

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.

This will strengthen control on manipulation on individual stock with less interruption to the overall market.

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.

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.

We have no comments as we don't offer stock options / futures trading services.

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.

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: _____

Please give reasons for your view.

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: _____

Please give reasons for your view.

We have no comments as we don't offer stock options / futures trading services.

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: _____

Please give reasons for your view.

10% is reasonable on Day one. Can review after launch.

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: _____

Please give reasons for your view.

We have no comments as we don't offer stock options / futures trading services.

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: _____

Please give reasons for your view.

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: _____

Please give reasons for your view.

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: _____

Please give reasons for your view.

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

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: _____

Please give reasons for your view.

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: _____

Please give reasons for your view.

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.

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.

We have no comments as we don't offer stock options / futures trading services.

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

The VCM start and end time must be efficiently controlled by HKEx rather than by market participants to avoid any market confusion. From technical perspective, the system clock of different systems / servers will not be synchronized.

Furthermore, investor education is important. To avoid confusion to the investors, HKEx should reject the order with invalid order price with appropriate message so that the market participant can at the same time return relevant clear reject reason to the investor.

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.

Investor education on the model is important.

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.

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.

Some ETFs like #02823 and 02822 do not have HK stocks as underlying but they are popular to investors and heavily traded.

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: one year after service launch

No

Please give reasons for your view.

Can make reference to the experiences before expanding to other equity securities and funds.

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.

By experiences, these products are inactive during the pre-opening session now.

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

Yes

No

Please give reasons for your view.

For better control of price movement.

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.

A price limit of $\leq 5\%$ will be reasonable.

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.

this will meet the aim to restrict volatile price movement.

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

Yes

No

Please give reasons for your view.

The addition of price limit within the lowest ask and highest bid can impose control on at-auction limit.

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.

We have no comments as we don't offer short selling.

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.

We have no comments as we don't offer short selling.

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.

to align with pre-opening session.

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

Yes

No

Please give reasons for your view.

Provided that HKEx will implement an efficient system to reject those orders sent to HKEx at the moment of market close with appropriate error message to the broker's system so that the brokers / participants can provide sufficient communication to the customers who place the orders.

Furthermore, please provide the exact closing time everyday at day end to the market.

Regarding the reporting of real-time stock quote usage, this will bring difficulty for information providers to calculate the quote meter and make payment to HKEx for random closing. Suggest to take 4:10 pm as the standard closing time + 15 minutes in calculation of real-time stock quote usage.

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: _____

Please give reasons for your view.

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.

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.

Too short order input period time is not favourable for retail investors.

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): Allow matching for securities without final IEP at reference price
- No

Please give reasons for your view.

To maximize matching

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.

By phases to allow time for the market to adapt

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: _____

No

Please give reasons for your view.

We have predefined procedures to control the evaluation and margin top up call

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: _____

Please give reasons for your view.

We have no comments as we don't offer stock options / futures trading services.

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: _____

Please give reasons for your view.

Less risks on IT development and testing efforts

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.

Trading Halt will have the lower priority than VCM and CAS. The implication and benefit from VCM and CAS should be easily received by the market.

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.

Assume HKEx will conduct all the reference price checking efficiently and there is no development effort at the market participant side, and enough market rehearsals will be offered. At least 9 - 12 months if VCM is to be implemented individually with the development starts after the launch of Shenzhen Stock Connect.

If VCM and CAS are to be launched in one go, more than 12 months are required for system development and internal operation review.

(ii) CAS:

a). under 3 months;

b). 4-6 months;

c). 7-12 months

d). >12 months

Please give reasons for your view.

Please refer to our reply marked in Q40(i).

- End -