

Press release

LCQ13: Trading hours of Hong Kong stock exchange market

Wednesday, February 22, 2012

Following is a question by the Hon Tanya Chan and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 22):

Question:

Some securities practitioners have recently relayed to me that after the Hong Kong Exchanges and Clearing Limited (HKEx) had changed the trading hours, not only was their lunch time shortened, but the administrative or other work done by them during the lunch break in the past was also seriously affected. Some securities practitioners have further pointed out that since they needed time to complete their work, they actually did not have time for meals during the lunch break. In this connection, will the Government inform this Council if it knows:

(a) the number of views and complaints about the change in trading hours received by the regulatory authorities and HKEx from members of the trade since HKEx changed the trading hours; whether the regulatory authorities and HKEx have followed up such views and complaints; if they have, the details; if not, the reasons for that;

(b) whether HKEx has conducted any assessment and review on the actual effectiveness of extending the trading hours; if it has, the assessment and review outcomes; if not, whether HKEx has already planned to conduct such a review; if there is a specific plan, the details; if there is no such plan, the reasons for that; and

(c) given that HKEx has indicated that the lunch break in the stock exchange market may be further shortened in the future, whether HKEx has any plan at present to conduct consultation on such an arrangement or has even decided to implement the further extension of trading hours; if it has, the reasons for that?

Reply:

President,

My reply to the three parts of the question is as follows:

(a) The Hong Kong Exchanges and Clearing Company Limited (HKEx) has on many occasions met the representatives of the securities industry, including those of frontline staff and other market practitioners, to discuss the arrangement on the extension of trading hours and listen to their views. Recently, HKEx has exchanged views with the industry again on January 12 and February 9, 2012. At the same time, the Government and the Securities and Futures Commission (SFC) discuss with the industry on issues of their concerns from time to time and encourage the industry to enhance communication with HKEx in order to address the industry's concerns. HKEx noted that many financial institutions, including some brokerage firms and banks, provided one-hour lunch break for employees and advocated to the employers of brokerage firms to work out measures for their employees to alleviate their workload during lunch hours, for example, taking turns for lunch break.

(b) Hong Kong is the international financial centre of China and our market is closely connected to the Mainland's. Almost 60% of our market capitalisation and over 70% of our market turnover come from Mainland-related securities, while growing numbers of our derivative products, Exchange Traded Funds (ETFs) and structured products have Mainland-related securities as underlying assets. With the further opening up of the Mainland market and Hong Kong serving as an offshore Renminbi centre, inter-market trading activities and the number of products cross-listed between the Hong Kong and Mainland markets are poised to increase. Such products will include Renminbi Qualified Foreign Institutional Investor (RQFII) products, ETFs with Hong Kong stocks as underlying traded in the Mainland, Renminbi ETFs with Mainland A shares as underlying to be traded in Hong Kong.

In view of the increasing importance of the Mainland financial market as well as the closer interconnections between the Hong Kong and Mainland markets, the extension of trading hours can allow the trading hours of our market to overlap squarely with those of the Mainland's so as to improve the price discovery function for Mainland-related securities traded in Hong Kong market with a view to promoting the development of cross-market products. On the other hand, it is a global trend to shorten or even remove the lunch break in the securities markets. For instance, Singapore Exchange has already removed their lunch break since August 2011. The extension of trading hours will help the Hong Kong market enhance its competitiveness by narrowing the gaps between its trading hours and those of its regional competitors.

(c) HKEx conducted a one-month public consultation in September 2010 on the extension of trading hours. We understand that HKEx's Chief Executive had held discussions with seven trade bodies of the securities industry on the proposal and collected their views, including the trade bodies representing frontline staff, as well as other market practitioners, during the consultation period. A total of 556 submissions were received from a wide spectrum of respondents, including Exchange Participants, brokerage industry associations, listed companies and a related association, professional bodies, a banking industry association, other entities and individuals (including employees of brokerage firms). There was much support for changes to the lunch break, but responses were mixed with advocates for 1-hour lunch break and 1.5 hours lunch break. There was also support for eliminating the lunch break altogether or no change.

After careful consideration of all the responses to its consultation paper and with the view to striving for a balance between the development of the Hong Kong financial market and the demand of some market practitioners, the HKEx Board discussed and decided to shorten the lunch break to 1 hour. In order to facilitate market practitioners to adjust to the revised trading schedule, a phased approach was adopted to change the trading hours. Since March 7, 2011, the lunch break has been shortened from 2 to 1.5 hours, in addition to the earlier opening of the morning continuous trading session by 30 minutes. The lunch break will become 1 hour commencing from March 5, 2012.

Ends