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.
Approach 1

(2) If Approach 1 is adopted,

    (i) Do you prefer the price limit to be set at 5%, 10% or other percentages?
Propose 15 % to ensure penny stocks buffer.

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

(3) If Approach 2 is adopted,

    (i) Do you prefer the price limit to be set at 10 spreads, 24 spreads or other spreads?
Not recommended as large cap stocks on HKD 100 will only have 2.4% max movement.

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

(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?
Not an option. Will create a) confusion in MOC orders b) more technology investment

(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 <u>or</u> 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?
Not an option

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

1) allow input of short sell on 4pm last price + 1 tick and above. Long sell limit orders will have priority over short sell orders if the same price

2) Matching process :
a) buy & sell market order should be allowed to match @ 4pm last price – currently not matching
b) if one side has a limit order and the other side a market order, it should match @ limit order price

3) Publishing of share imbalances during CAS – we would like to see at IEP, its total imbalance matching size. This will encourage market participants to offset imbalances

4) Continuous closing (similar to NYSE & NASDAQ). Ability to enter auction orders during CTS. Start publishing share imbalances based on last price during CTS.
   - At Auction or At Auction Limit orders can be entered prior to 4:00. Share imbalances will be continuously published. After 4:00, only orders that will offset imbalances will be
allowed for the CAS. For both the NYSE and NASDAQ markets, the CAS session overlaps with the CTS. This allows market participants to carefully monitor closing auction imbalances and offset potential volatility. It will also give market participants an opportunity to hedge their risk in the CTS should they choose to participate in the CAS. This helps reduce pricing discrepancies between the CTS and CAS.

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