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.

It enhanced the pre-opening session trade tansperency and efficiency, and mitigate the price rigging activity.

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 depositary 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.

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

☑ Yes

☐ No

Please give reasons for your view.

Agree to exclude stock in some scenario, but wonder why the stock on ex-date is excluded as it may be a loop hole. We would like to know the handling like stock dividend, sub-division consolidation.

4. Do you support setting the price limits to be initially ±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.

In principle, agreed, but the defined price limit threshold may be considered on various price tier level instead of unique percentage.

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.

The proposed time period is clear and simple, easily communicate with client.

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.

   Agree with the concerns raised in the consultation paper.

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.

This can enhance the customer protection, especailly in highly volitale situation.

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.

Such protection mechanism should apply to all stocks, while the small cap stock should be the focus rather than the others.

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.

The threshold considered the natures of different kind of stocks, but suggest to review the threshold regularly.

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

☑ Yes

☐ No

Please give reasons for your view.

It take a balance approach between suspend trade for whole day and market protection in the same time.

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.

Market level volatility may not has high correlation to individual stocks, by consider the market level may hinder the trading activities unnecessarily.

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 : 12 months or more

Please give reasons for your view.

Enhancement lead time and would like to place more effort for the system testing to ensure the system integrity.

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

☐ Under 3 months;

☐ 4-6 months;

☑ Others. Please specify : 12 months

Please give reasons for your view.

Enhancement lead time and would like to place more effort for the system testing to ensure the system integrity.

- End -