

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

Our firm favours a free market and would not support an additional price restriction during CAS. In our view, the existing CAS mechanism is better than the previous closing price calculation methodology, i.e. no suspension. Our firm believes the following:

- The introduction of additional price restriction may lead to inefficiency, lower volumes, less liquidity and potential problems with OTC derivative settlements. For example, the existing restriction on the IEP price whereby it cannot clear above the highest bid or below the lowest ask creates occasional under-fills for Market On Close orders.
- The removal of the order restrictions in CAS will provide more flexibility and encourage liquidity where orders can be created, amended or cancelled throughout the auction period including the final 2 minutes. Where necessary, HKEx can introduce random CAS closing times to mitigate potential manipulation.

2. If Approach 1 is adopted (*percentage*),

2.1 Do you prefer the price limit to be set at 5%, 10% or other percentages?

Our firm does not support additional price restriction during CAS. For example, we would like the percentage to be as high as possible, e.g. 40%.

2.2 How much lead time would your firm require for its implementation?

Our firm would require 2 weeks lead time for implementation.

3. If Approach 2 is adopted (*price spreads*),

3.1 Do you prefer the price limit to be set at 10 spreads, 24 spreads or other spreads?

Our firm does not support additional price restriction during CAS. For example, we would like the spreads to be as high as possible, e.g. 96 spreads.

3.2 How much lead time would your firm require for its implementation?

Our firm would require 2 weeks lead time for implementation.

4. If Approach 3 is adopted, (*day high and low prices*)

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

In the interest of efficiency and liquidity, all outstanding orders should be carried forward to CAS without additional price restriction.

4.2 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?

Our firm does not support additional price restriction during CAS.

4.3 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?

Our firm does not support additional price restriction during CAS. For example, we would like the spreads to be as high as possible, e.g. 96 spreads.

4.4 How much lead time would your firm require for its implementation?

Our firm would require 6 weeks lead time for implementation.

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

Our firm does not support the suspension of the CAS which is a better approach than previous closing price calculation methodology.

Our firm would require 2 weeks lead time for implementation.

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

Our firm favours a free market and would not support an additional price restriction during CAS.

In our view, the introducing of highest bid and/or lowest ask price restrictions may lead to inefficiency, lower volumes, less liquidity and potential problems with OTC derivative settlements.

Our firm favours the removal of the order restrictions in CAS to provide more flexibility and encourage liquidity where orders can be created, amended and cancelled throughout the auction period including the final 2 minutes. Where necessary, HKEx can introduce random CAS closing times to mitigate potential manipulation.

Finally, HKEx may consider permitting single stock options market makers to input short sell limit or market order during the closing auction for hedging purpose to prevent extreme price movement resulting from illiquid and inefficient market.