

**C L I F F O R D  
C H A N C E**

**CLIFFORD CHANCE**  
高偉紳律師行  
28TH FLOOR, JARDINE HOUSE  
ONE CONNAUGHT PLACE  
HONG KONG  
TEL +852 2825 8888  
FAX +852 2825 8800  
INTERCHANGE DX-009005 CENTRAL  
www.cliffordchance.com

YOUR REFERENCE

IN REPLY PLEASE QUOTE  
**MDXR**

DATE  
20 April 2007

DIRECT DIAL  
[REDACTED]

**BY HAND**

Hong Kong Exchanges and Clearing Limited  
12th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CASH MARKET**

23 APR 2007

**RECEIVED**

Dear Sirs,

**Consultation Paper on the Introduction of a Closing Auction Session**

We are responding to the invitation to provide comments on the proposals contained in the Consultation Paper on the Introduction of a Closing Auction Session. We are grateful to the Exchange for this opportunity.

We welcome the proposal to introduce a closing auction system. We believe that it will help to address concerns regarding increased volatility at the close of the market and the limited opportunities for direct participation by market participants in trading at and following the close.

A closing auction will encourage additional liquidity at the close and higher volume will reduce price volatility.

Whilst we are in favour of the proposal we advocate the introduction of the random closing model that is adopted by the London and Australian Stock Exchanges and the Deutsche Bourse. It provides for a "visible" closing rotation that discloses price and volume levels. This model is proven and is regarded as fair by market participants. It has witnessed significant increased participation.

The "visibility" of the random closing model attracts the interest and participation of the broader market. It is also a key factor in mitigating gaming attempts since market participants are unaware exactly when the closing is to take place.

HKG-1/678513/01

Office/OFFICE

**PARTNERS**

S.R. BACHE  
J.W. BAIRD  
C.S.K. CHAN  
R.M. DENNY  
C. HENG  
L. HO  
J.E. JAMISON  
H.R. JENKINS

C.W.M. KAN\*  
W.W. LI  
A. LINDSAY  
A.S.H. LO  
P.S. O'CONNOR  
M.D. ROGERS  
M.G. SHIPMAN  
C.F.M. TANG

J.A. WALKER  
A. WANG  
A.M. WHAN

**FOREIGN LEGAL CONSULTANTS**

P.C. DARE BRYAN (ENGLAND AND WALES)  
GAO P.J. (PRC)  
G.C. HOLLAND (NEW YORK, USA)  
R.J.E. HOWELL (ENGLAND AND WALES)  
A.E. LLOYD (MARYLAND, USA)  
S.J. LYONS (NEW YORK, USA)  
A.P. OAKES (NEW SOUTH WALES)  
R.A. RITCHIE (NEW SOUTH WALES)

**CONSULTANTS**

E.J. CHUA\*  
K.K.C. LEUNG  
J.T.L. WONG

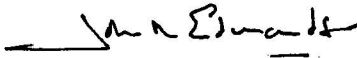
\* CHINA-APPOINTED  
\* NON-RESIDENT

We note the concern with regard to the possible negative impact on system costs in adopting a random closing auction. However, we believe that these costs should be outweighed by the positive enhancement to the integrity of the market.

Yours faithfully,



Martin Rogers  
Partner, Co-head, Asian Financial Services Regulatory Group



John Edwards  
Professional Director, Financial Services Regulatory Group