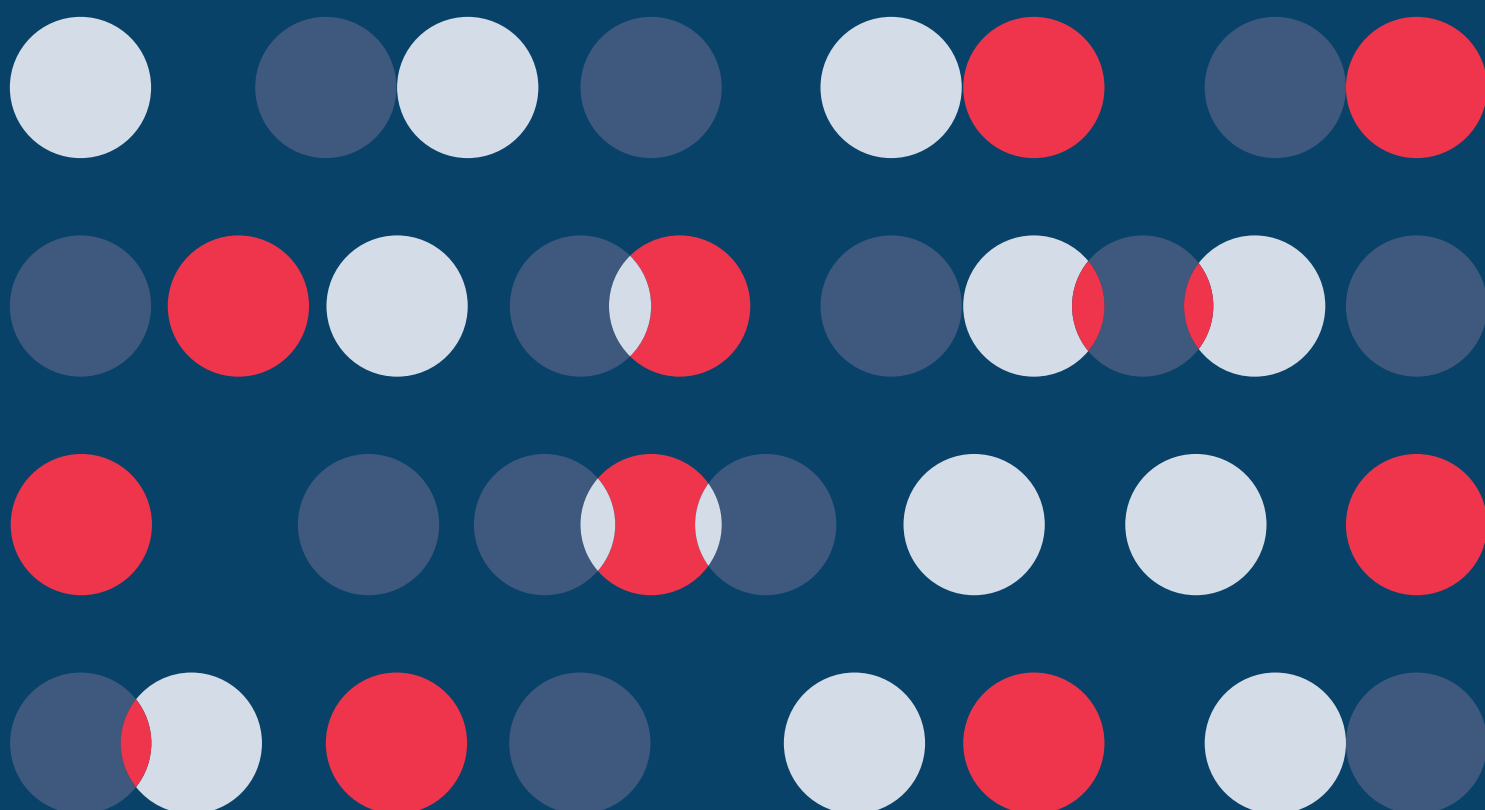


TRADING MECHANISM OF
CLOSING AUCTION SESSION (CAS)
IN THE SECURITIES MARKET



NOTE TO THE READER:

This paper is compiled based on the concluded consultation model and the relevant Rules of the Exchange (“Rules”) for the Phase 1. It aims to facilitate understanding of investors and traders who may participate in the CAS. While due care has been taken to provide accurate and up to date information, the paper is for general reference only and if any discrepancies or inconsistencies with the Rules are found, the meanings in the Rules shall prevail. HKEX and its subsidiaries shall not be responsible or liable for any loss or damage, directly or indirectly, arising from the use of or reliance upon any information provided in this document.

