

4<sup>th</sup> October 2012

Sent by Email and by Mail

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

Dear Sir or Madam,

**Re: Consultation Paper on Trading Halts**

The Hong Kong Society of Financial Analysts (HKSF) is grateful for the opportunity to participate in the Hong Kong Exchanges' consultation paper on trading halts.

The HKSF supports the initiatives to allow publication of price sensitive information (PSI) during trading hours subject to a short trading halt in shares of the issuers with an aim to promote better investor protection, follow international market practices and maintain a fair and orderly market.

Based on our positions, we state our comments to the specific questions set out in the Consultation Paper as follows:

**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)?**

Yes. The UK model does not provide enough time for investors (both retail and institutional) to assess and evaluate the material information. It is unreasonable to believe that investors will be able to access and assimilate the information simultaneously when the PSI is released to make informed decisions. Much will also be dependent upon the complexity of PSI announcement and an efficient dissemination of such information to the investing public.

**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?**

Yes. Listed issuers should take extra precaution before making any PSI announcements. Proper and clear explanations should be given and each case should be treated as exceptional rather than norm. A balance should be struck between the timeliness of material information disclosure/dissemination and the allowance of enough time for public evaluation of such information.

**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?**

Yes. If the listed issuers fail to publish the PSI announcement within a reasonable time (which we believe at maximum two days in this case), the trading halt will be treated as suspension to avoid misuse of the trading halt system.

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

Yes. Results announcements are planned and scheduled with certainty, unlike notifiable transactions, fund raisings and other disclosures of material information. Hence, if at all possible, these announcements should be made during the existing publication windows.

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

Yes. As a significant number of total non-PSI announcements are made on more frequent basis, the existing arrangement should remain unchanged for now and be reviewed at a later stage.

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

Yes. If trading halt were to be imposed, investors in Hong Kong would be disadvantaged as overseas investors can trade "ahead" of HK investors (if trading in other markets is not required to halt). We suggest that trading in all counters be halted or synchronized as far as possible, in view of PSI are by nature unplanned/unexpected announcements, unlike result announcements which are pre-notified. We consider "access to market" is of high priority.

**Q7. What is the minimum period for a trading halt after the publication of PSI announcement?**

We believe that 60 minutes trading halt may be appropriate for investors to access the information and come up with their own investment decisions.

**Q8. Do you agree that trading halts should be lifted at regular intervals?**

We believe trading halts should be lifted on the half hour intervals for better market awareness and ease of administration.

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

Yes. At least 30 minutes of trading should be provided after lifting of a trading halt so the latest time for trading resumption before end of trading day would be 3:30pm or 11:30am for a half-day trading.

**Q10. Do you agree with the proposed notification arrangements for the trading halt and resumption information as set out in paragraph 64?**

Yes, agree.

**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 the halt?**

No, the HKSFA is of belief that investors should be allowed to cancel, withdraw, or revise orders during the trading halt as one-hour trading halt period should give investors enough time to make investment decisions based on their assessment of information provided.

**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)?**

No. We believe all existing orders should be maintained in the system but investors should be allowed to amend these orders.

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

Yes, 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?**

Yes, 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?**

Yes, 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?**

Yes. Agree.

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

This is a technical issue which is better answered by market makers and participants.

**Q18. How much lead time would be required after the relevant system specifications were available to prepare for the implementation of trading halts?**

Again, this is a technical issue about the market readiness of Exchange Participants in terms of system requirement which Exchange Participants are in a better position to answer.

Yours Sincerely,  
For and on behalf of  
The Board of The Hong Kong Society of Financial Analysts