

## Part B Consultation Questions – Volatility Control Mechanism

Please indicate your preference by checking the appropriate boxes and provide reasons to support your views. Where there is insufficient space, please attach additional pages as necessary.

1. Do you support the introduction of an instrument-level VCM based on a dynamic price limit model in Hong Kong?

Yes

No

Please give reasons for your view.

VCM increases risk in margining margin lending business.  
VCM distorts market volatility and liquidity

2. Do you agree that the proposed VCM model should only be applied to the HSI and HSCEI constituent stocks in the securities market?

Yes

No

Please give reasons for your view.

Pls do not implement VCM.

3. Do you agree that the proposed VCM model should only be applied to the HSI, HHI, MHI & MCH (spot month and the next calendar month) index futures in the derivatives market?

Yes

No

Please give reasons for your view.

Pls do not implement VCM

4. Do you agree that the market should have a 15-minute uninterrupted trading period before the end of the last continuous trading?

Yes

No

Please give reasons for your view.

Pls do not implement VCM.

5. Do you agree with the proposed reference price for the securities market, namely the price of last trade 5 minutes ago? If not, what would you prefer?

Yes

No, I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

6. Do you agree with our proposed reference price for the derivatives market, namely the price of last trade 5 minutes ago? If not, what would you prefer?

Yes

No, I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

7. Do you agree with the proposed triggering level for the securities market, namely 10% from the reference price across the proposed instruments covered by the VCM? If not, what level would you prefer?

Yes

No, level that I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

8. Do you agree with the proposed triggering level for the derivatives market, namely 5% from the reference price across the proposed instruments covered by the VCM? If not, what level would you prefer?

Yes

No, level that I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

9. Do you agree that a maximum of two VCM triggers per trading session per instrument should be imposed to minimise market interruption?

Yes

No, I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

10. Do you support trading within a price limit during the cooling-off period? If not, do you prefer another approach?

Yes

No, another approach that I prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

11. After the cooling-off period, do you support resuming the same dynamic price limit monitoring mechanism (i.e.  $\pm 10\%$  ( $\pm 5\%$ ) from the last trade 5 minutes ago in the securities (derivatives) market)? If not, do you prefer another approach?

Yes

No, I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM

12. Do you have any other suggestions on enhancing the resumption procedures?

Pls do not implement VCM

13. Do you agree that the duration of the cooling-off period should be 5 minutes for both the securities and derivatives markets? If not, what would you prefer and why?

Yes

No, I would prefer: No VCM

Please give reasons for your view.

Pls do not implement VCM.

14. Do you agree with the additional market data dissemination for the proposed VCM model? If not, what would you propose and why?

Yes

No, I would propose: No VCM

Please give reasons for your view.

VCM creates inefficiency + increases risk to the market

15. If a VCM is triggered for a given instrument, should trading of related instruments (e.g. futures contract of different contract months) on the same underlying continue as normal?

Yes

No

Please give reasons for your view.

VCM on underlying makes hedging impossible.

16. If a VCM is triggered for a given instrument, should trading of derivatives (e.g. single stock options or warrants) of that instrument continue as normal?

Yes

No

Please give reasons for your view.

VCM on underlying makes hedging impossible.

17. Do you have any other comments on the VCM proposal?

If the purpose is to avoid flash crash, IT infrastructure, control, throttle rate are better measures.

## Part C Consultation Questions – Closing Auction Session

18. Do you support the introduction of the new CAS model in the Hong Kong securities market?

- Yes  
 No

Please give reasons for your view.

Helps to execute MOC order.

19. Do you agree that the new CAS model should only be applied to the major index constituent stocks (i.e. Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index constituents as well as other Stock Connect Securities for Southbound trading)?

- Yes  
 No

Please give reasons for your view.

~~Index stocks are most needed for MOC orders~~  
MOC orders are mainly on index stocks from ETF issuers or trading desks.

20. Do you agree that the new CAS model should be applied to ETF? If yes, which type of ETF should be applied?

- Yes
- (i) Apply to all ETFs
- (ii) Only apply to ETFs with Hong Kong stocks as underlying
- No

Please give reasons for your view.

ETF has creation & redemption mechanism to facilitate institutional clients already.

21. Do you agree that at a later stage, the new CAS model should be expanded to other equity securities and funds as proposed? If so, when should the CAS be rolled out to these securities and funds?

Yes, roll out time should be: \_\_\_\_\_

No

Please give reasons for your view.

CAS on less liquid names will distort the volatility as we experienced 7 years ago.

22. Do you agree that that the new CAS model should exclude structured products, equity warrants and debt securities?

Yes

No

Please give reasons for your view.

Derivatives already can base on underlying share price to come up with fair value.

23. Do you support introducing a price limit during the CAS?

Yes

No

Please give reasons for your view.

