



Introduction of Hong Kong ETP Market

Exchange Traded Products

March 2023

HKEX
香港交易所

Hong Kong ETP market in numbers



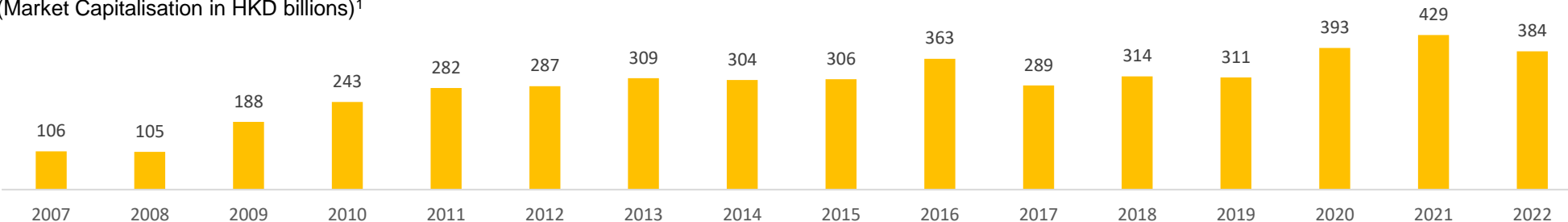
Development of HKEX ETP market

Number of ETPs and AUM

(Number of ETPs)¹



(Market Capitalisation in HKD billions)¹



3 1 - Source: HKEX as of 30 December 2022
 2 - "RQFII" refers to RMB Qualified Foreign Institutional Investor
 3 - FoF refers to Fund-of-Fund



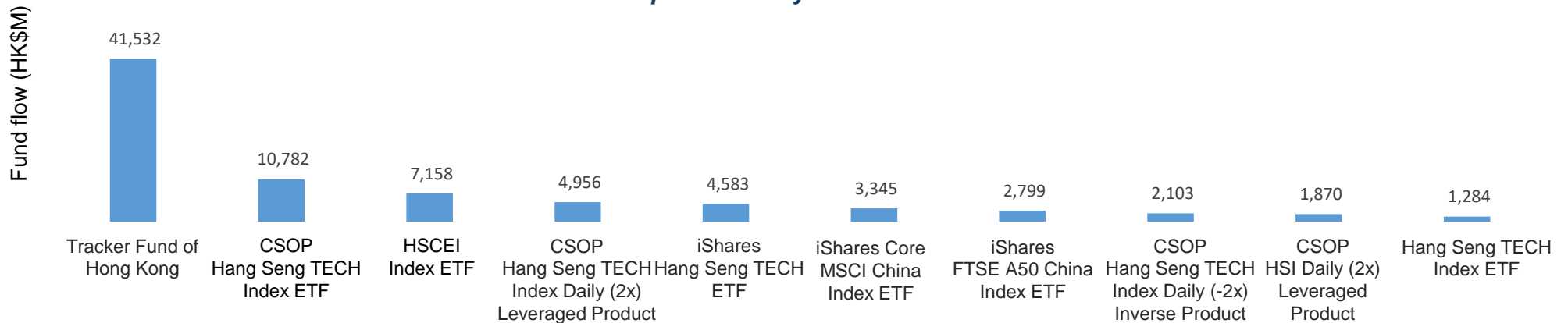
HKEX ETP product diversity (2016 vs 2022)

Product innovation has accelerated in the last three years – moving HK closer to a “one-stop” shop



Increasing diversification from investor demand reflected in top fund flow products

Top 10 ETPs by fund flow¹



Diversified access to a wide range of asset classes, sector, geographies & innovative strategies

