

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.

██████████ welcomes the public consultation of this matter and views it as another important step to establish the Hong Kong Stock Exchange as a leading Exchange globally.

The Closing Auction System (CAS) was only implemented in May 2008. We view the year 2008 as not representative to judge the success of the CAS in Hong Kong given the limited experience.

Hence, we currently do not recommend a change and do not favor a suspension of the CAS.

- (2) If Approach 1 is adopted,

(i) Do you prefer the price limit to be set at 5%, 10% or other percentages?
If one approach is to be selected than we would welcome approach 1.

If a price limit is to be selected, consideration should be given to order fill priority and quantity of order fills.

(ii) How much lead time would your firm require for its implementation?
We estimate a lead time of 4 months if a change to the current CAS is required.

- (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 preferred

(ii) How much lead time would your firm require for its implementation?
We estimate a lead time of 4 months if a change to the current CAS is required.

- (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 preferred

(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 preferred

(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 preferred

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

We estimate a lead time of 4 months if a change to the current CAS is required.

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

We estimate a lead time of 4 months if a change to the current CAS is required.

(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 would like to recommend to allow Short-Selling at the CAS: By allowing (covered, market) short-sell orders at the close, additional liquidity can be provided to offset a spike in buy demand. The ideal case is to allow short-selling at any price as long as borrow is secured. This would ensure that participants have the best tools and opportunity to help create a stable market.

██████████ would welcome the opportunity to discuss the CAS mechanisms and other recommendations at a meeting with the HKEX.

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