

BY HAND

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

22 December 2008

Our Ref: [REDACTED]

Dear Sir/ Madam

Re: Consultation Paper on Introduction of a Price Control Mechanism during the Closing Auction Session in the Securities Market

Please find enclosed a submission by [REDACTED] in response to the captioned consultation paper.

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.

Of all the options stated, we would only support suspending the CAS as all the other Approaches are contradictory to the fundamental principal of price discovery under a free market condition.

- (2) If Approach 1 is adopted,

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

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

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- (3) If Approach 2 is adopted,

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

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

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- (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?

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(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?

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(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?

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

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

We would expect a lead time of four months.

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

To reduce price volatility during the CAS, we would propose to allow market makers to participate the CAS and allow short selling during the CAS if the price movement during the CAS goes above a certain threshold (say 10% of the nominal price at 4p.m.).

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