



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

By email (response@hkex.com.hk) and by post

8 October 2012

Our Ref.:

Corporate Communications Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Re: Consultation Paper on Trading Halts

Dear Sirs,

Re: Consultation Paper on Trading Halts

The Hong Kong Institute of Certified Public Accountants has considered the above consultation paper and our comments on the proposals are set out in the questionnaire attached to this letter.

We agree with the proposals, in principle. However, given that they would result in a significant change to the current trading arrangements, we would emphasise the need for more investor education and publicity to alert, in particular, retail investors of the new arrangements, so as to ensure a smooth implementation.

If you have any questions on this submission or wish to discuss it further, please contact

Yours faithfully,

Encl.

Part B Consultation Questions

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 agree that the Hong Kong market should not adopt a model without a halt in trading after the release of PSI during trading hours (i.e. the UK model as described in paragraph 48)?

Yes

No

Please give reasons for your views.

Unlike the UK market where investors are predominantly institutional investors, Hong Kong has a relative large retail investor base and most retail investors may not be able to access news released by listed issuers in a timely manner. We are of the view that it is not appropriate for Hong Kong to adopt a model without a halt in trading of securities after the release of price sensitive information ("PSI") during trading hours.

2. Do you agree with our proposal to allow publication of PSI announcements on the HKExnews website during trading hours subject to a short trading halt?

Yes

No

Please give reasons for your views.

While we have no objection to the proposal, we doubt whether, in practice, the proposal would bring much benefit to Hong Kong in terms of significantly reducing the duration of suspensions, as envisaged in paragraph 12 of the consultation paper. We would also stress the need for adequate publicity and investor education aimed, in particular, at retail investors to explain the changes and their implications.

At present, Hong Kong's securities market comprises two trading sessions per day – 9:30 am to 12:00 noon and 1 pm to 4 pm. Under the existing suspension arrangement, securities suspended from trading would resume trading in the next trading session following release of an announcement. As such, suspension in the morning session would last for 2.5 hours while in the afternoon, 3 hours. We consider that uplifting of a trading halt during the trading session, instead of in the beginning of the next session, would not, in practice, significantly reduce the duration of suspension unless and until the Hong Kong securities market moves towards adopting one continuous trading session.

Although it is stated in the consultation paper that the proposal would avoid the disadvantages to Hong Kong investors in terms of the opportunity to trade, as compared with overseas exchanges where there is a trading halt arrangement, this would have an impact only on the securities that are listed in Hong Kong and on other exchanges with trading halt arrangements, where their trading hours overlap with Hong Kong's. We do not believe that, currently, many securities would fall within this category.

3. Do you agree that the maximum period for which a trading halt may be granted is two trading days and the trading halt will be treated as suspension thereafter if the issuer fails to publish the PSI announcements by end of the following trading day after the trading halt is imposed?

Yes

No

Please give reasons for your views.

As one of the objectives of introducing a trading halt is to encourage more timely disclosure of PSI by listed issuers, if the trading halt proposal were to be implemented, we consider that the maximum period for which a trading halt may be granted should be kept reasonably short.

4. Do you agree that results announcements should be published during the existing publication windows as far as possible?

Yes

No

Please give reasons for your views.

As the timing for release of results announcements can be better planned and controlled by listed issuers, and investors have been informed at least seven business days in advance of the expected date of results announcements, we consider that such announcements should be published during the existing publication windows outside of trading hours, rather than abruptly during trading hours, so as to minimise interruptions to the market. This is also in line with the practice of overseas exchanges.

5. Do you agree that the existing arrangement for non-PSI announcements to be published outside trading hours should remain unchanged?

Yes

No

Please give reasons for your views.

We are of the view that interruptions to trading should be kept to a minimum and, therefore, that only disclosure of PSI should be permitted during trading hours, in order to maintain an orderly and informed market.

6. Do you agree that the trading halt should not apply to dually listed issuers under the circumstances as described in paragraph 57 above?

Yes

No

Please give reasons for your views.

We prefer the status quo as the waiver arrangement has worked well so far.

7. What is the minimum period for a trading halt after the publication of PSI announcement?

30 minutes

45 minutes

60 minutes

Other, please specify and give reasons

We recommend that the Stock Exchange should have discretion to extend the halt for a longer period to allow the market more time to read and evaluate long and complicated announcements.

8. Do you agree that trading halts should be lifted at regular intervals?

on the quarter hour

on the half hour

Other, please specify and give reasons

9. Do you agree that at least 30 minutes of trading should be provided after lifting of a trading halt?

Yes

No

Please give reasons for your views.

We would tend to go along with the view of the Exchange Participants (paragraph 62 of the consultation paper), who are directly involved in dealing in securities.

10. Do you agree with the proposed notification arrangements for the trading halt and resumption information as set out in paragraph 64?

Yes

No

Please give reasons for your views.

A separate designated information page for dissemination of trading halt-related information would facilitate investors to check the relevant information more easily and faster, and so minimise the risk of their overlooking relevant information.

11. Do you agree that all existing orders of the securities entered before a trading halt or a suspension be purged by the Exchange at time of the halt?

Yes

No

Please give reasons for your views.

It is fair to place all investors on an equal footing to react to newly disseminated PSI.

12. Do you agree that all existing orders of the Exchange's stock options / futures market practices should remain unchanged (i.e. all outstanding orders will be purged automatically by the system at the time of trading halt of the underlying stocks)?

Yes

No

Please give reasons for your views.

This is consistent with the treatment of all existing orders of the underlying securities (see our response to question 11 above).

13. Do you agree with the implementation of a single price auction upon lifting of a trading halt?

Yes

No

Please give reasons for your views.

No specific views.

14. Do you agree with the implementation of a single price auction also applies for trading resumption at the commencement of afternoon trading session upon lifting of a trading halt following the release of a PSI announcement during the lunch publication window?

Yes

No

Please give reasons for your views.

No specific views.

15. Do you agree that if an issuer has not requested for any trading halt or suspension of its securities and is able to maintain the confidentiality of the PSI announcement before releasing it during the lunch publication window, in these circumstances the single price auction will apply to the issuer's securities?

Yes

No

Please give reasons for your views.

No specific views.

16. Do you agree that a single price auction will only apply to securities traded in the securities market upon lifting of a trading halt of the underlying?

Yes

No

Please give reasons for your views.

No specific views.

17. Do you agree with the proposed duration of the mid-session auction (i.e. 10 minutes)?

Yes

No

Please give reasons for your views.

No specific views.

18. How much lead time would be required after the relevant system specifications were available to prepare for the implementation of trading halts?

Three months

Six months

Other, please specify and give reasons

No specific views.

- End -