Part B Consultation Questions – Volatility Control Mechanism

Please indicate your preference by checking the appropriate boxes and provide reasons to support your views. Where there is insufficient space, please attach additional pages as necessary.

1. Do you support the introduction of an instrument-level VCM based on a dynamic price limit model in Hong Kong?

   ☐ Yes

   ☒ No

   Please give reasons for your view.

The proposed VCM model is not able to fully accommodate all instruments and it does not serve the purpose of a cooling measure.

2. Do you agree that the proposed VCM model should only be applied to the HSI and HSCEI constituent stocks in the securities market?

   ☐ Yes

   ☐ No

   Please give reasons for your view.

Irrelevant, not supportive to the proposed VCM model.

3. Do you agree that the proposed VCM model should only be applied to the HSI, HHI, MHI & MCH (spot month and the next calendar month) index futures in the derivatives market?

   ☐ Yes

   ☐ No

   Please give reasons for your view.

Irrelevant, not supportive to the proposed VCM model.

4. Do you agree that the market should have a 15-minute uninterrupted trading period before the end of the last continuous trading?

- [x] Yes
- [ ] No

Please give reasons for your view.

By having different standard during trading periods it will creates operational and technology issue.

5. Do you agree with the proposed reference price for the securities market, namely the price of last trade 5 minutes ago? If not, what would you prefer?

- [x] Yes
- [ ] No, I would prefer: ____________________

Please give reasons for your view.

5 minutes is a very long time from trading perspective. Average per minute would be better.

6. Do you agree with our proposed reference price for the derivatives market, namely the price of last trade 5 minutes ago? If not, what would you prefer?

- [x] Yes
- [ ] No, I would prefer: ____________________

Please give reasons for your view.

5 minutes is a very long time from trading perspective. Average per minute would be better.

7. Do you agree with the proposed triggering level for the securities market, namely 10% from the reference price across the proposed instruments covered by the VCM? If not, what level would you prefer?

- [x] Yes

☒ No, level that I would prefer: ______________________

Please give reasons for your view.

Suggest 30% - 50% if the purpose was to prevent error trade.

8. Do you agree with the proposed triggering level for the <u>derivatives</u> market, namely <u>5%</u> from the reference price across the proposed instruments covered by the VCM? If not, what level would you prefer?

■ Yes

☒ No, level that I would prefer: ______________________

Please give reasons for your view.

Suggest 30% - 50% if the purpose was to prevent error trade.

9. Do you agree that a maximum of two VCM triggers per trading session per instrument should be imposed to minimise market interruption?

■ Yes

■ No, I would prefer: ______________________

Please give reasons for your view.

Indifference. The VCM triggers should be on at all time or nothing at all.

10. Do you support trading within a price limit during the cooling-off period? If not, do you prefer another approach?

■ Yes

☒ No, another approach that I prefer: ______________________

Please give reasons for your view.

It will not be cooling if market still is still trading.

11. After the cooling-off period, do you support resuming the same dynamic price limit monitoring mechanism (i.e. ±10% (±5%) from the last trade 5 minutes ago in the securities (derivatives) market)? If not, do you prefer another approach?

☐ Yes

☐ No, I would prefer: ______________________________

Please give reasons for your view.

No comment.

12. Do you have any other suggestions on enhancing the resumption procedures?

No comment.

13. Do you agree that the duration of the cooling-off period should be 5 minutes for both the securities and derivatives markets? If not, what would you prefer and why?

☐ Yes

☐ No, I would prefer: ______________________________

Please give reasons for your view.

The timing will not make any difference.

14. Do you agree with the additional market data dissemination for the proposed VCM model? If not, what would you propose and why?

☐ Yes

☒ No, I would propose: ______________________________

Please give reasons for your view.

HKEx should required all real-time stock prices provider (i.e. on internet, mobile apps and stock market channels) to display VCM relevant information. This approach will allow all retail investors access to VCM information and make inform choice.

15. If a VCM is triggered for a given instrument, should trading of related instruments (e.g. futures contract of different contract months) on the same underlying continue as normal?

- [x] Yes
- [ ] No

Please give reasons for your view.

Derivatives required the ability to delta hedge otherwise market would simply be arbitrating option.

16. If a VCM is triggered for a given instrument, should trading of derivatives (e.g. single stock options or warrants) of that instrument continue as normal?

- [x] Yes
- [ ] No

Please give reasons for your view.

It has to be suspended at the same time.

17. Do you have any other comments on the VCM proposal?

All instruments should subject to the same restriction/ requirements; otherwise it will create opportunities for professionals to game the system.

Part C Consultation Questions – Closing Auction Session

18. Do you support the introduction of the new CAS model in the Hong Kong securities market?

- [ ] Yes
- [ ] No

Please give reasons for your view.

Indifference.

19. Do you agree that the new CAS model should only be applied to the major index constituent stocks (i.e. Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index constituents as well as other Stock Connect Securities for Southbound trading)?

- [ ] Yes
- [ ] No

Please give reasons for your view.

No comment.