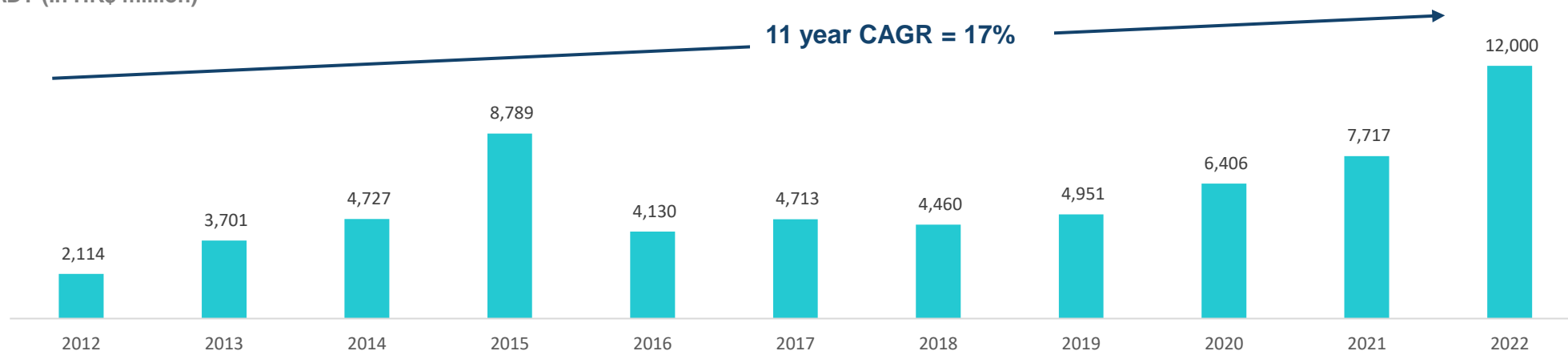
1. Fund flows for the period of January – December 2022 from Morningstar



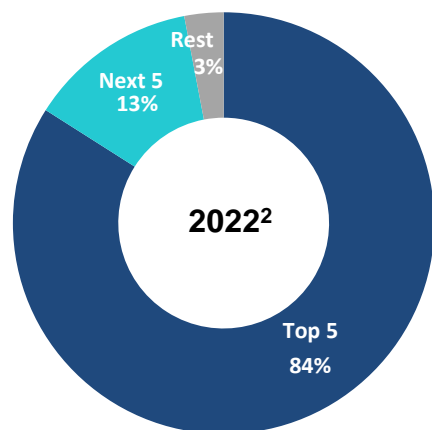
Overview of Hong Kong ETP Turnover

Our turnover has grown over the past 11 years

ADT (In HK\$ million)



A closer look to the distribution of turnover in 2022



ETP Name	Underlying Market	2022 ADT YTD (HK\$ million)
Tracker Fund of Hong Kong	Hong Kong	4,124
Hang Seng China Enterprises Index ETF	Hong Kong	3,424
CSOP Hang Seng TECH Index ETF	Hong Kong	1,375
CSOP Hang Seng TECH Index Daily (-2x) Inverse Product	Hong Kong	592
CSOP Hang Seng TECH Index Daily (2x) Leveraged Product	Hong Kong	578