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1. Background

The CAS is planned to be implemented by two phases. The Phase 1 will be launched on **25 July 2016** tentatively and will include all the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap index constituent stocks, the H shares which have corresponding A shares listed on the exchanges in Mainland China and all ETFs (together the CAS securities).

Subject to a review of the Phase 1 and approval by the SFC, the Phase 2 will be rolled out at least 6 months after the Phase 1 and will include all equity securities and funds not covered in the Phase 1. Structured products (i.e. Derivative Warrants and Callable Bull/Bear Contracts), equity warrants, and debt securities will still be excluded.

Phase	Phase I Securities: Index Constituent Stocks	Phase II Securities: Other Stocks and Funds <i>(subject to Phase I review)</i>
Scope	<p>A. Major index constituents</p> <ul style="list-style-type: none"> ▪ Stocks including: <ul style="list-style-type: none"> - Constituent stocks of Hang Seng Composite LargeCap and MidCap indexes - H shares which have corresponding A shares listed on Mainland securities exchanges <p>B. All ETFs</p>	<p>C. Include remaining equity securities and funds</p> <ul style="list-style-type: none"> ▪ Covers all equities and funds ▪ Excludes structured products and debt securities <p>Auction model:</p> <ul style="list-style-type: none"> ▪ No short selling in Phase 1, short selling with a tick rule will be considered in Phase 2 of the CAS ▪ Other CAS features will be same as Phase 1

2. Publication and Maintenance of the Phase 1 CAS Securities List

Before the Phase 1 implementation, the finalised list of the Phase 1 CAS securities will be published on the HKEX website.

In order to maximize the stability and continuity of the CAS operations, during the Phase 1 CAS any addition of constituent stocks to the Hang Seng Composite LargeCap and MidCap indexes will be added to the list of CAS securities; while deletion from these indexes will not be removed from the list of CAS securities.

Newly listed ETFs and H shares which already have a corresponding A-share or H shares have a corresponding newly listed A-share would be added to the CAS securities list on their first day of listing.

Subject to a review, in the Phase 2 CAS the scope of the CAS will be expanded to cover all equities and funds. Given that the list of CAS securities will no longer be confined to any specific subset of a product type, no specific list of CAS securities will be published upon the Phase 2 implementation.

3. CAS Trading Hours and Periods

The CAS allows orders to be entered into the trading system for a single price auction which consists of a reference price fixing period, an order input period, a no cancellation period and a random closing period as follows:

	Full Day Trading	Half Day Trading*
Reference Price Fixing Period	16:00 – 16:01	12:00 – 12:01
Order Input Period	16:01 – 16:06	12:01 – 12:06
No Cancellation Period	16:06 – 16:08	12:06 – 12:08
Random Closing Period	16:08 – 16:10	12:08 – 12:10

* Eves of Christmas, New Year and Lunar New Year

CAS Model and Periods

Time	9:30-12:00; 13:00-16:00	16:00	16:01	16:06	16:08	16:10
Session	Continuous Trading Session (CTS)	Reference Price Fixing Period (1 min)	Closing Auction Session			
			Order Input Period (5 mins)	No Cancellation Period (2 mins)	Random Closing Period (2 mins)	
Description	Reference price based on the median of 5-snapshot nominal prices in the last minute of CTS	<ul style="list-style-type: none"> Calculate & publish reference price No input, cancel & amend Orders within price limit will be automatically carried forward 	Price Limit:			
			a 5% of Reference Price		b Within lowest ask & highest bid	
			Order Type Allowed:			
			At-auction Order			
			At-auction Limit Order			
			Order Input, Cancellation & Amendment:			
			Allowed Input/Cancel/Amend		Input Allowed, Cancel & Amend Not Allowed	

Reference Price Fixing Period

In the first period (Reference Price Fixing Period), a reference price, which sets the allowable price limit of the CAS (± 5 per cent from the reference price), is calculated for each CAS security. The reference price is determined by taking the median of 5 nominal prices in the last minute of the Continuous Trading Session (CTS) and the system will take 5 snapshots on the nominal prices at 15-second interval starting from 15:59:00.

After determination of reference prices, the system will disseminate the reference prices and price limits to the market. Orders outstanding at the end of the preceding CTS will be automatically carried forward to the CAS and treated as at-auction limit orders except that the system will cancel those aggressive orders with prices outside the permissible price limit (i.e. buy orders with prices higher than the upper price limit and sell orders with prices lower than the lower limit).

