlement of spot month contracts. These appear to be associated with rollover activities of institutional traders. As liquidity concentrates in spot month contracts, investors prefer to trade them and rollover to the next month contracts prior to settlement. Because of the substantial share of institutional trading, futures brokers affiliated to Category A SEHK participants handled the largest share of the transactions.*
- *Mini-HSIF are a replication of HSIF but of smaller denomination and is designed for retail investors. It is dominated by retail trading. Large transactions are rare. Because institutional trading only accounts for a very small share, rollover activities are not apparent. Spikes in turnover volume are not observed prior to the settlement of spot month contracts. Finally, because of the high proportion of retail trading, futures brokers affiliated to Category C SEHK participants handled the largest share of the transactions.*

The Derivatives Market of Hong Kong

1. The Hong Kong Futures Exchange (HKFE) launched its first financial futures contract, the HSIF contract, in May 1986. Spectacular growth was recorded during 1986 and 1987. The market then underwent a period of consolidation after the market crash in October 1987. Turnover volume of HSIF shrank from 3,611,329 contracts in 1987 to 140,155 contracts in 1988. The derivatives market gradually recovered after that and experienced solid growth in both trading volume and product diversity. In 2003, total turnover volume of all derivative products traded on Hong Kong Exchanges and Clearing Limited

¹ This paper is for pure fact-finding and research purpose, and is not an attempt to comment on the developments of any markets/companies or interpret the policies concerned. The views expressed in this paper do not represent those of the SFC. We are grateful to Lucia Kwong who assisted in preparing the earlier draft of this paper.

² The derivatives market in this paper refers to futures and options products, but does not include derivative warrants.

(HKEx) amounted to 14.5 mn contracts. By turnover volume, this was the 8th largest in Asia on a jurisdiction basis. Tables B22 and B23 of the statistics section of the SFC Quarterly Bulletin show the turnover and open interest of various major derivative products between 1996 and 2003.

Product variety

2. Of the 13 types of derivative products being offered in Asia as listed in Table 1, HKEx has six:

- index futures;
- stock futures;
- interest rate futures;
- bond futures;
- index options; and
- stock options.

At present, Hong Kong does not have any derivative products on currencies and commodities as well as second order derivative products such as options on various types of futures products.

Table 1 – Derivatives Traded on Major Asian Markets by Product Type (as of end July 2004)										
	Australia	Mainland China	Hong Kong	India	Japan	Korea	Malaysia	Singapore	Taiwan	No. of markets offering the product type
Index										
Futures	✓	×	✓	✓	✓	✓	✓	✓	✓	8
Options	✓	×	✓	✓	✓	✓	✓	✓	✓	8
Options on futures	✓	×	×	×	✓	×	×	✓	×	3
Stock										
Futures	✓	×	✓	✓	×	×	×	✓	×	4
Options	✓	×	✓	✓	✓	✓	×	×	✓	6
Currency										
Futures	✓	×	×	×	✓	✓	×	×	×	3
Options	×	×	×	×	×	✓	×	×	×	1
Interest rate										
Futures	✓	×	✓	×	✓	✓	✓	✓	×	6
Options on futures	✓	×	×	×	✓	×	×	✓	×	3
Bond										
Futures	✓	×	✓	×	✓	✓	✓	✓	✓	7
Options on futures	✓	×	×	×	✓	✓	×	✓	×	4
Commodities										
Futures	✓	✓	×	×	✓	✓	✓	✓	✓	7
Options on futures	✓	×	×	×	×	×	×	×	×	1
No. of product types in each market	12	1	6	4	10	9	5	9	5	13
Remarks: Australia includes Australian Stock Exchange (ASX) and Sydney Futures Exchange (SFE) Mainland China includes Zhengzhou Commodity Exchange, Dalian Commodity Exchange and Shanghai Futures Exchange Hong Kong refers to Hong Kong Exchanges and Clearing Limited (HKEx) India includes National Stock Exchange of India (NSE) and Bombay Stock Exchange (BSE) Japan includes TIFFE, Tokyo Stock Exchange (TSE), Osaka Securities Exchange (OSE) and Tokyo Commodity Exchange Korea includes Korea Stock Exchange (KSE) and Korea Futures Exchange (KOFEX) Malaysia refers to Malaysia Derivatives Exchange Singapore refers to SGX-DT Taiwan refers to Taiwan Futures Exchange (TAIFEX)										
Sources: WFE, CSRC and websites of stock and derivatives or commodity exchanges										

3. The number of product types offered in Hong Kong is within the range of the major markets in Asia.
4. In Hong Kong, index futures accounted for 56% of the total derivatives turnover volume in 2003. They were followed by stock options (29%) and index options (15%). Interest rate futures, stock futures and bond futures contributed insignificant shares to the total (Table 2).

