

[20700001]



“ The contract is definitely important to the exchange . ”  
\_ q1-h-h n:x \_ a:e-h a\_force-p-i p:e-u-i q1-h-h n:x \_ \_ v\_to:e-i-h-i named:x-c named:x-c \_ n:x \_ says Robert Gilmore , executive director of the Securities and Futures Commission .  
\_ n\_of:x-i \_ q1-h-h named:x-c \_ and\_o \_

[20700016]

Two years ago , the futures exchange was the envy of other would-be futures centers .  
cardi-i-e n:x p:e-i-u \_ q1-h-h n:x \_ v\_id:e-p-i q1-h-h n\_of:x-i \_ a:e-i a:e-p n:x n\_of:x-i \_

[20700017]

After only 17 months , its main contract , based on the Hang Seng index , had grown to be the second-largest stock-index-futures contract in the world .  
p:e-u-i \_ cardi-i-e n:x \_ q1-h-h named:x-c n:x \_ v:e-i-p-h p:e-u-i q1-h-h named:x-c named:x-c n:x \_ \_ v:e-i-h \_ v\_id:e-p-i q1-h-h a:e-i n\_of:x-i \_

[20700018]

{ A futures contract is an agreement to buy or sell a commodity or financial instrument at a set price on a specified date .  
\_ q1-h-h n:x n:x v\_id:e-p-i q1-h-h n:x-h \_ v:e-i-p \_ v:e-i-p q1-h-h n:x \_ a:e-p n\_of:x-i p:e-u-i q1-h-h v:e-i-p n\_of:x \_

[20700019]

In the case of stock-index and interest-rate futures , the instruments are given an underlying cash value and are settled in cash . }  
p:e-u-i q1-h-h n\_of:x-i \_ n:x \_ n\_of:x-i n:x \_ q1-h-h n\_of:x-i \_ v:e-i-i q1-h-h v:e-i-i n:x n:x \_ \_ v:e-i-p p:e-u-i n:x \_ \_

[20700020]

But in the week following the 1987 stock crash , the exchange verged on collapse , and the stock and futures markets in Hong Kong were closed for four days .  
c:i-i p:e-u-i q1-h-h n:x v:e-i-p q1-h-h yofc:x-c n:x \_ q1-h-h n:x v\_on:e-i-i \_ n:x \_ \_ q1-h-h n:x \_ n:x n:x p:e-u-i named:x-c named:x-c \_ v\_cause:e-i-p p:e-u-i cardi-i-e n\_of:x-i \_

[20700021]

Only a government-sponsored bailout kept the crisis from swallowing the exchange .  
x:e-u q1-h-h v:e-i-p n:x v\_from:e-i-i-h q1-h-h n:x \_ v:e-i-p q1-h-h n:x \_

[20700022]

Trading in Hang Seng index futures remains crippled by the experience .  
v:e-i-p p:e-u-i named:x-c named:x-c n:x n:x v:e-i-h v:e-i-p \_ q1-h-h n\_with:x \_

[20700023]

Volume for the entire month of September totaled only 21,687 contracts , compared with a daily average of 27,000 in the month before the 1987 crash .  
n\_of:x-i p:e-u-i q1-h-h a:e-p n:x p:e-x-i mofy:x-c v:e-i-i x:e-u cardi-i-e n:x \_ v\_with:e-i-p-i \_ q1-h-h a:e-p n\_of:x-i \_ cardi-i-e p:e-u-i q1-h-h n:x p:e-u-i q1-h-h yofc:x-c n:x \_

[20700024]

Despite the thin trading , and after two painful years of restructuring , the futures market has shown itself to be resilient in two recent tests .  
p:e-u-i q1-h-h a:e-p v:e-i-p \_ \_ p:e-u-i cardi-i-e a\_to:e-p-i n:x p:e-x-i v:e-i \_ q1-h-h n:x \_ v:e-i-h pron:x \_ \_ a:e-u cardi-i-e a:e-p n\_of:x-i \_

[20700025]

While Asian markets struggled to cope with the uncertainty caused by the Oct. 13 plunge in New York stock prices , futures trading in Hong Kong was relatively heavy and went smoothly .  
x:e-h-h a:e-p n:x v:e-i-h \_ v\_with:e-i-i \_ q1-h-h n:x v:e-i-p \_ q1-h-h mofy:x-c dofmx-c n\_of:x-i p:e-u-i named:x-c named:x-c n:x n\_of:x \_ n:x v:e-i-p p:e-u-i named:x-c named:x-c \_ x:e-u a:e-p \_ v:e-i a:e-e \_

[20700026]