For non CAS securities, reference prices are also determined in the same way as CAS securities and such prices will be disseminated to market for information as the reference price will be same as the closing price of the respective non CAS security. However, orders cannot be entered and executed on non CAS securities during the CAS.

All order messaging from Exchange Participants, including new input, amendment and cancellation will be rejected by AMS/3 system during the Reference Price Fixing Period.

Order Input Period

In the second period (Order Input Period), at-auction orders and at-auction limit orders within the ± 5 per cent price limit can be entered on CAS securities. Outstanding orders can also be amended or cancelled during this period.

No Cancellation Period

Starting from the third period (No Cancellation Period), at-auction orders and at-auction limit orders can be entered. However, the prices of new at-auction limit orders must be between the lowest ask & highest bid recorded at the end of Order Input Period (i.e. recorded at 16:06), and no orders can be amended or cancelled.

Random Closing Period

In the last period (Random Closing Period), the order rules from the No Cancellation period apply and the market closes randomly within two minutes.

Order Matching

After the random closing period, orders for all CAS securities are matched at the final IEP. In cases where final IEP cannot be established during the CAS, the reference price will be treated as the final IEP for order matching and will become the closing price of the CAS security. Order matching is based on order type, price and then time priority.

4. Determination of CAS Reference Price

The reference price is determined using the existing closing price calculation method, i.e. the median of the 5 snapshot nominal prices taken from 15:59:00 at 15-second intervals, as illustrated in the following example:

Snapshot	Time	Nominal Price
1 st	15:59:00	\$131.50
2 nd	15:59:15	\$131.50
3 rd	15:59:30	\$131.40
4 th	15:59:45	\$131.40
5 th	16:00:00	\$131.30

Five snapshot nominal prices are taken from 15:59:00 at 15-second intervals. The median price (i.e. the 3rd price, which is \$131.40 in the example above) will then be taken as the reference price.

The reference price will be disseminated via Orion Market Data – Cash (OMD-C) to the market during the Reference Price Fixing Period. It is disseminated for all securities in all markets (i.e. MAIN, GEM, NASD and ETS), including securities that are not covered by the CAS.

For securities that are not covered by the CAS, the reference price is equivalent to their closing price for the trading day.

5. Price Limits for the CAS

A two-stage price limit will be applied to control the price of limit orders which are either carried forward from the CTS to the CAS, or newly input during the CAS.

	Applicable session	Scope of price limit
Stage 1	Order Input Period	± 5% from reference price
Stage 2	No Cancellation Period	Within the lowest ask & highest

	Random Closing Period	bid at the end of Order Input Period as recorded at 16:06
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Stage 1 price limit: applicable to the Order Input Period

The price limit is set at ± 5 per cent from the reference price.

Outstanding orders within the permissible price limit (i.e. buy order \leq upper limit and sell order \geq lower limit), including short selling or market making orders, will be automatically carried forward from the CTS to the CAS. The AMS/3 system will treat all such orders as at-auction limit orders. Please refer to the sections 9 & 10 for the treatment of short selling orders and market making orders in the CAS.

Aggressive orders with price outside the permissible price limit (i.e. buy order $>$ upper limit and sell order $<$ lower limit) will be cancelled by AMS/3 system with an order cancellation message returned to the relevant Exchange Participant (EP). Passive orders with price outside the permissible price limit (i.e. buy order $<$ lower limit and sell order $>$ upper limit) will remain on the order book but will not be executed at the end of the CAS.

At-auction orders and at-auction limit orders within the $\pm 5\%$ of the reference price can be entered starting from the Order Input Period. An at-auction limit order that is input during the CAS and which has a limit price is outside the permissible price limit will be rejected by AMS/3 system.

The Stage 1 price limit and the reference price will be disseminated to the market via OMD-C during reference price fixing period.

In the rare case that no reference price can be determined for a CAS security, no price limit will be applied in the CAS for such security and all outstanding limit orders of the security will be carried over from the CTS to the CAS.

Stage 2 price limit: applicable to the No Cancellation Period and Random Closing Period between 16:06-16:10

The price limit may be further tightened and is set at the highest bid and the lowest ask of the order book at the end of the Order Input Period as recorded at 16:06. This price limit will remain unchanged for the whole period of No Cancellation and Random Closing Periods.

The Stage 2 price limit will be disseminated to the market via OMD-C at the beginning of No Cancellation Period.

During the No Cancellation Period and Random Closing Period, the prices of newly

input at-auction limit orders must be between the upper and lower limit of the Stage 2 price limit, and no orders can be amended or cancelled.