	Turnover Volume (Contracts)	% of Total	% Change from 2002
Total	14,546,213	100%	+31.9%
<i>Index futures</i>	8,105,877	55.7%	+36.9%
<i>Stock options</i>	4,220,638	29.0%	+13.3%
<i>Index options</i>	2,150,923	14.8%	+99.8%
<i>Interest rate futures*</i>	48,109	0.33%	-82.9%
<i>Stock futures</i>	18,654	0.13%	-11.2%
<i>Bond futures</i>	2,012	0.01%	-45.2%

* The size of HIBOR Futures contracts was increased to 5 times the original size on 27 May 2002.
Source: HKEx

5. Hong Kong is very concentrated on index futures by regional standards (Table 3). The share of 56% in the total derivatives turnover volume in 2003 was the highest in Asia. In contrast, although turnover volume of index futures in Korea was the highest in Asia, it contributed only 2.2% to its total derivatives market turnover volume.

	Index Futures		All Derivative Products		% of Index Futures Turnover Volume in Total Derivatives Market Turnover Volume
	Turnover Volume	Ranking in Asia	Turnover Volume	Ranking in Asia	
Australia	4.36	7	61.7	4	7.1%
Mainland China	n.a.	n.a.	279.9	2	n.a.
Hong Kong	8.11	6	14.5	8	55.7%
India	10.56	4	43.1	5	24.5%
Japan	22.73	2	125.8	3	18.1%
Korea	62.93	1	2,912.9	1	2.2%
Malaysia	0.33	8	2.0	9	16.6%
Singapore	13.61	3	35.6	6	38.2%
Taiwan	9.95	5	31.9	7	31.2%

Sources: WFE, websites of various exchanges

The Index Futures Market of Hong Kong

6. As of the end of June 2004, there were four index futures traded on HKEx:
- HSIF;
 - Mini-HSIF;
 - H-shares Index Futures (HHI); and
 - DJIA Index Futures.

Appendix 1 summarizes the development of index futures products in Hong Kong since 1986.

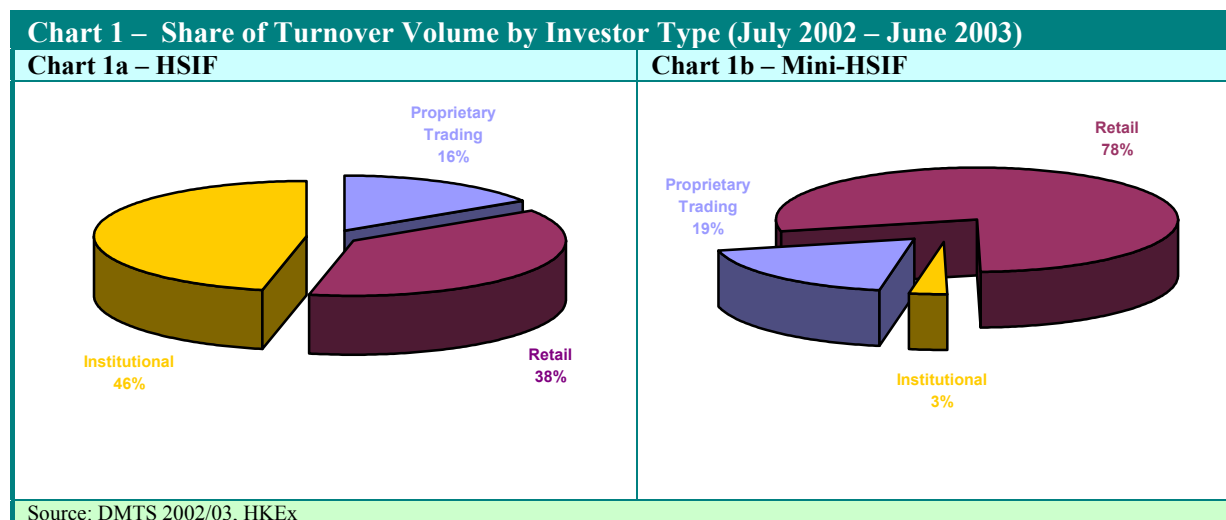
7. Among the four index futures traded in Hong Kong, HSIF and Mini-HSIF were the most actively traded products, accounting for 84% and 15% respectively of the total in 2003. This study concentrates on HSIF and Mini-HSIF.

Trading Patterns and Trading Activities of HSIF and Mini-HSIF

8. Due to the difference in denomination of HSIF and Mini-HSIF (contract size of Mini-HSIF is one-fifth of that of HSIF), the investor base for the two products is very different. HSIF have a good mix of institutional trading and retail trading, whilst Mini-HSIF are dominated by retail trading. Because of this fundamental difference, the trading patterns between the two are very different in the following aspects:
- distribution of transaction sizes and the average transaction size;
 - rollover activities (which appeared to be associated with hedging activities of institutional traders); and
 - category of brokers handling such trading.

Trading of HSIF and Mini-HSIF by investor type

9. Based on HKEx's Derivatives Market Transaction Survey (DMTS), institutional trading accounted for 46% of the total turnover volume of HSIF for the 12 months ending June 2003 and retail trading accounted for 38% of the total, with the remaining 16% being brokers' proprietary trading.
10. In contrast, institutional trading only accounted for 3% of the total turnover volume of Mini-HSIF for the 12 months ending June 2003. The share of retail trading was 78%, whilst the remaining 19% was accounted for by brokers' proprietary trading (Chart 1).



