

Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Re: Consultation Paper on Introduction of a Price Control Mechanism during the Closing Auction Session in the Securities Market

We refer to the above and are pleased to provide our comments, which are set out below.

First of all we wish to reiterate our support to have the closing auction session (“CAS”) in place as it helps to address the problem of the previous closing mechanism in terms of its randomness. We also believe the CAS will facilitate the reflection of a more transparent, easy to understand and more indicative closing price system than the previous one, and would bring greater liquidity over time, particularly with respect to the less liquid securities.

In general we support the proposal to introduce a price control mechanism for order input during the CAS as we note similar mechanisms are also adopted by a number of major overseas markets. Among the proposed price control mechanisms we are inclined to prefer Approach 1 in the Consultation Paper, i.e. to impose a price control limit based on a pre-set percentage from nominal prices at 4 pm to replace the current 9 times restriction as we believe the pre-set percentage, say 5%, would be more effective in rejecting orders with prices that deviate significantly from the nominal prices at 4 pm. Having said that, we would like to propose that a smaller pre-set percentage to be considered at this stage, say 2%, and with perhaps more frequent reviews in the future to reconsider whether the pre-set percentage needs further fine tuning. We also believe this approach, unlike Approach 2 and 3 which are based on a pre-set number of spreads, would not likely create an

unfavorable impact on lower priced securities or those with less liquidity in the market.

We trust this is useful. In the meantime, should you have any questions regarding the above, please do not hesitate to contact our [REDACTED] at [REDACTED].