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 is preferred

(2) If Approach 1 is adopted,

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

15%

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

Provided that the Exchange and market data provider can provide the snapshot nominal price, day high and day low at 4pm, then the expected lead time to implement would be around 2 months

(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 a preferred approach as it's too complicated and may cause confusion to the market but would leave it to HKEx to set the limit if adopted

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

Provided that the Exchange and market data provider can provide the snapshot nominal price, day high and day low at 4pm, then the expected lead time to implement would be around 2 months

(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?

No

(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?

Not imposing a price limit

(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?

Not a preferred approach as it is not the way how the market operate as well as being too complicated and may cause confusion to the market but would leave it to HKEx to set the limit if adopted

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

Provided that the Exchange and market data provider can provide the snapshot nominal price, day high and day low at 4pm, then the expected lead time to implement would be around 2 months

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

Expected lead time for implementation would be around 2 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.

It is suggested that the mechanism being adopted by Australia and Singapore should be examined and considered. The current CAS mechanism together with the proposed price control limits will not remove the structural imbalance. Introduction of short sell in the CAS may reduce some of the closing price volatility (upside) and the subsequent downward movements as prices move to equilibrium.

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