11. During 2003, the turnover volume of HSIF and Mini-HSIF increased 41.3% and 12.7% respectively. The increases in the turnover volume of HSIF and Mini-HSIF were both underpinned by an increase in the number of transactions, as the average transaction size remained relatively stable. The increase in the HSIF was contributed by both large and small transactions, whereas the increase in the Mini-HSIF was almost solely contributed by small transactions.

Trading of HSIF

An increase in the number of transactions of HSIF

12. The turnover volume of HSIF increased 41.3% during 2003. This was mainly due to a growth in the number of transactions, as the average transaction size remained relatively stable (Table 4).
13. The number of transactions in HSIF increased 34.8% in 2003, with a higher growth in large transactions. The number of
- small transactions (5 contracts or below) increased 34.6%;
 - medium transactions (6–50 contracts) rose 37.5%; and
 - large transactions (over 50 contracts) rose 66.7%.
14. The turnover volume of large transactions also increased by a higher percentage in 2003. The turnover volume of
- small transactions increased 36.0%;
 - medium transactions increased 40.1%; and
 - large transactions increased 66.9%.

Table 4 – Turnover Volume Distribution of HSIF by Transaction Size (Contracts)

Transaction Size	Number of Transactions	% of Total Number of Transactions	% Change from 2002	Turnover Volume	% of Total Turnover Volume	% Change from 2002	Average Transaction Size
2003							
1 to 5	6,265,058	96.5%	+34.6%	8,555,678	62.8%	+36.0%	1.37
6 to 50	209,508	3.2%	+37.5%	2,713,800	19.9%	+40.1%	12.95
Above 50	16,994	0.3%	+66.7%	2,360,904	17.3%	+66.9%	138.93
Total	6,491,560	100.0%	+34.8%	13,630,382	100.0%	+41.3%	2.10
2002							
1 to 5	4,653,372	96.6%		6,291,802	65.2%		1.35
6 to 50	152,332	3.2%		1,936,476	20.1%		12.71
Above 50	10,192	0.2%		1,414,844	14.7%		138.82
Total	4,815,896	100.0%		9,643,122	100.0%		2.00
Remark: Long and short of futures are counted twice. As data are sourced from the Market Surveillance System (MSS), it may be slightly different from HKEx's. Source: MSS							

15. Compared to 2002, the share of large transactions in total turnover volume increased in 2003, whilst that for small transactions decreased.
- The share of small transactions in the total turnover volume dropped from 65.2% in 2002 to 62.8% in 2003.
 - The share of large transactions in the total turnover volume increased from 14.7% in 2002 to 17.3% in 2003.
16. As turnover volume of large transactions increased at a faster rate than small transactions, they made an important contribution to the increase in turnover volume. At the same time, small transactions remained an important driver of turnover volume due to the larger base (i.e. weighting) it had. In 2003,
- small transactions contributed 56.8% to the increase in turnover volume; and
 - large transactions contributed 23.7% to the increase in turnover volume.

Average transaction size of HSIF remained stable

17. The average transaction size was 2.0 contracts in 2002 and 2.1 contracts in 2003 (Chart 2). The marginal increase was due to the spikes a few days before the settlement of spot month contracts. The spikes were in turn attributable to rollover activities associated with the hedging and arbitrage activities of institutional traders. These spikes were also apparent in 2002, but they increased in magnitude from 2–6 contracts in 2002 to 4–9 contracts in 2003.

Chart 2 – Turnover Volume, Number of Transactions and Average Transaction Size of HSIF

Chart 2a – Turnover Volume (Contracts in thousands)

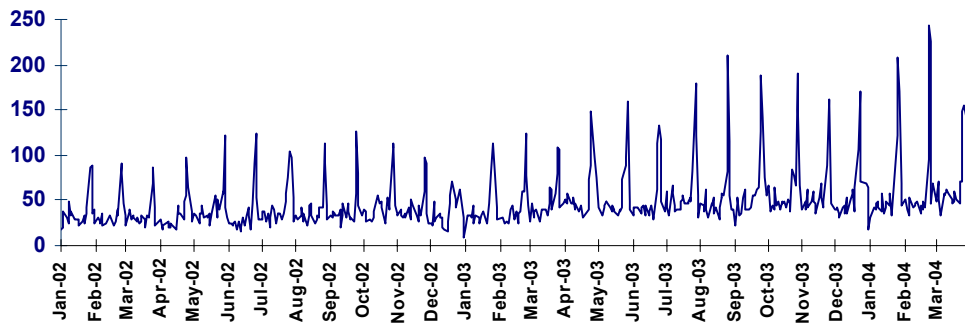
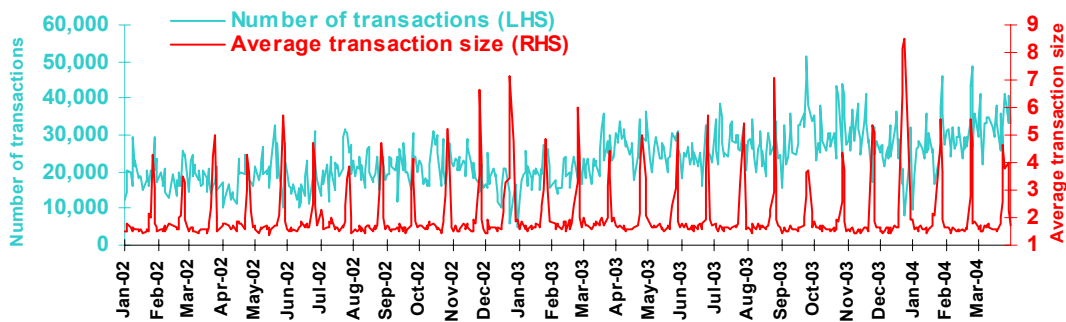


Chart 2b – Number of Transactions and Average Transaction Size



Remark and source same as Table 4.

