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**From:** LI, Samson Kai Cheong [REDACTED]  
**Sent:** Thursday, April 26, 2007 18:10  
**To:** feedback  
**Subject:** RE: Consultation on Introduction of Closing Auction Session

Dear Sirs,

After internal discussions with my colleagues at East Asia Securities Company Limited and the equity derivatives team of BEA, we have the following comments on the consultation paper.

1. The closing auction session should be fairer in determining the closing prices when comparing with the existing calculation mechanism. Currently, the closing price for some illiquid stocks can easily be manipulated by a few orders within the last minute. It would be difficult for our traders to unwind the option position with a sudden price movement near the market close.
2. With the introduction of closing auction session, the closing price can be fairly calculated using a transparent auction process similar to the pre-market auction. In addition, the extension of the trading hours should provide more time for market participants to determine a fair price for a particular stock based on supply and demand. Of course, we expect sufficient lead time for participants to amend or enhance their system for the relevant launch of the closing auction feature in the future.
3. Meanwhile, most of the major exchanges in the world, like NYSE, ToykoSE, London Stock Exchange and Deutsche Bourse ...etc, have already adopted the closing auction session. They all have very satisfactory results. Accordingly, we believe it should be a good idea for Hong Kong to catch up with the global trend.

All in all, we have a positive view on the proposed changes.

Yours faithfully,  
Samson K.C. Li  
General Manager & Head of Investment Banking Division  
The Bank of East Asia, Limited

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