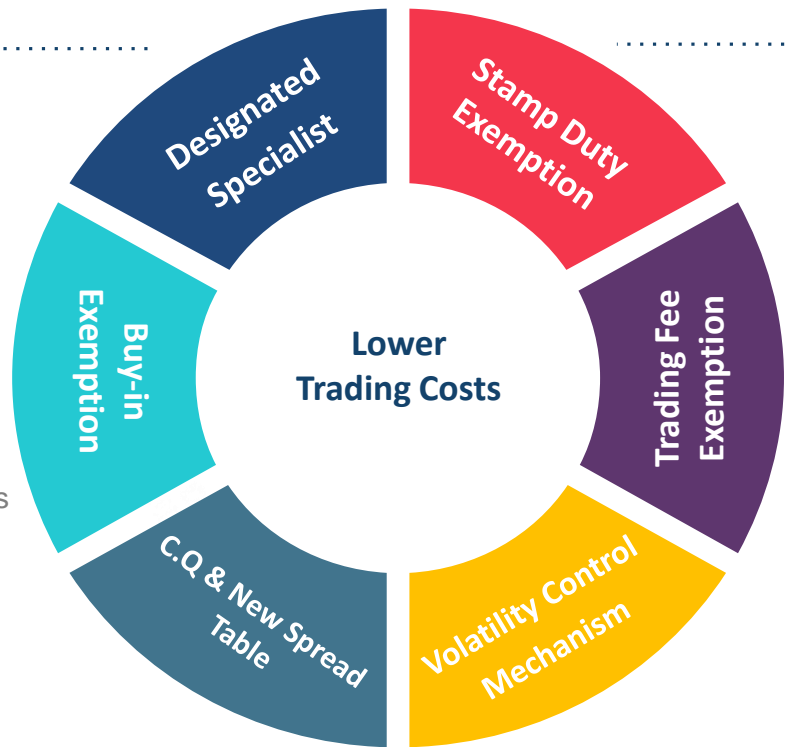


Top 10 ETP Turnover Distribution



Market Structure Enhancements on ETFs

Several crucial enhancements have been introduced to the Hong Kong ETP market in the recent years



1 Launched 2 Jan 2019

- ▶ Attract global liquidity providers to Hong Kong ETP markets

AIM: Broaden liquidity base of ETPs

2 Launched 1 Jul 2019

- ▶ Give market makers an extra day for covering liquidity provisioning positions

AIM: To relieve market structure constraints for market makers to provide liquidity continuously over the day

3 Launched 1 Jun 2020

- ▶ Introduce tightened market making obligations and spread table with smaller tick sizes

AIM: Enhance market making quality and reduce trading spreads

4 Launched 1 Aug 2020

- ▶ Waive stamp duty on stock transactions of market makers in relation to their creation and redemption activities

AIM: Lower cost for creation/redemption and support liquidity in ETPs

5 Launched 31 May 2021

- ▶ Exemption of trading fee for ETP market makers classified based on ADT

AIM: Appropriately incentivize market makers and promote trading of illiquid ETPs