In case only buy orders or only sell orders exist (or both do not exist) at the end of Order Input Period at 16:06, or the price of the best ask(bid) is higher (lower) than $\pm 5\%$ from the Reference Price, the Stage 2 price limit will simply be set at $\pm 5\%$ from reference price (i.e. same as Stage 1).

24 spreads and 9 times rule

The price checking in relation to 24 spreads rule will not be applicable during the CAS; while the 9 times rule for at-auction limit order will be applicable as usual during the CAS.

Price warning

The existing price warning mechanism (i.e. the optional warning message requirement broker reconfirmation when the input price is more than 20 spreads away from the nominal price) will be maintained in the CAS.

6. Order Types

Only at-auction orders and at-auction limit orders may be input during the CAS and these order types can only be input starting from 16:01 (the beginning of the Order Input Period). All other order types, such as limit orders / enhanced limit orders / special limit orders / odd lots / special lots, will be rejected.

Any new order input for non CAS securities during the CAS will also be rejected.

At-auction Order

An at-auction order is an order with no specified price and is entered into AMS/3 system for execution at the securities' closing price determined in the CAS. It enjoys a higher order matching priority than an at-auction limit order and will be matched in time priority at the closing price in the CAS.

At-auction Limit Order

An at-auction limit order is an order with a specified price. An at-auction limit order with a specified price at or more competitive than the final IEP (i.e. closing price) (in case of buying, the specified price is equal to or higher than the closing price, or in case of selling, the specified price is equal to or lower than the closing price) may be matched at the closing price. An at-auction limit order may be matched in price and time priority at the closing price. No at-auction limit order will be matched at a price worse than its specified price.

Order type cannot be amended via order modification function. If an EP wants to change the order type (from at-auction order to at-auction limit orders, or vice versa), they will need to cancel the original order and input a new order of another order type.

7. Determination of Indicative Equilibrium Price (IEP) and the Closing Price

The IEP is the indicative price for order matching during an auction should the auction end at that time. IEP is determined by the AMS/3 system based on a set of pre-defined rules as explained below.

IEP is the price within the highest bid and the lowest ask and at which the aggregate volume of matchable orders is maximized. In determining the maximum matchable volume, the volume of both at-auction orders and at-auction limit orders are taken into account. The IEP is continuously calculated during the CAS.

An IEP will only be available if the highest bid is equal to or higher than the lowest ask. If there is more than one price meeting this criterion, the IEP shall be calculated according to the following rules:

- i. The at-auction limit order price which maximises the matchable quantity;*
- ii. if more than one price satisfy rule (i) , the IEP will be the price at which the normal order imbalance is the lowest;*
- iii. if more than one price satisfy rule (ii), the IEP shall be the highest (lowest) price if there is a buy (sell) surplus at all these prices;*
- iv. if more than one price satisfy rule (iii), the IEP will be the price closest to the reference price;*
- v. If two prices are equidistant from the reference price, the IEP shall be the higher of the two prices. However, if the reference price is not available, the IEP shall be the highest of these prices.*

Indicative Equilibrium Volume (IEV) is the number of shares that can be matched at the IEP.

The IEP at the end of the CAS would be the final IEP. If an IEP cannot be determined at the end of the CAS, the reference price will become the final IEP. The final IEP serves as the closing price of a CAS security which is then used for trade matching for the CAS.

8. Order Matching and Dissemination of Closing Price

After the Random Closing Period, orders are matched according to order type, price and time priority (at-auction orders carry a higher matching priority), at the closing price. No further input / amendment / cancellation of orders are allowed during this time.

If an IEP cannot be determined at the end of the CAS and CAS reference price is not available, there will be no automatic order matching at the end of the random closing period of the CAS and all orders will be cancelled and deleted from the system automatically at the end of the trading day.

For the closing price of CAS securities, it will be disseminated after the completion of order matching of the respective CAS securities (i.e. a time between 16:08 and 16:10).

For the closing price of non CAS securities, it will be disseminated immediately after the end of the Random Closing Period (i.e. a time between 16:08 and 16:10). However, please note that as non CAS securities do not have a CAS, there will be no order matching for them.

9. Short Selling

To allow the market to be familiar with the new CAS, short selling will not be implemented in the Phase 1 of the CAS.

Hence, input of new short selling order during the CAS will not be allowed during the Phase 1 of the CAS.

However, it should be noted that outstanding short selling orders, which are input during the CTS and with order prices higher than or equal to the lower price limit (i.e. order price $\geq 95\%$ of reference price), will be automatically carried forward to the CAS. All these orders will be treated as at-auction limit orders.

