

## Part B Consultation Questions – Pre-opening Session Enhancement

Please indicate your preference by checking the appropriate boxes and provide reasons to support your views. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at: <http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/August-2019-Consultation-Paper-on-Market-Microstructure-Enhancements/Consultation-Paper/cp201908.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you support using the following **auction features** in POS, similar to CAS:
  - Randomised auction matching;
  - Allowing at-auction limit orders throughout the session;
  - Allowing short selling orders with a price not lower than the previous closing price; and
  - Enhanced market transparency.

Yes

No

Please give reasons for your view.

*Incorporating features of the CAS into the POS would, I believe, help better enable the market to achieve proper price discovery.*

*Mimicking a similar time series that is used in the closing auction with regard to allowing limit orders throughout the opening session would be helpful vs the current market setup ie can enter orders throughout the window however cannot cancel after a particular time. Currently, as a firm, we typically like to send limit orders to market as opposed to 'market orders' as an extra security measure in the event of a keying error – therefore current POS structure is somewhat limited after 9:15am*

*Allowing for short selling above previous close would also, I believe, not only increase volumes and participation but also help better determine price discovery*

2. Do you agree that the enhanced POS model should **be applied to all equities and funds only** similar to CAS, with details as follows:
  - Including equities (including depository receipts, investment companies,

- preference shares and stapled securities) and funds (ETFs and REITs)
- Excluding debt securities, structured products, leveraged and inverse products, equity warrants and rights.

Yes

No

Please give reasons for your view.

***I believe that for true price discovery purposes, all equities should be included in this auction***

3. Do you support applying a two-stage price limit during POS similar to CAS?

Yes

No

Please give reasons for your view.

***CAS mechanism seems to have run smoothly from day 1 and therefore I believe this would be the case for POS***

4. Do you support setting the price limits to be initially  $\pm 15\%$  from the previous closing price, and then to within the lowest ask and highest bid prices recorded at the end of order input period?

Yes

No

Please give reasons for your view.

***I disagree with 'lowest ask/highest bid' as to me it is arbitrary. For instance in Australia auctions, there are very liberal limits used in the auctions to ensure getting done which I do not think correlates to price discovery***

5. Do you support the proposed time periods in the enhanced POS, or would you prefer the alternative model with the No-cancellation period shortened by 2 minutes such that auction matching may occur latest by 9:20am same as today?

- Support the proposed time periods
- Prefer the alternative model
- Not support

Please give reasons for your view.

***In terms of timing, something that aligns with futures liquidity and in similar time stages to current setup seems logical ie 9am window opens, limit orders can be entered until 9:22am, cannot be cancelled after 9:15am and can print from 9:20 – 9:22am or something to that affect***

6. Do you support the proposal of **not** matching at-auction order at the previous closing price when an IEP cannot be formed in POS?

- Yes
- No

Please give reasons for your view.

7. Do you have any other comments on the POS enhancement proposal?

- Yes
- No

Please give reasons for your view.

## Part C Consultation Questions – Volatility Control Mechanism Enhancement

8. Do you support the proposed expansion of VCM stocks in the securities market to all HSCI constituent stocks to safeguard market from possible disorderliness in trading caused by advances in trading technology?

Yes

No

Please give reasons for your view.

*I believe this should be expanded to safeguard investors*

9. If you prefer other expansion options, please indicate below:

Alternative Option 1: Expand to include constituents of Hang Seng LargeCap Index only

Alternative Option 2: Expand to further include all constituents of Hang Seng LargeCap and MidCap Indexes only

Alternative Option 3: Expand to all equities but with a higher triggering threshold for the non-HSCI stocks

Others. Please specify : \_\_\_\_\_

Please give reasons for your view.

10. Do you support the proposed trigger thresholds of 10%, 15%, and 20% for Hang Seng Composite LargeCap, MidCap and SmallCap stocks respectively?

Yes

No

Please give reasons for your view.

***This seems to be inline with various exchanges within the region.***

11. Do you support the proposal to allow multiple triggers in the same trading session?

Yes

No

Please give reasons for your view.

***Assuming this will not restrict trading***

12. Do you have other suggested enhancements or any other comments for VCM in the securities market?

Yes

No

Please give reasons for your view.

13. If your answer to Q12 is "Yes", would you support implementing the three enhancement features proposed first, as they can be implemented relatively quickly, before we move on to review or implement some other more complex features?

Yes

No

Please give reasons for your view.

14. On top of the proposed VCM enhancements, should we also consider a market-level volatility control (such as market-wide circuit breakers) for the Hong Kong market?

Yes

No

Please give reasons for your view.

***Similar to circuit breakers on S&P futures, +/-10% could make sense; maybe wider given HK's unique positioning as a global financial center in Asia***

15. If your answer to Q14 is "Yes", what kind of model would be suitable and when should we consider it?

Please give reasons for your view.

## Part D Consultation Questions – Implementation Approach and Timeline

16. How much lead time would you need for the proposed POS enhancements?

- Under 3 months;
- 4-6 months;
- 7-12 months
- Others. Please specify : \_\_\_\_\_

Please give reasons for your view.

***Under 3 months is difficult for street-wide users of algos, etc to become acquainted with the new rules and adjust properly for volume curves, etc***

17. How much lead time would you need for the proposed VCM enhancements?

- Under 3 months;
- 4-6 months;
- Others. Please specify : \_\_\_\_\_

Please give reasons for your view.

- End -