

PART B: DETAILED QUESTIONS FOR RESPONSE

Please indicate your preference by providing comments as appropriate. Where there is insufficient space, please attach additional pages as necessary.

- (1) Do you support Approach 1, Approach 2, Approach 3 or suspending the CAS as a whole? Please state.

We prefer to keep the current Closing Auction Session without any price control in place to align with major overseas markets. With proper unusual trade monitoring by authorities/regulatory, the current mechanism can reflect the actual market demand and supply of specific securities at closing.

However, if to choose amongst the above options, Approach 2 is more preferred given the similar trading mechanism at CTS which should be easier for retail investors to comprehend, albeit more system development efforts on the Bank's side are required.

- (2) If Approach 1 is adopted,

- (i) Do you prefer the price limit to be set at 5%, 10% or other percentages?

10% from nominal

- (ii) How much lead time would your firm require for its implementation?

5 months leadtime on the assumption that sufficient customer education and prior notification provided by HKEx as this is an unbudgeted item thus far.

- (3) If Approach 2 is adopted,

- (i) Do you prefer the price limit to be set at 10 spreads, 24 spreads or other spreads?

24 spreads same as CTS

- (ii) How much lead time would your firm require for its implementation?

5 months leadtime on the assumption that sufficient customer education and prior notification provided by HKEx as this is an unbudgeted item thus far

- (4) If Approach 3 is adopted,

- (i) Do you prefer the outstanding orders priced outside the pre-set range to be cancelled instead of carrying forward to the CAS?

Prefer carrying forward to CAS for execution to avoid chances where customers do not have sufficient time to place new orders within the 8 minutes at CAS. This is because cash/scrip held for original orders can only be released by system after the Bank receives cancellation acknowledgment from HKEx. Past experience tells that there may be time gap in between especially during volatile stock market.

If outstanding orders are forward to CAS, system allows customers to amend or cancel the orders anytime during CAS without any dependencies..

- (ii) For securities without the day high and day low prices at 4 pm, do you prefer disallowing order input during the CAS for these securities or not imposing a price control limit at all?

Prefer not imposing a price control limit but subject to 9 times restrictions at POS.

- (iii) Do you prefer the price control limit to be set at 0 spreads (i.e. simply using the day high and day low prices as limit), 10 spreads or other spreads above the day high and below the day low prices?

Prefer 0 spreads to simplify communications to retail stock investors.

- (iv) How much lead time would your firm require for its implementation?

5 months leadtime on the assumption that sufficient customer education and prior notification provided by HKEx as this is an unbudgeted item thus far.

- (5) If suspension of the CAS is adopted, how much lead time would your firm require for its implementation?

4 months system development leadtime on the assumption that sufficient customer education and prior notification provided by HKEx as this is an unbudgeted item thus far.

- (6) Do you have other proposed measures to reduce price volatility during the CAS or other comments or suggestions regarding the CAS? Please state.

We hold the view that normal price volatility should not be over-controlled. With proper unusual trade monitoring by authorities/regulatory, the current CAS mechanism without any price control can reflect the actual market demand and supply of specific securities at closing. .

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