On the other hand, if the outstanding short selling orders input during the CTS have a price lower than the lower limit (i.e. order price $< 95\%$ of reference price), they will be cancelled and a message for order cancellation will be sent out by AMS/3 system.

For the short selling orders carried forward to the CAS, EPs are allowed to cancel and reduce the quantity of the orders during the CAS and in such cases the original order priority will be maintained. However, change of order price or increase of quantity of these orders during the CAS will not be allowed.

10. Market Making and Liquidity Provision

Structured products

Structured products are excluded from the CAS and liquidity provision of structured product is not applicable for derivative warrants (DWs) and callable bull/bear contracts (CBBCs) during the CAS.

Market making securities

Securities Market Makers (SMMs) do not need to fulfil their market making obligations during the CAS. Accordingly, they are also prohibited by the Exchange rules to input new SMM orders during the CAS. SMM's orders within the permissible price limit (i.e. buy order \leq upper limit and sell order \geq lower limit) outstanding at the end of the preceding CTS will be automatically carried forward to the CAS. During the CAS, SMMs may cancel or reduce the quantity of their respective SMM orders carried forward from the CTS. However, they are not allowed to increase the quantity or amend the price of these orders. Transactions concluded by SMMs in the CAS are not eligible for the market making fee exemptions.

11. Trading Hours After the Implementation of the CAS

Securities market

With the introduction of the new CAS, the securities market closing time will be extended to 16:10 from today's 16:00. For half trading day, the securities market closing time will be extended to 12:10 from today's 12:00.

The trading hours of the securities market under the new CAS model will be as set out in the table below for full and half day trading respectively:

Securities market trading hours under the new CAS model (Full Day)		
Trading sessions	Current trading hours	Trading hours with a CAS
Pre-opening Session	9:00-9:30	Remain unchanged
Morning Session	9:30-12:00	Remain unchanged
Extended Morning Session	12:00-13:00	Remain unchanged
Afternoon Session	13:00-16:00	Remain unchanged
CAS (applicable to all CAS Securities)		
Reference Price Fixing	N/A	16:00-16:01
Order Input	N/A	16:01-16:06

Securities market trading hours under the new CAS model (Full Day)		
Trading sessions	Current trading hours	Trading hours with a CAS
No Cancellation	N/A	16:06-16:08
Random Closing	N/A	16:08-16:10

Securities market trading hours under the new CAS model (Half Day)		
Trading sessions	Current trading hours	Trading hours with a CAS
Pre-opening Session	9:00-9:30	Remain unchanged
Morning Session	9:30-12:00	Remain unchanged
CAS (applicable to all CAS Securities)		
Reference Price Fixing	N/A	12:00-12:01
Order Input	N/A	12:01-12:06
No Cancellation	N/A	12:06-12:08
Random Closing	N/A	12:08-12:10

Market close for non CAS securities will continue to be 16:00 for full day trading and 12:00 for half day trading.

Given structured products will not be covered under the CAS, market participants should also note that the market closing time for a structured product (i.e. DWs and CBBCs) and its underlying security could be different.

Derivatives market

For the derivatives market, the closing times of normal trading session for Stock Index Futures/Options, Currencies Futures and Commodities Futures will be changed from 16:15 to 16:30 for a normal trading day and from 12:00 to 12:30 for a half trading day, except on the last trading day of the contracts. The opening times of After-Hours Futures Trading will be changed from 17:00 to 17:15 in order to maintain the existing 45 minutes break before the start of AHFT.

The following tables summarise the change of trading hours for the derivatives market after the implementation of the CAS for both full day and half day trading:

(a) Summary of trading hours after the CAS implementation

Product Class	Market	Full-Day Trading				Half-Day Trading	
		Existing Closing Time	New Closing Time	Existing AHFT Opening Time	New AHFT Opening Time	Existing Closing Time	New Closing Time
Equity and Index Products	Index Futures (HSI, HHI, MHI, MCH)	16:15	16:30	17:00	17:15	12:00	12:30
	Index Futures (CHH, DHS, DHH, VHS, BOV, SAF, BSE, MCX, Sector Index)	16:15	16:30	N/A	N/A	12:00	12:30
	Index Options (HSI, HHI, MHI, XHS, XHH)	16:15	16:30	N/A	N/A	12:00	12:30
	Stock Futures & Options	16:00	No change	N/A	N/A	12:00	No change
	RMB Currencies Futures	16:15	16:30	17:00	17:15	12:00	12:30
Interest Rate and Currencies Products	HIBOR Futures	17:00	No change	N/A	N/A	12:00	No change
Commodities Products	LME Mini Futures (LRA, LRC, LRN, LRP, LRS, LRZ)	16:15	16:30	17:00	17:15	12:00	12:30