Avoid extreme movement. We do not want the CAS period to be more volatile than continuous normal market hours.

24. Do you support a price limit of 5% during the Order Input Period for all CAS Securities?

Yes

No

Please give reasons for your view.

Lower % limit as  $\pm 3\%$  from reference price is better. Auction outcome should not deviate from market trading session too much.

25. Do you agree that a further price limit within the best bid and best ask should be applied during the No-Cancellation Period and Random Closing Period?

Yes

No

Please give reasons for your view.

Further limit volatility that could be distorted by CAS.

26. Do you agree that at-auction limit orders should be allowed throughout the CAS?

Yes

No

Please give reasons for your view.

This is the spirit of MOC orders.

27. Do you think short selling orders with a tick rule should be allowed during the CAS?

Yes

No

Please give reasons for your view.



VOC for short selling is common for ETF action hedging.

28. If short selling order is to be allowed, should it be at or higher than the reference price?

Yes

No

Please give reasons for your view.

should be at auction, without uptick rule.

29. Do you agree that order amendment and cancellation should be disallowed during the No-Cancellation Period and Random Closing Period?

Yes

No

Please give reasons for your view.

But I am against the Random Closing Period as it does not give investors any certainty in

30. Do you agree that random closing be adopted in the CAS to prevent gaming?

Yes

No

Please give reasons for your view.

It create confusions. investors will complain that they miss the closing because it closes randomly.

31. If random closing is to be adopted, should it be over a period of up to 2 minutes or would you prefer a different duration?

Up to 2 minutes

A different duration: No random closing

Please give reasons for your view.

Clients will NOT know when to place closing orders (or when is the last second to place orders)

32. In the absence of a final IEP, do you agree that the reference price should be used as the closing price and for trade matching?

Yes

No

Please give reasons for your view.

Yes, if no ZEP, Ref price is the best answer.

33. What would be the preferred duration of the CAS?

(i) Same as the proposed model, i.e. 7-minute Order Input Period to end the CAS at 16:12

(ii) 5-minute Order Input Period to end the CAS at 16:10

(iii) Others, please specify:

Approach (i)

Approach (ii)

Approach (iii), please specify: \_\_\_\_\_

Please give reasons for your view.

7 min is ok. 5 mins is too short.  
Imagine if we need to place 50 stock baskets.

34. Do you agree that some features of the new CAS model may also be beneficial for the POS and/or the Trading Halts? If so, which feature(s)?

Yes, the feature(s): \_\_\_\_\_

No

Please give reasons for your view.

One step at a time.  
POS is working fine. Trading Halts is a different matter.

35. Do you agree that any enhancements for POS and/or the Trading Halts should be implemented later rather than during the introduction of the new CAS?

Yes

No

Please give reasons for your view.

One step at a time.

36. Do you foresee any issues with your day end processing such as margin calls in the cash market due to the extended trading time for 12 minutes? If yes, how may the issue be resolved?

Yes, suggested solution: reduce % move during CB.

No

Please give reasons for your view.

If margin call is triggered during CB,  
we have little time to call clients.

37. To maintain the 45 minutes break before the start of AHFT, do you agree that the start time of AHFT to be changed from 17:00 to 17:15? If not, what time do you prefer?

Yes

No, time that you prefer: stay with current time.

Please give reasons for your view.

Night futures are different segment.

## Part D Consultation Questions – Implementation Approach and Timeline

38. Which implementation approach for the securities market would you prefer:
- (i) the development and testing of the VCM, CAS and Trading Halts functionalities are to be implemented together on the AMS/3.8 platform and be rolled out one by one; or
  - (ii) (1) the development, testing and rollout of VCM and CAS are to be implemented together on the AMS/3.8 platform, and (2) Trading Halts proposal is to be introduced as part of the Exchange's next-generation trading system, the Orion Trading Platform-Cash; or
  - (iii) Others, please specify.

Approach (i)

Approach (ii)

Approach (iii), please specify:

Only implement CAS.

Please give reasons for your view.

CAS is well thought out and can improve current issues with MOC orders.

39. What should be the implementation priority among the three initiatives (i.e. VCM, CAS and Trading Halts) in the securities market?

Please give reasons for your view.

CAS.  
No need to implement VCM or Trading Halts.

40. How long do you need to prepare for the rollout starting from the issuance of the specification for each initiatives:

(i) VCM:

a). under 3 months;

b). 4-6 months;

c). 7-12 months

d). >12 months

Please give reasons for your view.

Back Office & IT Upgrades.  
Risk management policy review.

(ii) CAS:

a). under 3 months;

b). 4-6 months;

c). 7-12 months

d). >12 months

Please give reasons for your view.

Back Office, IT, Risk ~~Management~~ Review + Upgrade.

- End -