18. In 2003, the average transaction size was 3.69 contracts during the 3 days prior to the settlement of spot month contracts, higher than the 1.68 contracts after the settlement (Table 5).

Table 5 – Average Transaction Size of HSIF 3 Days Before and After the Settlement of Spot Month Contracts

	3 days Before Settlement (excluding the Settlement Day)	3 days After Settlement (including the Settlement Day)
2003	3.69	1.68
2002	3.44	1.64

Source: MSS

Trading of Mini-HSIF

An increase in the number of transactions of Mini-HSIF

19. The turnover volume of Mini-HSIF increased 12.7% during 2003. This was also attributable to a growth in the number of transactions, as the average transaction size was very stable (Table 6).
20. Large transactions are very rare. Almost all transactions (and therefore turnover volume) were concentrated in the transaction size of 4 contracts or below. This is because investors would have traded HSIF instead of trading a volume of 5 contracts or above of Mini-HSIF due to higher liquidity of the HSIF market and lower transaction costs. As the distribution of transaction size of Mini-HSIF skewed towards 4 contracts or below, transactions were categorized in a different way.
21. The number of transactions of Mini-HSIF increased 12.2% during 2003, whilst that of
- small transactions (1–3 contracts) increased 11.9%;
 - medium transactions (4–10 contracts) rose 25.6%; and
 - large transactions (above 10 contracts) rose 14.4%.

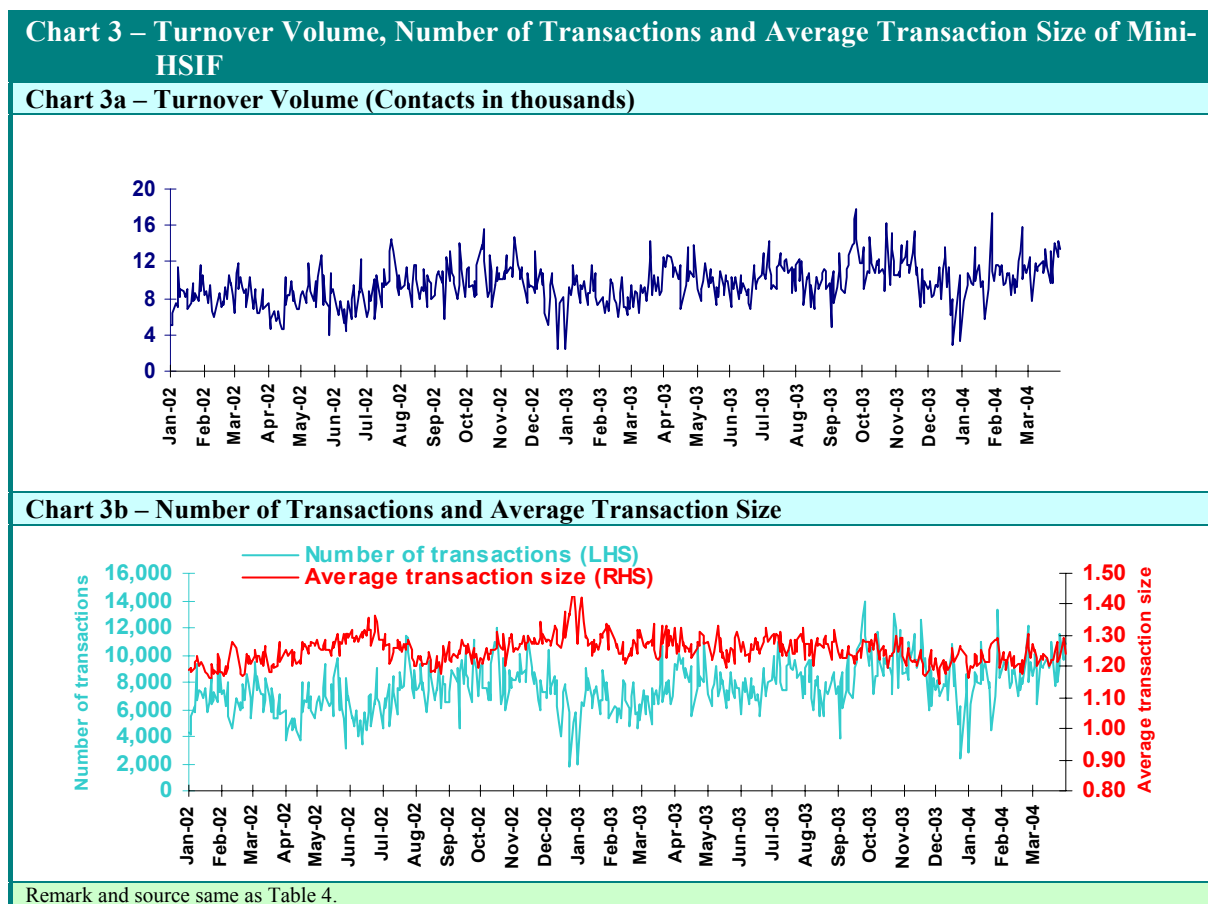
Table 6 – Turnover Volume Distribution of Mini-HSIF by Transaction Size (Contracts)							
Transaction Size	Number of Transactions	% of Total Number of Transactions	% Change from 2002	Turnover Volume	% of Total Turnover Volume	% Change from 2002	Average Transaction Size
2003							
1 to 3	1,935,680	97.9%	+11.9%	2,290,706	92.1%	+11.4%	1.18
4 to 10	40,422	2.0%	+25.6%	189,034	7.6%	+30.1%	4.68
Above 10	318	0.02%	+14.4%	6,250	0.3%	+32.0%	19.65
Total	1,976,420	100.0%	+12.2%	2,485,990	100.0%	+12.7%	1.26
2002							
1 to 3	1,729,120	98.2%		2,056,078	93.2%		1.19
4 to 10	32,190	1.8%		145,342	6.6%		4.52
Above 10	278	0.02%		4,734	0.2%		17.03
Total	1,761,588	100.0%		2,206,154	100.0%		1.25
Remark and source same as Table 4.							

