

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 support approach 2. It is easier for the participants in execution to remember and exercise such a control.
- (2) If Approach 1 is adopted,
- (i) Do you prefer the price limit to be set at 5%, 10% or other percentages?
2%
- (ii) How much lead time would your firm require for its implementation?
We will be relying on the trading system of SEHK to accept or reject our orders as a control mechanism to start with. Therefore, the new approach can be immediately implemented as long as SEHK has such a control mechanism in place.
- (3) If Approach 2 is adopted,
- (i) Do you prefer the price limit to be set at 10 spreads, 24 spreads or other spreads?
10 spreads
- (ii) How much lead time would your firm require for its implementation?
Please see (2) (ii).
- (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?
We preferred to have the outstanding orders carried forward. The reason is that during a volatile day, the spread between day high and low may be huge and the resultant share price based on such a mechanism may not resemble the 4:00 pm price. On the other hand, the bid or offer price of outstanding orders are restricted by the system already in place.

(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?

We prefer that these securities cannot participate in the CAS because there is not reference to pricing during normal trading hours. If a buyer or seller wants to execute orders by bidding or offering aggressively, they should do it during normal trading hours.

(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?

We do not prefer the day high and low approach because it is very difficult to work in a volatile day.

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

Please refer to (2)(ii).

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

Please refer to (2)(ii)

(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 support the CSA because it can serve certain purposes: e.g.

1. Increasing the chance of finishing large orders not finished during the day
2. Orders from abroad especially from London arriving late in the afternoon may be able to be satisfied
3. Dealing errors discovered after market close could be rectified

On the other hand, we support that the price movement under the CAS arrangement should be restricted because:

1. HK stock market is the only major market in the world dominated by foreign institutions
2. HK stock market is dominated by category A brokers
3. The futures market is in operation 15 minutes after the close of the cash market at 4 pm. There is a reason to influence closing prices which are based on the CAS arrangement.

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