

香港聯合交易所有限公司  
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

## 通告 CIRCULAR

Subject: Launch of Closing Auction Session (CAS) Phase 2  
Enquiry: Participant General Enquiry Hotline (Tel : 2840 3626 E-mail: [trd@hkex.com.hk](mailto:trd@hkex.com.hk))

Following the successful launch of CAS Phase 1 ("Phase 1") on 25 July 2016 and a review of its implementation, the Exchange is pleased to announce that CAS Phase 2 ("Phase 2") will be launched tentatively in early Q3 2017 subject to relevant regulatory approvals by the Securities and Futures Commission and market readiness. The exact launch date will be announced in due course.

### A. Input of Regulated Short Selling Orders in CAS

In Phase 2, input of regulated short selling orders in CAS, as at-auction limit orders with a price not lower than the CAS reference price ("tick rule in CAS"), will be allowed for designated CAS Securities which are eligible for short selling. However, input of short selling at-auction orders will continue to be disallowed. In addition, other price checks applied on the existing at-auction limit orders today, such as the two-staged price limit, will also be applicable to short selling orders input in CAS.

Similar to the arrangement in the Continuous Trading Session ("CTS"), short selling of ETFs by all participants, as well as short selling of other CAS Securities eligible for short selling by certain participants<sup>1</sup> will be exempted from application of tick rule in CAS. Structured Product Liquidity Provider Short Selling by a Structured Product Liquidity Provider and Structured Product Hedging Short Selling by a Structured Product Hedging Participant, however, will be disallowed in CAS as structured product trading is excluded in CAS.

### B. Change to Applicable Securities and Maintenance of List of CAS Securities

Currently CAS covers only constituent stocks of Hang Seng Composite LargeCap ("HSLI") and MidCap ("HSML") Indexes, H shares which have corresponding A shares listed on a Mainland exchange, and all Exchange Traded Funds (ETFs) (together "CAS Securities"). In Phase 2, list of CAS Securities will expand to also include constituents stocks of Hang Seng Composite SmallCap Index ("HSSI").

<sup>1</sup> Including Designated Index Arbitrage Short Selling by a Designated Index Arbitrage Short Selling Participant, Stock Futures Hedging Short Selling by a Designated Stock Futures Hedging Short Selling Participant, and Options Hedging Short Selling by an Options Market Maker or an Options Hedging Participant.

As a temporary measure to maximize stability and continuity of CAS operations, during Phase 1 deletion of stocks from list of CAS Securities due to their removals from the respective indexes have not been effected. For Phase 2, a refined and permanent process will be implemented to also delete stocks from list of CAS Securities when they are removed from the respective indexes (see Attachment 1 for the details of maintenance process of list of CAS Securities).

The pro forma list of CAS Securities will be available at the [VCM and CAS web corner](#) before the launch of Phase 2.

Further details of HKEX's Phase 2 plan are also available in the updated Information Book, FAQ and the briefing pack at the [VCM and CAS web corner](#).

### **Market Readiness**

To allow all Exchange Participants (“EPs”) to get ready for the implementation of Phase 2, an End-to-End (“E2E”) test session will be arranged from 5 June 2017 to 16 June 2017 (excluding 13 June 2017 which is a maintenance day). Participation is optional. Relevant E2E testing package is available for download from the Electronic Communication Platform (ECP) and the downloading procedures are featured in Attachment 2. BSS vendors may also request for the E2E testing package by sending an email to [ams3info@hkex.com.hk](mailto:ams3info@hkex.com.hk).

After completion of the E2E test session, an optional Practice Session will be arranged for EPs to verify their readiness for Phase 2 rollout. Details of the Practice Session will be announced in due course.

**Sally Kwok**  
**Senior Vice President**  
**Cash Trading**  
**Markets Division**

**Attachment 1 - Maintenance Process of List of CAS Securities in Phase 2**

Type of CAS Securities	Phase 1		Phase 2	
	Addition	Deletion	Addition	Deletion
1. Index constituent stocks*	Upon effective date of the index change	<b>No deletion</b>	Same as Phase 1	<b>Upon effective date of the index change</b>
2. A/H stocks	Upon listing of the A/H shares or upon listing of the corresponding A share for an existing H share	Upon delisting of the H share or the corresponding A share		Same as Phase 1
3. ETFs	Upon listing	Upon delisting		

\* Including Hang Seng Composite LargeCap and MidCap Index constituent stocks in Phase 1, and in addition Hang Seng Composite SmallCap Index constituent stocks in Phase 2.

**Attachment 2 - Steps for Downloading the OCG End-to-End Test Package for CAS Phase 2 (“E2E Test Package for CAS Phase 2”) via Electronic Communication Platform (ECP)**

Participant General Enquiry Hotline (Tel: 2840 3626; Email:trd@hkex.com.hk) for any enquiries.

**Step 1 - Log On to the ECP**

- Open an Internet browser and input the website address of the ECP at <https://www.ecp.hkex.com.hk>. The ECP login page will then be shown in a new window.
- Login to the ECP by inputting the User ID (e.g. MxxxxxTOxxx) and Password to download the E2E Test Package.
- After logging in to the ECP, a selection menu with 3 functions “Download Corner”, “Submission” and “Activity Enquiry” will appear at the top of the screen.

**Step 2 - Download the E2E Test Package from the Download Corner**

- Click “Download Corner” on the ECP menu bar to view the E2E Test Package available for download.
- Click the hyperlink of the file to be downloaded under “Subject” and open or save the file.

**Step 3 - Logout**

- You are required to log out once you have completed the download process. Click “Logout” under the “Links” menu on the left hand side of the screen to log out from the ECP.