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8 October 2012

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

Dear Sirs

**Re: Consultation Paper on Trading Halts**

The Hong Kong Institute of Directors ("HKIoD") is pleased to forward our response to the captioned paper.

HKIoD is Hong Kong's premier body representing directors to foster the long-term success of companies through advocacy and standards-setting in corporate governance and professional development for directors. We are committed to contributing towards the formulation of public policies that are conducive to the advancement of Hong Kong's international status.

In developing the response, we have consulted our members and organised focused discussions.

Should you require further information regarding our response, please do not hesitate to contact

With best regards

Yours sincerely  
The Hong Kong Institute of Directors

Issued on: 8 October 2012

### Consultation Paper on Trading Halts

In relation to the Consultation Paper on Trading Halts, the Hong Kong Institute of Directors (“HKIoD”) is pleased to present its views and comments.

HKIoD supports efforts to foster and maintain a capital market that prides itself on transparency and quality. Towards that end, we are for the cultivation of a continuous disclosure regime that will enable all investors to make informed decisions. With the passage of the Securities and Futures (Amendment) Ordinance 2012, the obligation to timely disclose price sensitive information will be given statutory backing. HKIoD believes the introduction of the statutory regime will be an impetus for issuers to step up and keep up their disclosure practices.

Just as important is a mechanism that would allow price sensitive information (and company information more generally) to be adequately disseminated so the investing public has time and opportunity to digest and evaluate such information. In as much as there is a relatively large retail investor base, we believe a model with trading halts is right for the Hong Kong market. We further believe trading halts should also be applicable to all disclosure obligations expected of an issuer under Chapter 14 and 14A of the Listing Rules. We can support a certain fixed minimum duration for trading halts, so investors have time to become informed. The length of trading halts, however, should not extend for too long. We believe an early and orderly resumption of trading is necessary and important, so investors have fair opportunities to implement their investment decisions in light of the information disclosed.

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Issued on: 17 October 2012

### Consultation Paper on Trading Halts

In relation to the Consultation Paper on Trading Halts, the Hong Kong Institute of Directors (“HKIoD”) is pleased to present further views and comments.

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#### General comments

We restate certain comments we previously submitted to the Exchange in our initial response issued on 8 October 2012:-

HKIoD supports efforts to foster and maintain a capital market that prides itself on transparency and quality. Towards that end, we are for the cultivation of a continuous disclosure regime that will enable all investors to make informed decisions. With the passage of the Securities and Futures (Amendment) Ordinance 2012, the obligation to timely disclose price sensitive information will be given statutory backing. HKIoD believes the introduction of the statutory regime will be an impetus for issuers to step up and keep up their disclosure practices.

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#### Responses to consultation questions

Subject to our general comments above, we state our responses to specific questions as set out in the Consultation Paper as follows:-

#### **Release of price sensitive information during the Exchange’s trading hours subject to trading halts**

Q1: 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)?

HKIoD Response:

- We agree the Hong Kong market should not adopt the UK model as described in paragraph 48. In as much as there is a relatively large retail investor base, we believe a model with trading halts is right for the Hong Kong market.

Q2: 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?

HKIoD Response:

- We agree.

Q3: 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?

HKIoD Response:

- We agree.

Q4: Do you agree that results announcements should be published during the existing publication windows as far as possible?

HKIoD Response:

- We agree. We do not believe a large number of issuers would stray from the current practice of making results announcements during the existing publication windows. In the event an issuer finds it necessary or desirable to make a results announcement during trading hours, the Exchange can grant a halt on application.

Q5: Do you agree that the existing arrangement for non-PSI announcements to be published outside trading hours should remain unchanged?

HKIoD Response:

- We agree.

Q6: Do you agree that the trading halt should not apply to dually listed issuers under the circumstances as described in paragraph 57?

HKIoD Response:

- We agree that trading halts should not apply to dually listed issuers under the circumstances as described in paragraph 57. More investors now find increasingly accessible methods and channels to buy and sell securities of an issuer in different markets. To impose a local trading halt could in fact deny some local investors clinging to more traditional trading methods and channels their opportunities to react to information disclosed.

Q7: What is the minimum period for a trading halt after the publication of PSI announcement, 30 minutes, 45 minutes or 60 minutes?

HKIoD Response:

- We believe trading should resume no sooner than 30 minutes after the publication of PSI announcement so investors have time to become informed. The length of trading halts should not extend for too long. We believe an early and orderly resumption of trading is necessary and important, so investors have fair opportunities to implement their investment decisions in light of the information disclosed.

Q8: Do you agree that trading halts should be lifted at regular intervals on the quarter hour or the half hour?

HKIoD Response:

- We believe it is conducive to an orderly resumption of trading if trading halts are lifted at regular intervals. We do not hold strong views, but would prefer “quarter hour” to enable more opportunities for trading of securities subject to halts to resume. See also our response to Q9.

Q9: Do you agree that at least 30 minutes of trading should be provided after lifting of a trading halt?

HKIoD Response:

- We do not hold strong views. We do prefer, as much as possible, to see trading to resume on the same day the issuer publishes an announcement. Even 15 minutes of trading could be a cherished window of time for portfolio adjustment.
- We note that the length of trading that could occur on resumption near the end of a trading day will depend on whether trading halts are to be lifted only at regular intervals on the quarter hour or the half hour.

#### **Notification of suspension and resumption information**

Q10: Do you agree with the proposed notification arrangements for the trading halt and resumption information?

HKIoD Response:

- We agree with the proposed notification arrangements as described in paragraph 64 of the Consultation Paper.

#### **Trading arrangements**

Q11: 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 halt?

HKIoD Response:

- We agree.

Q12: 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)?



HKIoD Response:

➤ We agree.

Q13: Do you agree with the implementation of a single price auction upon lifting of a trading halt?

HKIoD Response:

➤ We agree.

Q14: 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?

HKIoD Response:

➤ We agree.

Q15: 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?

HKIoD Response:

➤ We agree.

Q16: 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?

HKIoD Response:

➤ We agree.

Q17: Do you agree with the proposed duration of the mid-session auction (i.e. 10 minutes)?

HKIoD Response:

➤ We do not hold strong views.

#### **Implementation schedule**

Q18: How much lead time would be required after the relevant system specifications were available to prepare for the implementation of trading halt, three months or six months? Please specify if you have alternative views.

HKIoD Response:

➤ We do not hold strong views.

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