22. The turnover volume of Mini-HSIF increased 12.7% during 2003, whilst that of
- small transactions increased 11.4%;
 - medium transactions increased 30.1%; and
 - large transactions increased 32.0%.

23. The relatively higher growth rate for large transactions was in part due to the low base for comparison. Their contribution to the increase in turnover volume of Mini-HSIF in 2003 was insignificant. In 2003,
- small transactions contributed 83.8% to the increase in turnover volume; and
 - large transactions contributed 0.5% to the increase in turnover volume.

Average transaction size of Mini-HSIF was very stable

24. The increase in the turnover volume of Mini-HSIF was almost entirely due to an increase in the number of transactions – whilst the turnover volume of Mini-HSIF increased 12.7% during 2003, the number of transactions increased 12.2%. The average transaction size was 1.25 contracts in 2002 and 1.26 contracts in 2003. In addition, spikes in turnover volume or average transaction size have not been observed before the settlement of spot month contracts, illustrating that rollover activities were not apparent.



25. The average transaction size during the 3 days before the settlement of spot month contracts was largely comparable with those during the 3 days after the settlement (Table 7).

Table 7 – Average Transaction Size of Mini-HSIF 3 Days Before and After the Settlement of Spot Month Contracts

	3 days Before Settlement (excluding the Settlement Day)	3 days After Settlement (including the Settlement Day)
2003	1.28	1.26
2002	1.27	1.25

Source: MSS

26. Because institutional trading of Mini-HSIF was small, large transactions were very rare and their contribution to the increase in turnover volume was negligible. Rollover activities were not apparent, and there were no spikes in turnover volume or in the average transaction size prior to the settlement of spot month contracts.

Trading of HSIF and Mini-HSIF by broker category

27. The majority of futures brokers trading on the HKFE are affiliated to SEHK participants. Futures brokers affiliated to SEHK participants contributed over 90% to the HSIF turnover volume and over 95% to the Mini-HSIF in 2003. The following analysis on futures brokers is carried out according to brokers' affiliation.³
28. Futures brokers affiliated to Category A SEHK participants accounted for the largest share of the trading of HSIF. In 2003, futures brokers affiliated to
- Category A SEHK participants accounted for 40.2% of turnover volume of HSIF;
 - Category B SEHK participants accounted for 28.6% of turnover volume of HSIF; and
 - Category C SEHK participants accounted for 24.4% of turnover volume of HSIF (Table 8).

Table 8 – Turnover Volume of HSIF by Broker Category

	2002	2003
Futures brokers affiliated to SEHK participants	90.4%	93.2%
<i>Futures brokers affiliated to Category A SEHK participants</i>	<i>39.7%</i>	<i>40.2%</i>
<i>Futures brokers affiliated to Category B SEHK participants</i>	<i>22.2%</i>	<i>28.6%</i>
<i>Futures brokers affiliated to Category C SEHK participants</i>	<i>28.5%</i>	<i>24.4%</i>
Futures brokers with no affiliation to SEHK participants	9.6%	6.8%
Total	100%	100%

Source: MSS

29. Because of the substantial share of institutional trading in HSIF, a large proportion of the turnover volume was handled by futures brokers affiliated to Category A SEHK participants.

³ Categorization follows the methodology of HKEx, based on the value of transaction handled. Category A SEHK participants refer to the top 14 brokers, whilst Category B SEHK participants refer to those ranked 15-65 and the rest are Category C SEHK participants.