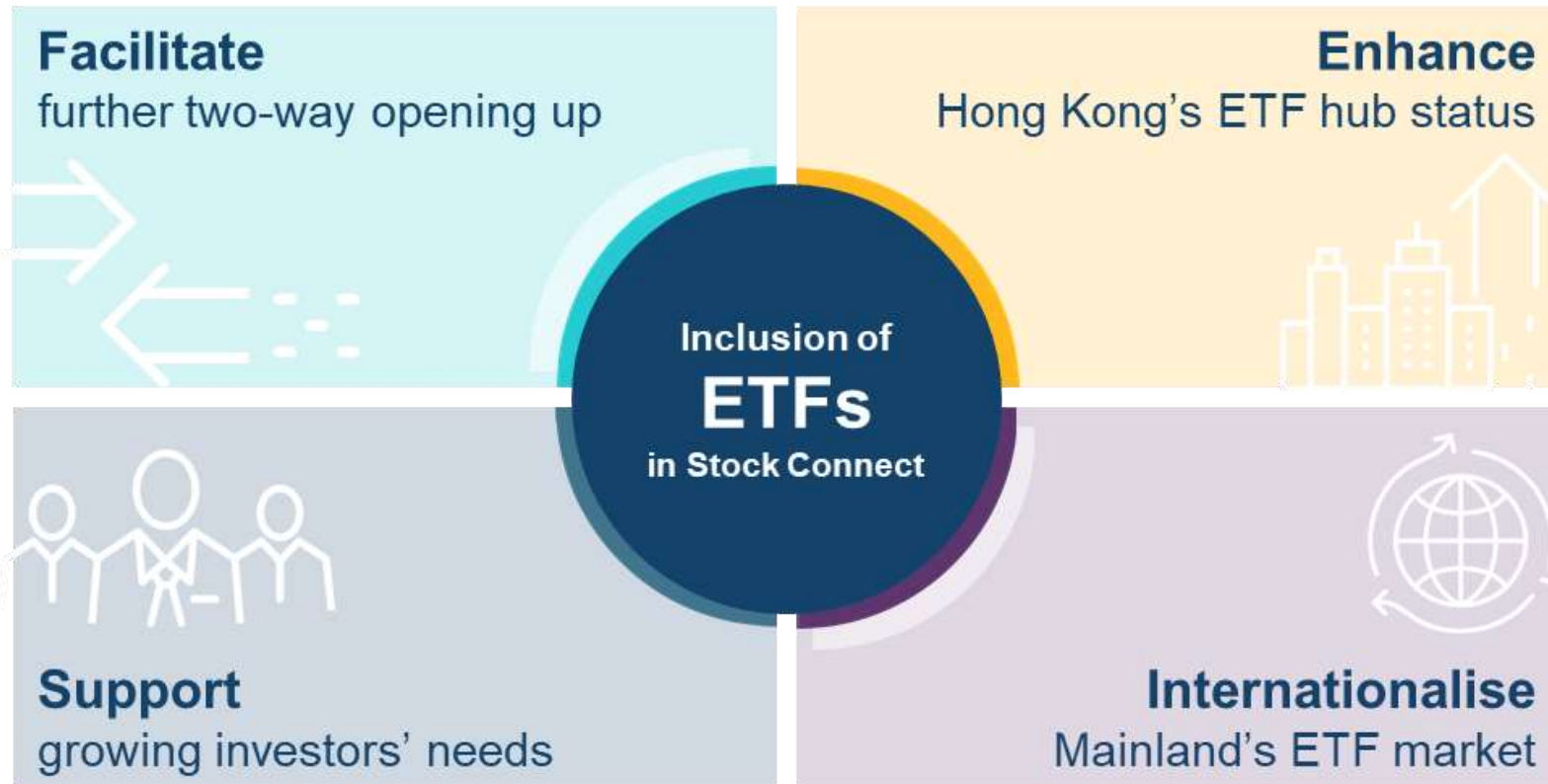
6 Launched 3 May 2022

- ▶ Safeguard market integrity from extreme price volatility arising from trading incidents

AIM: Avoid extreme volatility in the trading of ETFs during Continues Trading Session



The Inclusion of ETFs is a Significant Milestone in the Evolution of Stock Connect



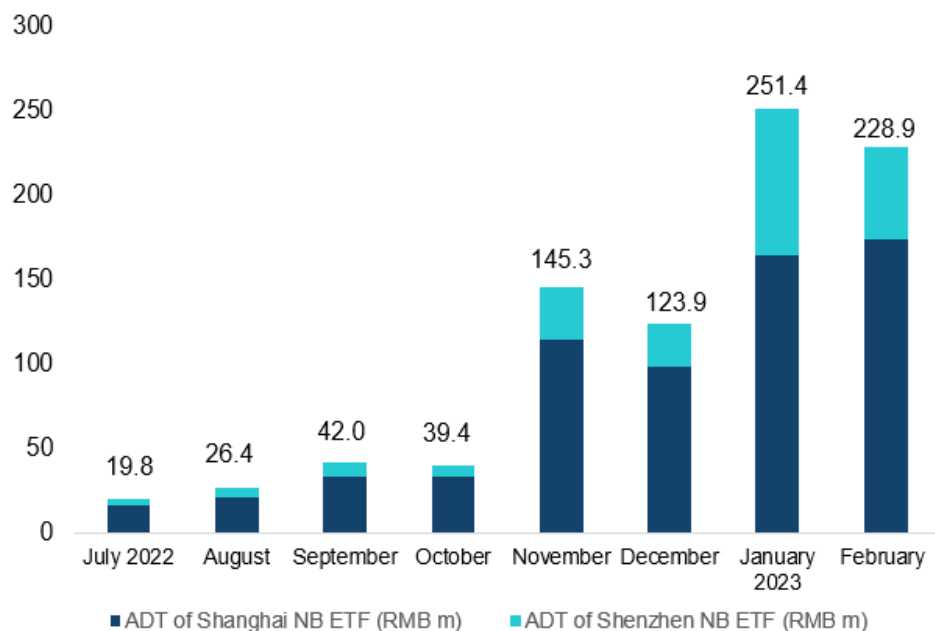
ETF trading in Stock Connect is gaining momentum

Northbound Trading Trend (Jul 2022 - Feb 2023)

