HKEx 香港交易所

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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

事項
Subject: **IMPLEMENTATION OF CLOSING AUCTION SESSION**

查詢
Enquiry: **Participant General Enquiry Hotline (Tel : 2840 3626 E-mail : trd@hkex.com.hk)**

The closing auction session of the securities market will be implemented on 26 May 2008. The date has been set after taking into consideration system preparations by Exchange Participants and the scheduled introduction of five-digit stock codes in April 2008. This circular explains important facts relating to the implementation of closing auction session. Exchange Participants should also refer to Exchange circular LSD/58/2007 dated 31 October 2007 on related amendments to the Rules of the Exchange that has been approved by the Securities and Futures Commission.

The Closing Auction Session

The closing auction session will mirror the auction model currently adopted for the Pre-opening Session. All securities traded on the Main Board and the Growth Enterprise Market will be covered. Lasting 10 minutes, the closing auction session will be held immediately after the continuous trading session (i.e. from 16:00 to 16:10 for normal day trading; or from 12:30 to 12:40 for half day trading on the eves of Christmas, New Year and Lunar New Year).

All orders outstanding in AMS/3 at the end of the continuous trading session, including market making orders of Securities Market Makers and Structured Product (including derivative warrant and CBBC) liquidity orders (if any), will be automatically carried forward to the closing auction session and will be processed by AMS/3 as at-auction limit orders. The order entry times of such orders will be the original times when the orders were entered into AMS/3. New input of market making orders by Securities Market Makers and Structured Product liquidity orders by Structured Product Liquidity Providers into AMS/3 will not be allowed during the closing auction session; same as the current practice in the Pre-opening Session.

The first 8 minutes of the closing auction session will be the order input period, during which both at-auction limit orders and at-auction orders, which will have a higher matching priority than at-auction limit orders, will be accepted. Order amendment or cancellation will also be allowed during the order input period. An at-auction limit order or at-auction order that is amended in connection with a reduction in size will not affect its time priority. However, an at-auction limit order or an at-auction order that is amended in connection with the specified price (if applicable) or an increase in size will result in loss of the original time priority.

The last 2 minutes of the closing auction session will be the pre-order matching period, during which only at-auction order will be accepted, and order amendment or cancellation will not be allowed.

If the final Indicative Equilibrium Price (IEP) as at the end of the pre-order matching period can be determined (using the same methodology as currently used in the Pre-opening Session), AMS/3 will perform matching at such IEP for orders eligible for matching, and thereafter the closing price determination.

The final IEP, if available, will become the closing price; otherwise the current method of using the median of the five snapshots of nominal prices taken in the last minute of the continuous trading session will be adopted to calculate the closing price. At any moment during the closing auction session, IEP will be calculated and broadcasted as the nominal price. If an IEP is not available, the nominal price prevailing at the end of the continuous trading session will be used as the nominal price.

The end of the pre-order matching period will be the market closing time. Transactions concluded by closing auction matching will be deemed to be concluded at this market closing time; though the actual trade matching time will be provided in trade notifications. All orders which remain wholly or partly unmatched after the closing auction session will be deleted from AMS/3 automatically at the end of the trading day.

All manual trade types will be accepted by AMS/3 during the closing auction session.

The different statuses of the closing auction session are summarized in the following table:

Normal Day Trading		**Half Day Trading (on eves of Christmas, New Year, Lunar New Year)**	
Closing auction session Status	**Time**	**Closing auction session Status**	**Time**
Order input	16:00 – 16:08	Order input	12:30 – 12:38
Pre-order matching	16:08 – 16:10	Pre-order matching	12:38 – 12:40
Market close	16:10	Market close	12:40
Matching and dissemination of trade notifications	16:10 – completion of matching (variable end time)	Matching and dissemination of trade notifications	12:40 – completion of matching (variable end time)
System day close (determination and dissemination of closing price)	upon completion of matching	System day close (determination and dissemination of closing price)	upon completion of matching

Typhoon arrangement

The trading arrangement for securities market upon approach of a typhoon after implementation of the closing auction session is highlighted in the following table:

Normal Day Trading	Half-Day Trading (eg Christmas Eve)
Typhoon Signal No. 8 or above hoisted before 15:45 during Afternoon Session- – Trading will be terminated 15 minutes after hoisting of Typhoon Signal No. 8 or above – No trading for the rest of the day	Typhoon Signal No. 8 or above hoisted before 12:15 during Morning Session- – Trading will be terminated 15 minutes after hoisting of Typhoon Signal No. 8 or above – No trading for the rest of the day
Typhoon Signal No. 8 or above hoisted at or after 15:45 during Afternoon Session or Closing Auction Session- – Trading will continue until the end of Closing Auction Session	Typhoon Signal No. 8 or above hoisted at or after 12:15 during Morning Session or Closing Auction Session- – Trading will continue until the end of Closing Auction Session

Ancillary changes

The following ancillary changes will be made together with the implementation of closing auction session:

- The Exchange Intervention system status (currently from 16:00 to 16:01 on normal day trading; or from 12:30 to 12:31 on half day trading) will be removed.

- The current limitation that only pre-opening trade type “P” (also referred to as private trade type “R” in Exchange Participants’ trade journal) can be used for inputting manual transactions during the Pre-opening Session will be removed. All manual trade types will be accepted in the Pre-opening Session. Manual transactions conducted during the Pre-opening Session should be input using the respective appropriate trade types based on the nature of the transactions. The pre-opening trade type “P” should be used for transactions concluded before the commencement of the Pre-opening Session, including those concluded on the previous day but not recorded in the system.

Testing and market rehearsal schedule

BSS free end-to-end testing and market rehearsals will be conducted according to the following schedule:

Dates (in 2008)	Tasks
14/4 (Monday) – 18/4 (Friday)	Free End-to-End sessions for BSS users
3/5 (Saturday)	1st Market Rehearsal
10/5 (Saturday)	2nd Market Rehearsal
24/5 (Saturday)	Post release test
26/5 (Monday)	Implementation

Exchange Participants should ensure that their systems and operation are ready for the implementation of closing auction session according to the above schedule.

<u>Derivatives markets trading hours</u>

The effective trading hours of the stock index futures/options markets will be extended correspondingly and certain trading arrangement upon approach of a typhoon will be modified with the implementation of the closing auction session. Exchange Participants may refer to HKFE circular DMD/350/07 dated 31 October 2007 for further details.

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