30. In contrast to HSIF, futures brokers affiliated to Category A SEHK participants accounted for an insignificant share of Mini-HSIF turnover volume. As Mini-HSIF are very much retail-based, futures brokers affiliated to Category C SEHK participants captured the largest share. In 2003, futures brokers affiliated to
- Category A SEHK participants accounted for 3.0% of the turnover volume of Mini-HSIF;
 - Category B SEHK participants accounted for 37.2% of the turnover volume of Mini-HSIF; and
 - Category C SEHK participants accounted for 56.3% of the turnover volume of Mini-HSIF (Table 9).

	2002	2003
Futures brokers affiliated to SEHK participants	95.7%	96.5%
<i>Futures brokers affiliated to Category A SEHK participants</i>	3.7%	3.0%
<i>Futures brokers affiliated to Category B SEHK participants</i>	42.0%	37.2%
<i>Futures brokers affiliated to Category C SEHK participants</i>	49.9%	56.3%
Futures brokers with no affiliation to SEHK participants	4.3%	3.5%
Total	100%	100%

Source: MSS

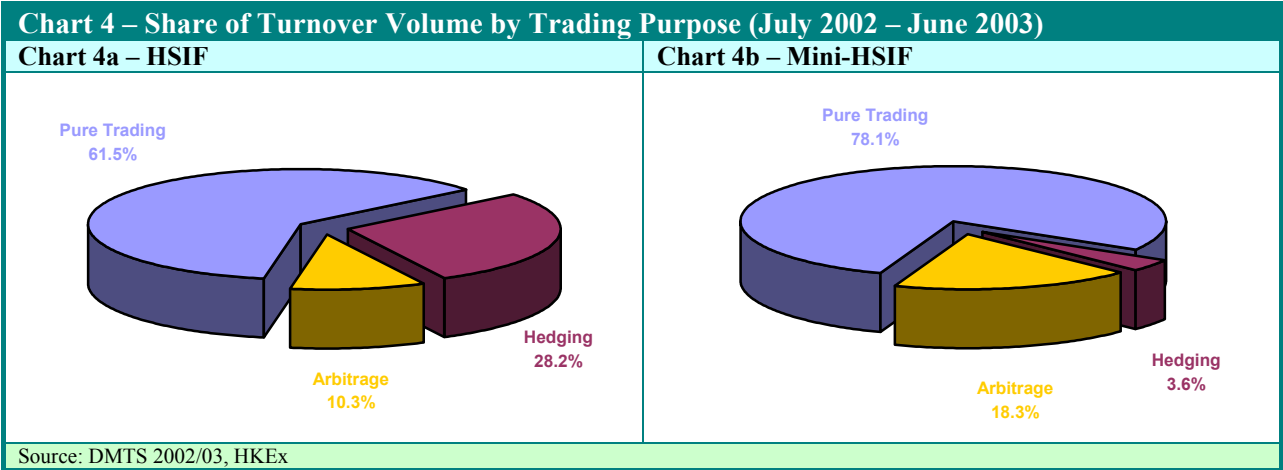
Trading of HSIF and Mini-HSIF by maturity

31. Trading activities for both HSIF and Mini-HSIF were concentrated in spot month and second calendar month contracts (Table 10); the farther month contracts accounted for only 0.1-0.2% of the total turnover volume.
- Trading in spot month contracts of HSIF accounted for about 80% of the overall turnover volume in 2003. The remaining share was mostly on the second calendar month contracts.
 - Trading in spot month contracts of Mini-HSIF accounted for 88% of the total turnover volume in 2003, whilst the second calendar month contracts contributed 11% to the total.

	Spot Month	Second Calendar Month	First Calendar Quarterly Month	Second Calendar Quarterly Month	Total
HSIF					
2003	80%	20%	0.08%	0.08%	100%
2002	82%	18%	0.06%	0.05%	100%
Mini-HSIF					
2003	88%	11%	0.11%	0.09%	100%
2002	89%	10%	0.05%	0.06%	100%

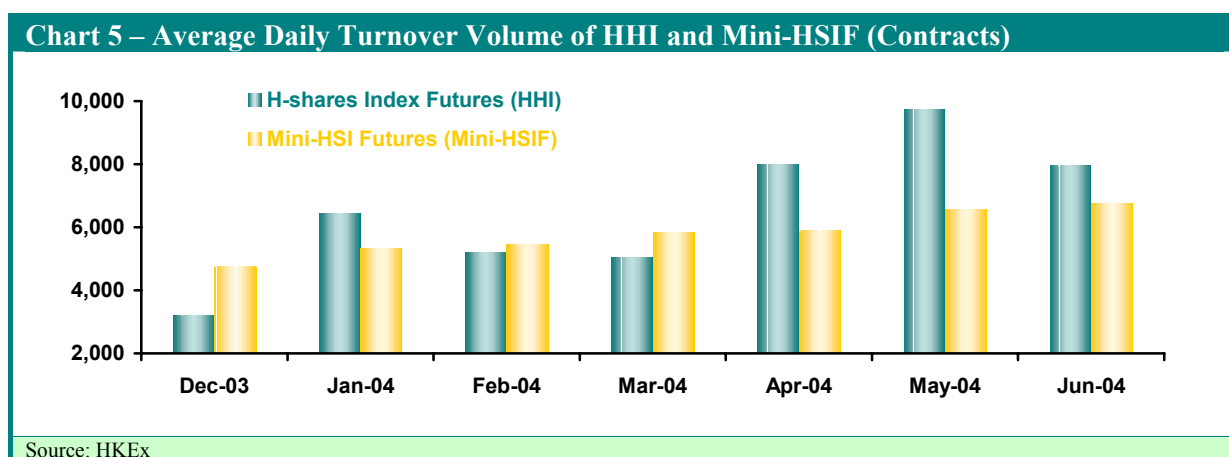
Source: Bloomberg

32. This shows that the trading of HSIF and Mini-HSIF is relatively short-term, which in turn reflects that:
- as liquidity concentrates in spot month contracts, investors prefer to trade them and rollover to the next calendar month contracts prior to their settlement; and/or
 - the purpose of trading is mainly pure trading for profits, as shown by HKEx’s DMTS (Chart 4).