(b) Summary of trading hours on last trading day after the CAS implementation

Product Class	Market	Full-Day Trading		Half-Day Trading	
		Existing Last Trading Time	New Last Trading Time	Existing Last Trading Time	New Last Trading Time
Equity and Index Products	Index Futures (HSI, HHI, MHI, MCH, VHS, Sector Index Futures)	16:00	No change	12:00	No change
	Index Futures (DHS, DHH, BOV, SAF, BSE, MCX)	16:15	16:30	12:00	12:30
	Index Futures (CHH)	15:00	No change	12:00	No change
	Index Options (HSI, HHI, MHI, XHS, XHH)	16:00	No change	12:00	No change
	Stock Futures & Options	16:00	No change	12:00	No change
Interest Rate and Currencies Products	RMB Currencies Futures	11:00	No change	11:00	No change
	HIBOR Futures	11:00	No change	11:00	No change
Commodities Products	LME Mini Futures (LRA, LRC, LRN, LRP, LRS, LRZ)	*	No change	12:00	12:30

*Note: * after-hours trading session during British Summer Time / after-hours trading session outside British Summer Time LRA: 20:00 / 21:00, LRZ: 19:55 / 20:55, LRC: 19:35 / 20:35, LRN: 20:05 / 21:05, LRS :19:45 / 20:45, LRP: 19:50 / 20:50*

The following tables summarise the change of final settlement price calculation algorithm for HSI & HHI futures and stock futures after the CAS implementation:

(i) Change in HSI & HHI futures final settlement price calculation algorithm

Readings	Existing Arrangement	New Arrangement
The 1 st – 65 th readings to be taken with 5 minutes interval	Index readings are taken during the period from: 9:30 a.m. to 12:00 noon.; and 1:00 p.m. to 3:55 p.m.	No change
The 66 th reading to be taken	The last index reading is taken when the official closing of stock prices are disseminated at the end of the continuous trading session in the SEHK	The last index reading is taken after the official closing of stock prices are disseminated at the end of the closing auction session in the SEHK

(ii) Change in stock futures final settlement price calculation algorithm

Readings	Existing Arrangement	New Arrangement
The 1 st – 65 th readings to be taken with 5 minutes interval	Readings are taken during the period from: 9:30 a.m. to 12:00 noon.; and 1:00 p.m. to 3:55 p.m.	No change
The 66 th reading to be taken	The last reading is the closing price taken when the official closing of stock price is disseminated at the end of the continuous trading session in the SEHK	The last reading is the closing price taken when they are disseminated at the end of the closing auction session in the SEHK

The following table summarises the change of final settlement price determination period for Volatility Index Futures after the CAS implementation:

Market	Full-Day Trading		Half-Day Trading	
	Existing	New	Existing	New

	Arrangement	Arrangement	Arrangement	Arrangement
Volatility Index Futures (VHS)	15:30 – 16:00	No change	11:15 – 11:45	11:30 – 12:00

The Final Settlement Price for HSI Volatility Index Futures Contracts shall be a number, rounded down to the nearest two (2) decimal places, determined by the Clearing House and shall be the average of quotations of the HSI Volatility Index compiled, computed and disseminated by Hang Seng Indexes Company Limited taken at (i) one (1) minute intervals between 3:30 p.m. and up to 4:00 p.m. on the Last Trading Day; or (ii) one (1) minute intervals between 11:30 a.m. and up to 12:00 noon on the Last Trading Day which falls on Christmas Eve, New Year's Eve or Lunar New Year's Eve. The Chief Executive of the Exchange has the power under the Regulations for trading Stock Index Futures Contracts to determine the Final Settlement Price under certain circumstances

Revised publication window for publishing issuers' documents on the HKEX website

To align with the revised closing time for trading equity index futures and options upon implementation of CAS, the commencement of the evening publication window for publishing issuers' documents on the HKEX website will be changed from 16:15 to 16:30 for a normal trading day and from 12:00 to 12:30 for a half trading day.

12. Typhoon Arrangements

Change to the existing typhoon arrangement after the implementation of the CAS

Securities market

If a Typhoon Signal No. 8 or above is hoisted before 15:45 (for full day trading) or 11:45 (for half day trading), trading will terminate 15 minutes after the hoisting of the Signal. There will be no CAS for that trading day if trading has not been resumed by 15:45 (for full day trading) or 11:45 (for half day trading).