20. Do you agree that the new CAS model should be applied to ETF? If yes, which type of ETF should be applied?

- [ ] Yes
  - [ ] (i) Apply to all ETFs
  - [ ] (ii) Only apply to ETFs with Hong Kong stocks as underlying
- [ ] No

Please give reasons for your view.

See item 21.

21. Do you agree that at a later stage, the new CAS model should be expanded to other equity securities and funds as proposed? If so, when should the CAS be rolled out to these securities and funds?

■ Yes, roll out time should be: ____________________

☒ No

Please give reasons for your view.

For warrants, it will create a huge difficulty (if not possible) to hedges.

22. Do you agree that that the new CAS model should exclude structured products, equity warrants and debt securities?

☒ Yes

■ No

Please give reasons for your view.

The CAS should exclude the structured products and equity warrants. Generally speaking, the price of warrants and CBBC fluctuate more than their underlying assets, the price limits in CAS model will hinder the price discovery process of instruments to reflect its true market price. If warrant and CBBC prices deviate from the theoretical price, it will create confusion to retail investors.

23. Do you support introducing a price limit during the CAS?

☒ Yes

■ No

Please give reasons for your view.

Price limit can avoid market manipulation.

24. Do you support a price limit of 5% during the Order Input Period for all CAS Securities?

☒ Yes

■ No

Please give reasons for your view.

25. Do you agree that a further price limit within the best bid and best ask should be applied during the No-Cancellation Period and Random Closing Period?

■ Yes

■ No

Please give reasons for your view.

No comment.

26. Do you agree that at-auction limit orders should be allowed throughout the CAS?

■ Yes

■ No

Please give reasons for your view.

No comment.

27. Do you think short selling orders with a tick rule should be allowed during the CAS?

■ Yes

☒ No

Please give reasons for your view.

Short selling should not be allowed to participate in CAS.

28. If short selling order is to be allowed, should it be at or higher than the reference price?

■ Yes

☒ No

Please give reasons for your view.

Short selling should not be allowed to participate in CAS.

29. Do you agree that order amendment and cancellation should be disallowed during the No-Cancellation Period and Random Closing Period?

■ Yes

☒ No

Please give reasons for your view.

Cancellation should be allowed in the event of input error or change of instruction.

30. Do you agree that random closing be adopted in the CAS to prevent gaming?

■ Yes

■ No

Please give reasons for your view.

No comment.

31. If random closing is to be adopted, should it be over a period of up to 2 minutes or would you prefer a different duration?

■ Up to 2 minutes

■ A different duration: ______________________

Please give reasons for your view.

No comment.

32. In the absence of a final IEP, do you agree that the reference price should be used as the closing price and for trade matching?

■ Yes

■ No

Please give reasons for your view.

No comment.

33. What would be the preferred duration of the CAS?

(i) Same as the proposed model, i.e. 7-minute Order Input Period to end the CAS at 16:12

(ii) 5-minute Order Input Period to end the CAS at 16:10

(iii) Others, please specify:

■ Approach (i)

■ Approach (ii)

■ Approach (iii), please specify: ______________________

Please give reasons for your view.

No comment.

34. Do you agree that some features of the new CAS model may also be beneficial for the POS and/or the Trading Halts? If so, which feature(s)?

■ Yes, the feature(s): ____________________

■ No

Please give reasons for your view.

No comment.

35. Do you agree that any enhancements for POS and/or the Trading Halts should be implemented later rather than during the introduction of the new CAS?

■ Yes

■ No

Please give reasons for your view.

No comment.

36. Do you foresee any issues with your day end processing such as margin calls in the cash market due to the extended trading time for 12 minutes? If yes, how may the issue be resolved?

■ Yes, suggested solution: ____________________

■ No

Please give reasons for your view.

No comment.

37. To maintain the 45 minutes break before the start of AHFT, do you agree that the start time of AHFT to be changed from 17:00 to 17:15? If not, what time do you prefer?

■ Yes

■ No, time that you prefer: ____________________

Please give reasons for your view.

No comment.

Part D Consultation Questions – Implementation Approach and Timeline

38. Which implementation approach for the securities market would you prefer:

(i) the development and testing of the VCM, CAS and Trading Halts functionalities are to be implemented together on the AMS/3.8 platform and be rolled out one by one; or

(ii) (1) the development, testing and rollout of VCM and CAS are to be implemented together on the AMS/3.8 platform, and (2) Trading Halts proposal is to be introduced as part of the Exchange's next-generation trading system, the Orion Trading Platform-Cash; or

(iii) Others, please specify.

☐ Approach (i)

☐ Approach (ii)

☐ Approach (iii), please specify: ____________________________

Please give reasons for your view.

No comment.

39. What should be the implementation priority among the three initiatives (i.e. VCM, CAS and Trading Halts) in the securities market?

Please give reasons for your view.

No comment.

40. How long do you need to prepare for the rollout starting from the issuance of the specification for each initiatives:

(i) VCM:

☐ a). under 3 months;

☐ b). 4-6 months;

■ c). 7-12 months

☒ d). >12 months

Please give reasons for your view.

(ii) CAS:

■ a). under 3 months;

■ b). 4-6 months;

■ c). 7-12 months

☒ d). >12 months

Please give reasons for your view.

- End -