Potential of H-shares Index Futures

33. Since its inception on 8 December 2003, the trading of HHI has become more active. In addition, the average daily turnover volume of HHI has overtaken that of Mini-HSIF (Chart 5).



34. The increase in the trading activities appeared to be attributable to the strong interest in H-shares since late 2003 (Table 11). Turnover of HSCEI⁴ stocks grew by 130% in the second half of 2003 and by another 75% in the first half of 2004. The corresponding growth rates were
- 93% and 24% for the overall turnover; and
 - 51% and 16% for the HSI stocks.

Table 11 – Average Daily Turnover on HKEx by Stock Type (HK\$ bn)

	2003 H1	2003 H2	2004 H1	Growth 2003 H2 over 2003 H1 (%)	Growth 2004 H1 over 2003 H2 (%)
Total	7.0	13.4	16.7	93%	24%
HSI stocks	3.8	5.7	6.6	51%	16%
HSCEI stocks	0.9	2.0	3.6	130%	75%
Others	2.3	5.7	6.5	148%	14%

Source: HKEx

35. Benchmarking against the turnover of underlying, HHI still has much room for further development.
- The average daily turnover of HHI in notional value was HK\$1.6 bn in the first half of 2004. This was 44% of the turnover of HSCEI stocks, much lower than the corresponding value for the HSI stocks.
 - The average daily turnover of HSIF in notional value was HK\$22 bn in the first half of 2004. This was 331% of the turnover of HSI stocks.

⁴ Following the definition of HSI Services Limited, HSCEI stocks refer to the H-shares included in the index.

36. In major Asian markets, ratios of turnover of index futures to their underlying were also high, indicating the potential for further development of HHI.
- In Korea, the turnover of the index futures on KOSPI 200 (the most actively traded index futures in Asia in 2003 by turnover volume) was 612% of the turnover of the underlying stocks in the year.
 - In Japan, the turnover of the index futures on Nikkei 225 (the 2nd most actively traded index futures in Asia in 2003 by turnover volume) was 103% of the turnover of the underlying stocks in the year.
37. Experience in other major Asian markets also shows that there may be more than one actively traded index futures product.
- In Japan, index futures on Nikkei 225 and TOPIX had turnover volume of 13.1 mn contracts and 9.6 mn contracts respectively in 2003.
 - In Singapore, index futures on Nikkei 225 and MSCI Taiwan had turnover volume of 7.1 mn contracts and 5.5 mn contracts respectively in 2003.
38. The launch of HSCEI-related products may also increase the demand for arbitrage and hedging against HHI, which may in turn enhance the liquidity of the product.
- The H-share ETF was launched on 10 December 2003.
 - The H-shares Index Options (HHO) was launched on 14 June 2004.
39. Finally, the market capitalisation and turnover of H-shares have been by and large on the increase since their introduction in 1993. As of the end of June 2004, the market capitalisation of H-shares was HK\$398.9 bn, 7.2% of the total (Chart 6). In the first half of 2004, the average daily turnover of H-shares was HK\$4.4 bn, 26.4% of the total (Chart 7). The HHI will benefit from the growth of the H-shares market, which will in turn depend on, among other factors,
- the level of economic integration between the Mainland and Hong Kong;
 - the level of economic development of the Chinese economy;
 - the breadth and depth of the reforms in Mainland capital markets;
 - the breadth and depth of the reforms of Mainland enterprises; and
 - the ability to continue to attract H-share companies to list in Hong Kong.

Chart 6 – Market Capitalisation of H-shares (Period end, HK\$ bn)