That was also the case in the days following the June 4 massacre in Beijing , which caused a sharp drop in Hong Kong stock prices .  
x:x v\_id:e-p-i a:e-h q1-h-h n\_of:x-i p:e-u-i q1-h-h n\_of:x-i v:e-i-p q1-h-h mofy:x-c dofmx-c n:x p:e-u-i named:x-c \_ \_ v:e-i-p q1-h-h a:e-p n\_of:x-i p:e-u-i named:x-c named:x-c n:x n\_of:x \_

[20700027]

“ There was no problem at all . ” says Douglas Ford , chief executive officer of the futures exchange .  
 \_ \_ v\_there:e-i q-i-h-h n\_of:x-i p:e-u-i q-i-h-h \_ \_ v\_to:e-i-h-i named:x-c named:x-c \_ n\_x n\_x p:e-x-i q-i-h-h n:x n\_x \_

[20700028]

Most important to the contract 's success is the commitment of Hong Kong 's big financial institutions , especially the two leaders , Hongkong & Shanghai Banking Corp. and the local subsidiary of Britain 's Standard Chartered Bank PLC .  
 superfe-u a\_force-p-i p:e-u-i q-i-h-h n\_x \_ n\_x \_ q-i-h-h named:x-c named:x-c \_ a:e-p a:e-p n\_x \_ x:e-u q-i-h-h card:i-i-c n\_of:x-i \_ named:x-c \_ named:x-c named:x-c n\_x \_ and\_o q-i-h-h a:e-p n\_x p:e-x-i named:x-c \_ named:x-c named:x-c named:x-c n\_x \_

[20700029]

The two big banks were instrumental in designing the new contract .  
 q-i-h-h card:i-i-c a:e-p n\_of:x-i \_ a:e-p p:e-u-i v:e-i-p q-i-h-h a:e-p n\_x \_

[20700030]

“ If those two banks are there , then the balance of the banking institutions will be there . ” says Mr. Gilmore , the Securities and Futures Commission official .  
 \_ x:e-h-h q\_dem:i-h-h card:i-i-c n\_of:x-i \_ place\_nx \_ a:e-h q-i-h-h n\_of:x-i \_ q-i-h-h n\_x n\_x \_ place\_nx \_ \_ v\_to:e-i-h-i n\_x named:x-c \_ q-i-h-h named:x-c \_ named:x-c named:x-c n\_x \_

[20700031]

Colony banks have a major stake in how interest rates move because of their enormous Hong Kong-dollar exposure .  
 n\_x n\_of:x-i v:e-i-i q-i-h-h a:e-p n\_x p:e-u-i unspec\_manner:e-u-x n\_in:x-i n\_of:x-i v:e-i p:e-u-i q-i-h-h a:e-p named:x-c n\_x n\_of-to:x-i \_

[20700032]

Even though the currency is pegged to the U.S. dollar , with a fixed exchange rate of HK\$ 7.8 to the American currency , the U.S. and Hong Kong economies do n't always move in lock step , making it difficult to predict where interest rates in the colony will go .  
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[20700033]

In early 1988 , when the three-month Eurodollar rate was between 7 7/8 % and 8 % , the three-month Hibor rate was as low as 1 % .  
 p:e-u-i a:e-p yofc:a-c \_ x:e-h-h q-i-h-h n\_x named:x-c n\_of:x-i \_ p:e-u-i card:i-i-c n\_of % and 8 % q-i-h-h n\_x named:x-c n\_of:x-i \_ \_ a\_on:e-p-i \_ card:i-i-c n\_of % \_

[20700035]

The Hibor contract “ solves quite a bit of the problem of interest-rate risk in the interbank market . ” says Eric Cheng , a director of James Capel ( Far East ) Ltd. , the Hong Kong arm of the British brokerage firm .  
 q-i-h-h named:x-c n\_x \_ v:e-i-p q-i-h-h n\_of:x-i \_ q-i-h-h n\_of:x-i \_ n\_of:x-i p:e-u-i q-i-h-h a:e-p n\_x \_ \_ v\_to:e-i-h-i named:x-c named:x-c \_ q-i-h-h n\_of:x-i \_ named:x-c named:x-c \_ named:x-c named:x-c \_ n\_x \_ q-i-h-h named:x-c named:x-c n\_x p:e-x-i q-i-h-h a:e-p n\_x n\_x \_

[20700036]

Despite the initial support expected , trading in the contract is likely to start slowly .  
 p:e-u-i q-i-h-h a:e-p n\_of:x-i v:e-i-p \_ v:e-i-p p:e-u-i q-i-h-h n\_x \_ a:e-h \_ v:e-i a:e-e \_

[20700038]

Companies and financial institutions familiar with Hong Kong remain wary of trading in its futures market .  
 n\_of:x-i \_ a:e-p n\_x a\_with:e-p-i \_ named:x-c named:x-c \_ v:e-i-h a\_of:e-p-i \_ v:e-i-p p:e-u-i q-i-h-h n\_x n\_x \_

[20700039]

