

Overview on PNS

Currently, HKEx provides an open interface at the AMS/3 to allow broker to set up their own electronic trading system or Broker Supplied System (BSS) to capture and monitor trading orders effectively. Apart from an open gateway for BSS, HKEx also provides an order routing gateway for third party service vendors to develop **Proprietary Network System (PNS)** which in turns offers a cost-effective electronic trading solution to Exchange Participants (EPs).

With the solutions developed by PNS vendors, current PNS solutions provide varieties of front-end trading services ranging from online order input function to comprehensive order management tools, including risk checking, order tracking and program trading.

Strengths of PNS Solutions

■ Risk Checking on Order Flow

PNS solutions provide comprehensive risk checking at the time of order placement for both cash and margin clients, and EPs can decide whether to accept or reject any incoming orders with automatic risk-checking functions. This helps prevent the handling of any erroneous trades or unauthorised short-sales and improves both the service standard and operating efficiency. These risk-checking positions can also be set at the user level, allowing EPs to monitor individual positions in real-time with updates on cash balances, stock positions and credit margins.

■ Ease of Use and Real-time Updates

PNS solutions provide with user-friendly systems which require minimum training. The easy-to-use design allows users to send orders to market with a few clicks, which is faster than entering data on a keyboard, and helps reduce data entry errors. The real-time updating of order and trade positions on screen is likely to encourage more active market participation. In addition, stop-loss and other program-trading functions allow users to take advantage of some market opportunities when they are away from the system.

■ Extended Remote Trading Network

PNS solutions support online trading, making it possible for EPs to capture orders from almost anywhere. Thus, EPs do not need to invest in new networks or trading facilities if they want to expand their reach. This makes it easier for EPs to set up new branch offices and process overseas orders.

■ Savings on Hardware and Networks

PNS offer value-added order management solutions which can run on top of established trading systems (either the Multiple Workstation System, or MWS, developed by HKEx or the BSSs developed by brokers) without any interoperability issues, thus are very cost efficient (*Please refer to Technical Infrastructure*). Some PNS solutions also can be integrated with existing back-office clearing and settlement systems to issue contract notes, update credit positions and generate margin call alerts. The results, in many cases, are substantial savings achieved by not having to buy new hardware or pay for extra network facilities.

■ Stringent Confidentiality and Security

PNS solutions ensure of integrity of transaction with the protection provided by the advanced AMS/3 ORS access channel encryption technology. All data communications are protected by dedicated framelink with end-to-end encryption between PNS and ORS systems.

Technical Infrastructure

ORS/PNS Electronic Trading Solution