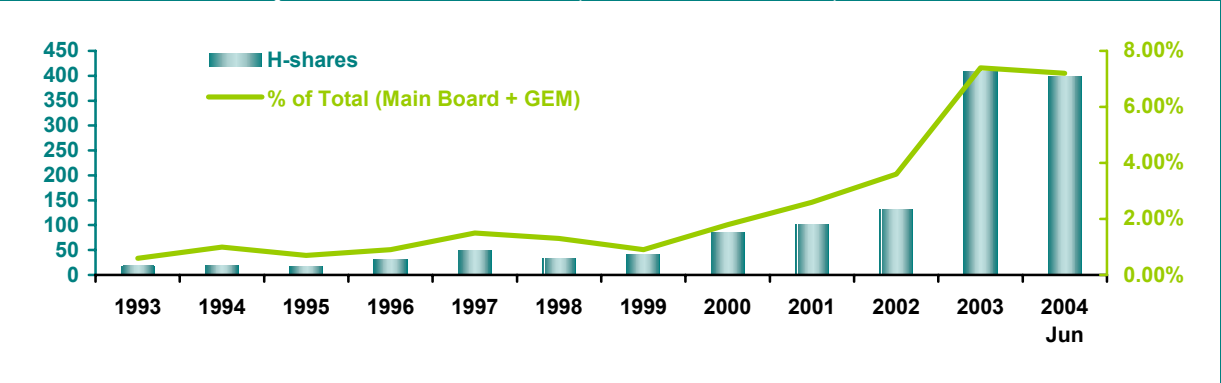
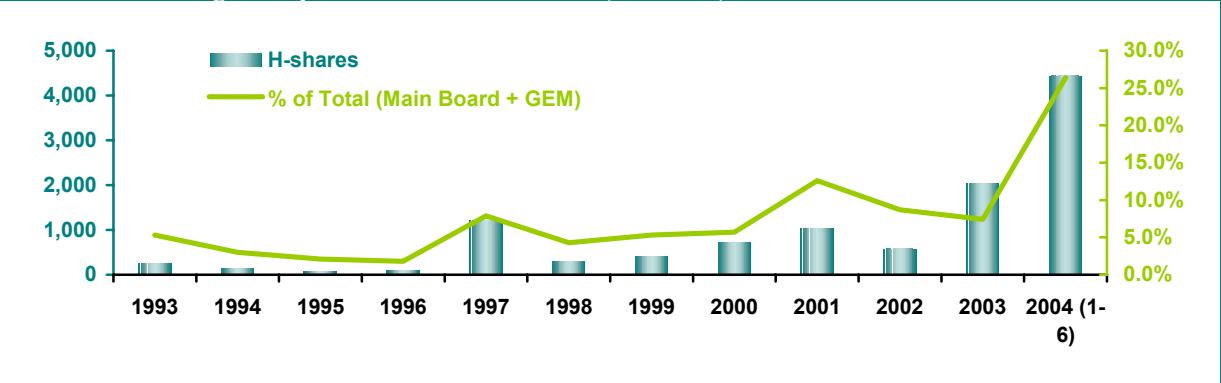


Chart 7 – Average Daily Turnover of H-shares (HK\$ mn)



Source: HKEx

Conclusion

40. The Hong Kong derivatives market is very concentrated on index futures. Index futures accounted for 56% of the total derivatives turnover volume in 2003, the highest in Asia.
41. HSIF have a good mix of institutional trading and retail trading. Both large and small transactions made important contributions to the increase in turnover volume in 2003. Spikes in turnover volume are observed prior to the settlement of spot month contracts. These appear to be associated with rollover activities of institutional traders. As liquidity concentrates in spot month contracts, investors prefer to trade them and rollover to the next month contracts prior to settlement. Because of the substantial share of institutional trading, futures brokers affiliated to Category A SEHK participants handled the largest share of the transactions.
42. Mini-HSIF are dominated by retail trading. Large transactions are rare. Because institutional trading only accounts for a very small share, rollover activities are not apparent. Spikes in turnover volume are not observed prior to the settlement of spot month contracts. Finally, because of the high proportion of retail trading, futures brokers affiliated to Category C SEHK participants handled the largest share of the transactions.

	HSIF	Mini-HSIF
Investor base	Institutional and retail	Retail
Large transactions	A large share and important contribution to turnover volume	A small share and negligible contribution to turnover volume
Average transaction size	Relatively stable during the month, except with spikes prior to the settlement of spot month contracts	Relatively stable during the month, without spikes prior to the settlement of spot month contracts
Rollover activities	Apparent	Not apparent
Trading by maturity	Concentrate in spot month contracts	Concentrate in spot month contracts
Category of brokers handling the largest share of transactions	Futures brokers affiliated to Category A SEHK participants	Futures brokers affiliated to Category C SEHK participants

Appendix 1 – Development of Index Futures Products in Hong Kong (1986 – June 2004)*

	HSI Futures	Red-Chip Index Futures	HKFE Taiwan Index Futures	Hang Seng 100 Futures	Mini-HSI Futures	MSCI China Free Index Futures	Dow Jones Industrial Average Index Futures	H-shares Index Futures
1986	▲ (6 May 1986)							
1987	✓							
1988	✓							
1989	✓							
1990	✓							
1991	✓							
1992	✓							
1993	✓							
1994	✓							
1995	✓							
1996	✓							
1997	✓	▲ (12 Sep 1997)						
1998	✓	✓	▲ (26 May 1998)	▲ (18 Sep 1998)				
1999	✓	✓	X (22 Sep 1999)	✓				
2000	✓	✓		✓	▲ (9 Oct 2000)			
2001	✓	X (31 Aug 2001)		X (31 Jul 2001)	✓	▲ (7 May 2001)		
2002	✓				✓	✓	▲ (6 May 2002)	
2003	✓				✓	✓	✓	▲ (8 Dec 2003)
June 2004	✓				✓	X (29 Mar 2004)	✓	✓

▲ Year of introduction

✓ Year of trade

X Year of suspension

* This does not include sub-index futures products