If a Typhoon Signal No. 8 or above is hoisted at or after 15:45 (for full day trading) or 11:45 (for half day trading), trading for the day will continue as normal until the end of the CAS.

Derivatives market

(a) For stock index futures and options, currencies futures and commodities futures

I. For full day trading

If a Typhoon Signal No. 8 or above is hoisted before 15:45, trading will be terminated 15 minutes after the hoisting of the Signal.

If a Typhoon Signal No. 8 or above is hoisted at or after 15:45 but before 16:00, trading will be terminated at 16:15.

If a Typhoon Signal No. 8 or above is hoisted after 16:00, trading will be terminated 15 minutes after the hoisting of the Signal.

II. For half day trading

If a Typhoon Signal No. 8 or above is hoisted before 11:45, trading will be terminated 15 minutes after the hoisting of the Signal.

If a Typhoon Signal No. 8 or above is hoisted at or after 11:45 but before 12:00, trading will be terminated at 12:15.

If a Typhoon Signal No. 8 or above is hoisted after 12:00, trading will be terminated 15 minutes after the hoisting of the Signal.

(b) For HIBOR futures

i. For full day trading

If a Typhoon Signal No. 8 or above is hoisted before 15:45, trading will be terminated 15 minutes after the hoisting of the Signal.

If a Typhoon Signal No. 8 or above is hoisted at or after 15:45 but before 16:00, trading will be terminated at 16:15.

If a Typhoon Signal No. 8 or above is hoisted after 16:00, trading will be terminated 15 minutes after the hoisting of the Signal.

ii. For half day trading

Typhoon arrangement for half day trading will remain unchanged (i.e. trading will be terminated 15 minutes after the hoisting of the Signal).

(c) Typhoon arrangement for stock futures and options will remain unchanged (i.e. trading will be terminated 15 minutes after the hoisting of the Signal).

13. Additional Market Data Dissemination

The new CAS will offer better transparency by providing market participants with additional market information in addition to the IEP, the IEV and the order queues currently available during the Pre-opening Session (POS). Additional market information includes CAS stock indicator, order imbalance information (direction and quantity), reference price, Stage 1 and Stage 2 price limit (upper and lower price limits).

The HKEX Orion Market Data Platform for Securities Market (OMD-C) will disseminate the above information to the market. Before the start of a trading day, the OMD-C message for providing reference data will indicate whether a security is eligible for CAS or not on that day by a newly introduced CAS security indicator.

The reference price will be disseminated once it is determined during the Reference Price Fixing Period between 16:00 to 16:01 for each security, regardless of the CAS eligibility of that security. For a non-CAS eligible security, the reference price will be equivalent to its closing price for the trading day which will be disseminated after the close of the market.

The lower and upper price limits for the Order Input Period (Stage 1 price limits) will be disseminated along with the Reference Price once determined during the Reference Price Fixing Period. At the end of the Order Input Period at 16:06, Stage 2 price limits will be disseminated for each CAS eligible security, even if the price limits of that security stay unchanged from its Stage 1 price limits.

The Indicative Equilibrium Price (IEP) and Indicative Equilibrium Volume (IEV) will be disseminated during CAS in the same manner as during POS. In addition, order imbalance information, including the buy/sell direction and the imbalance quantity, at the latest IEP will also be disseminated during CAS when there is a change of order imbalance direction or quantity. For clarity's sake, order imbalance information will remain unavailable during POS.

The closing prices of **all** securities, regardless of the CAS eligibility of the securities, will be determined shortly after the completion of order matching which can happen at any time during the Random Close Period from 16:08 and 16:10. OMD-C will disseminate the closing prices once determined.

Similar to POS, trade related messages such as trade tickers, trades and statistics will be disseminated during CAS. Also, nominal price, which will be the same as the IEP if IEP is available, will be disseminated during CAS if there is any update.

Similar to POS, OMD-C will provide aggregate order book update for the best 10 bids and best 10 offers as well as the broker queue during CAS. On the other hand, individual at-auction orders and at-auction limit orders will not be available in OMD-C during CAS, following the same treatment as in POS.

14. Callable Bull/Bear Contract (CBBC) Mandatory Call Event (MCE)

Given structured products will not be covered under the CAS, it is possible that the market closing time for a structured product would be different from its underlying security.

For CBBC with a CAS security as the underlying asset, the CBBC could be called (i.e. undergo an MCE) when its underlying security hits the call price at the end of the CAS.

15. Input and Rejection of Manual Trade

Input of manual trade is allowed throughout the CAS period except during the Reference Price Fixing Period. Similarly, AMS/3 system would also accept rejections of manual trades which are inputted during the CAS. However, rejection of manual trades that are inputted before the CAS would not be accepted by the AMS/3.