RMB 106.2 million
NB ETF ADT

0.1%
Of overall NB Stock Connect ADT

Average daily turnover
RMB million

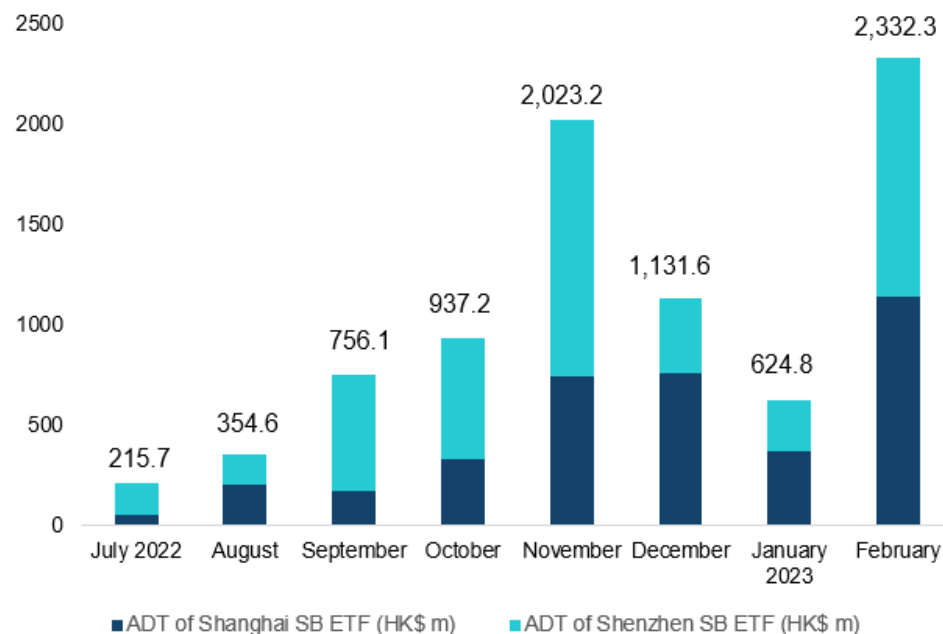


Southbound Trading Trend (Jul 2022 - Feb 2023)

HK\$ 1,067.3 million
SB ETF ADT

3.3%
Of overall SB Stock Connect ADT

Average daily turnover
HK\$ million



Source: HKEX. Data as of 28 February 2023. Turnover is calculated as buy value + sell value.



Crypto Asset ETFs product scope

	Crypto Asset ETFs ¹
Product Requirements	Underlying <ul style="list-style-type: none"> ✓ Bitcoin ✓ Ether
	Issuer <ul style="list-style-type: none"> • 3 years Hong Kong listed ETP experience
	Investment Strategy <ul style="list-style-type: none"> • Active strategy encouraged
	Eligible Futures <ul style="list-style-type: none"> • CME listed futures only • Demonstrate Crypto Asset futures have adequate liquidity and how roll costs will be managed
Additional Requirements	Disclosure <ul style="list-style-type: none"> • Risk associated with potentially large roll cost of Crypto Asset Futures • Operational risk related to Crypto Asset Futures
	Investor Education <ul style="list-style-type: none"> • Issuer to carry out extensive investor education

Source: HKEX. Data as of 31 December 2022. Turnover is calculated as buy value + sell value.



Benefits

1 Asia's First Virtual Asset ETFs

Be Asia's first and leading exchange in Virtual Asset ETFs, providing unprecedented exposure to alternative investments



2 Creating New Digital Ecosystem

Virtual Asset ETFs is a great step in creating a new digital ecosystem, aligning with our strategy to develop digital capabilities of the future



3 Quick and Easy Access to VA

Direct, easy and immediate access to VA exposures through local broker accounts

Trade safely via recognized exchange



4 Global Ethereum ETF Trading Venue

First IFC globally offering Ethereum VA ETFs

Attract international investors to access unique product



Crypto Asset ETFs will enhance Hong Kong's competitiveness as world's leading ETF marketplace



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