



THE
LAW SOCIETY
OF HONG KONG
香港律師會

Practitioners Affairs

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Direct Line :

25 September 2012

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

Dear Sirs,

Re: Consultation Paper on Trading Halts

I refer to the Consultation Paper and attach the Law Society's submissions for your consideration.

The Law Society has no objection to its submissions being posted on to your website.

Yours sincerely,

Encl.



HKE_x CONSULTATION PAPER TRADING HALTS

Law Society's submissions

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)?*

Law Society's response:

Yes. A short halt with a following auction period is an inherently fairer way to achieve price discovery.

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?*

Law Society's response:

Yes. The publication of PSI announcements during trading hours without the need to suspend will likely encourage the quicker dissemination of PSI to the market.

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?*

Law Society's response:

Although we agree that a trading halt should, after a specified period, be treated as a suspension, we have no particular view on the length of the specified period.

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

Law Society's response:

Yes. Results announcements are within the control of the Issuer. The publication of results announcements during existing publication windows gives more time for the market to come to a view on price discovery. There seems little advantage to publishing announcements during trading hours.

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

Law Society's response

Yes. Although we have no strong preference, we regard the more orderly approach of publishing non-PSI announcements outside trading hours. We see little advantage or disadvantage to publishing non-PSI announcements during trading hours.

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

Law Society's response:

Yes. If information is available on another market, it should be available to the Hong Kong market at the same time. Similarly, if investors have the right to trade on another market, they should also have the right to trade on the Hong Kong market (subject to trading hours). In our view, these concerns outweigh the price discovery advantages of a trading halt, notwithstanding that pricing will vary between the two markets.

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

Law Society's response:

We consider 30 minutes to be adequate; we see no reason to lengthen beyond a half hour minimum trading halt.

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

Law Society's response:

Yes, on the quarter hour

Regular lifting of trading halts on short intervals reduces the period required to resume trading. Lifting trading halts on quarter hour intervals has an advantage of providing market participants with a more certain procedural framework when trading recommences for a particular security.

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

Law Society's response:

Yes. A 30-minute period is an appropriate period with which to introduce the trading halt concept to the Hong Kong market. This may be shortened further in the future.

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

Law Society's response:

Yes. It will be important for investors to have access to information on current trading halts and resumptions. A separate information page collating this information is a sensible way to disseminate this information in a user-friendly manner.

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?*

Law Society's response:

Yes. A purge of orders is a better solution than the alternative of orders placed without the benefit of knowledge of the PSI being automatically processed (in the absence of a proactive request to withdraw from the investor).

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)?*

Law Society's response:

Yes. We see no reason to change this existing mechanism.

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

Law Society's response:

Yes. This is a sensible way to achieve price determination upon lifting of a trading halt.

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?*

Law Society's response:

Yes. Please see our response to question 13.

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?*

Law Society's response:

Yes. Please see our response to question 13.

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?*

Law Society's response:

Yes. Please see our response to question 13. The value of the underlying stock should be determined in order to value such securities.

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

Law Society's response:

We have no particular view on the proposed duration.

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

Law Society's response:

We have no particular view on lead time.

**The Law Society of Hong Kong
25 September 2012**