All order or trade handling by the EPs, including manual trade input or rejection, would not be allowed after the end of the Random Closing Period.

16. Enquiries and Others

Market participants who want to further understand the details of the CAS can refer to the following website, email accounts and hotline numbers:

CAS/VCM webpage	http://www.hkex.com.hk/eng/market/sec_tradinfra/vcm_cas/vcm_cas.htm
Email	Securities Market: AMS3Info@hkex.com.hk Market Data/OMD-C: IVSupport@hkex.com.hk
Hotline	Securities Market : 2840 3626 Market Data/OMD-C : 2211 6558

Appendix: Worked Examples - Closing Price Determination and Auction Matching

1. If the reference price is at \$100, and at the end of CAS the order book only has 1 at-auction limit buy order at \$99 and 1 at-auction sell order, will these orders be matched?

Ans: As IEP cannot be formed, the reference price (\$100) will become the closing price. However, as the limit order buy at \$99 is worse than closing price (\$100), the two orders will not be matched.

2. If the reference price is at \$100, and at the end of CAS the order book only has 1 at-auction limit sell order at \$99 and 1 at-auction buy order, will these orders be matched?

Ans: Yes, since IEP cannot be formed, the reference price (\$100) will be the closing price and the limit sell order (\$99) is matchable at \$100.

3. If the reference price is at \$100, and at the end of CAS the order book only has 1 at-auction sell order and 1 at-auction buy order, will these orders be matched?

Ans: Yes, the closing price will be at \$100 and the orders will be matched at that price.

4. After 16:00, will AMS cancel orders that are already in the order book during the CTS, with price limits set outside of the 5% reference price buffer?

Ans: After 16:00, on CAS securities, AMS will cancel the high bid and low ask orders (i.e. buy order with price higher than 5% limit and sell order with price lower than 5% limit) while the passive orders (buy order with price lower than the lower price limit or sell order with price higher than the upper price limit) will still be carried forward to the CAS but these orders will not be matched in CAS.

5. After 16:00, will AMS reject new orders that are submitted, with price limits set outside of the 5% reference price buffer?

Ans: Yes, during Order Input Period, AMS will reject new buy and sell orders with prices which deviate more than 5% from the Reference Price. For example, if the Reference Price is \$100, AMS will reject buy and sell orders with prices lower than \$95 or higher than \$105. During No Cancellation Period and Random Closing Period, AMS will reject new buy and sell orders with prices outside the highest bid and lowest ask recorded at the end of Order Input Period (i.e. 16:06).

6. If there is no overlap in the CAS limit order book at the end of the CAS, how will the closing price be calculated?

Ans: The Reference Price will be the closing price.

7. If reference price is set at \$100, and at the end of the CAS if best bid is set at \$101 and best offer is set at \$102 and no other at-auction order (i.e. no overlap in limit order book), how will the closing price be calculated and will there be order matching?

Ans: The Reference Price will be the closing price and there will be no order matching.

8. If there is a one-sided book (no buyers or no sellers), in the final two minutes of the CAS, how will the closing price be calculated?

Ans: The Reference Price will be the closing price.

9. Is there still a nominal price check validation during the CAS, and if so is the CAS going to adopt the 9-time rule, or the 24 spread rule or simply a 5% upper/lower limit rule?

Ans: In CAS, orders will be subject to 5% price limit and 9-time rule but 24-spread rule will not be applicable for CAS.

10. Will the existing price warning mechanism apply in the CAS?

Ans: Yes, it will apply in the CAS.

11. If a short sell is submitted prior to 16:00, yet its price is lower than the reference price but higher than the lower price limit in the first stage, will the short sell be carried over to the CAS?

Ans: Yes., provided that the price of this short selling order is higher than the lower price limit.

12. In a rare case, what would be the price limit if the highest bid or lowest ask fall outside the 5% price limit at the end of Order Input Period?

Ans: At any time during the CAS, order price must not deviate more than 5% from the reference price.

13. If there is no overlap in the CAS limit order book at the end of Order Input Period (e.g. highest bid (e.g. at \$98) is lower than the lowest ask (e.g. at \$101), IEP is not available for this case), how will the second stage price limit for No Cancellation Period and Random Closing Period be determined?

Ans: The price limit for No Cancellation Period and Random Closing Period is still set within the highest bid and the lowest ask of the order book at the end of the Order Input Period as recorded at 16:06. For this case, the upper price limit is \$101 while the lower limit is \$98.

