



香港交易所

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**Legislative Council
Financial Affairs Panel
16 January 2003**

I. Promote market development through better corporate governance and better products

Listing Regulation

1. HKEx consulted the market on proposed Listing Rules amendments on corporate governance. Summary of responses will be announced shortly. HKEx will amend the Listing Rules accordingly.
2. HKEx consulted the market on proposed listing rules amendments on listing eligibility, continuous listing eligibility and related issues.
3. HKEx plans to consult the market on the regulation of sponsors and financial advisors in 2003.

New Products

4. The derivative warrants market was re-launched in January 2002. Issuers are required to provide liquidity via a liquidity provider.
5. HKEx launched a market model in August 2002 for equity linked instruments which caters for retail investors. The listed equity linked instruments market at HKEx requires issuers to provide liquidity via a liquidity provider and has a higher degree of transparency.

6. HKEx launched the Dow Jones Industrial Average Futures in May 2002 and is the first exchange outside the US to introduce futures contract on this globally recognized benchmark index.
7. HKEx launched the Mini Hang Seng Index Options in November 2002 to meet the needs of retail investors.
8. For 2003, HKEx is exploring the feasibility of introducing the following products: Capital protection products, Flexible options, Interest rate swap futures and Cash settlement of EFN futures.

II. Better business environment through level playing field and upgrading of market infrastructure

Initiatives launched in 2002

9. HKEx introduced a pre-opening session in March 2002 which facilitates to determine a fair opening price and reduce the loading of the system arising from the large number of order inputs and trade execution messages at the commencing of the morning session.
10. The cash market network was upgraded in 2002 to cater for Exchange Participants who would like to have faster transmission of orders by acquiring additional throttles. This facility has allowed for additional capacity to meet the demand and faster access to market data and information.
11. A new cash market clearing system, CCASS/3 was introduced in 2002. The open-interface of CCASS/3 involves functional infrastructure upgrades, including the introduction of multiple market and different settlement cycle capability.

Plans for 2003

12. HKEx plans to issue a consultation document on the board lot system to reduce the minimum investment amount.
13. HKEx is exploring the feasibility of third party clearing which allows Exchange Participants to outsource their clearing and settlement commitments to a third party clearer.
14. HKEx is exploring the feasibility of introducing stock borrowing and lending facilities which would facilitate hedging and arbitraging activities and enhance clearing and settlement efficiency.
15. HKEx is considering to introduce risk management functions for MWS of the cash trading system so that Exchange Participant can have better control of the users of the MWS terminals.

III. Training

16. HKEx held a total of 122 seminars for the investing public and Exchange Participants in 2002, of which six were held in Putonghua. 52 articles on HKEx products were published and 52 episodes of radio program were released. HKEx recognizes the importance of market education and it will continue to be a major focus this year.