Part B   Consultation Questions – Pre-opening Session Enhancement

Please indicate your preference by checking the appropriate boxes and provide reasons to support your views.   Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEX website at:
http://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/August-2019-Consultation-Paper-on-Market-Microstructure-Enhancements/Consultation-Paper/cp201908.pdf

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you support using the following **auction features** in POS, similar to CAS:

    - Randomised auction matching;
    - Allowing at-auction limit orders throughout the session;
    - Allowing short selling orders with a price not lower than the previous closing price; and
    - Enhanced market transparency.

    ☑   Yes

    ☐   No

    Please give reasons for your view.

    > ***The current CAS session is working OK, so it is better to use similar mechanism on coming POS. But we doubt on the allowing short selling's suitability in auction session.***

2. Do you agree that the enhanced POS model should **be applied to all equities and funds only** similar to CAS, with details as follows:

    - Including equities (including depositary receipts, investment companies, preference shares and stapled securities) and funds (ETFs and REITs)
    - Excluding debt securities, structured products, leveraged and inverse products, equity warrants and rights.

    ☑   Yes

    ☐   No

    Please give reasons for your view.

> *In long run, the mechanism should be applied to all equities and funds fairness and completeness. But in the beginning, POS model can apply only part of the equities and funds.*

3. Do you support applying a two-stage price limit during POS similar to CAS?

☑ Yes

☐ No

Please give reasons for your view.

> *CAS is working well till now, so it is better to follow.*

4. Do you support setting the price limits to be initially ±15% from the previous closing price, and then to within the lowest ask and highest bid prices recorded at the end of order input period?

☐ Yes

☑ No

Please give reasons for your view.

> *We prefer 10% rather than 15% because it is better to make price range more controlable fluctuation during market open time.*

5. Do you support the proposed time periods in the enhanced POS, or would you prefer the alternative model with the No-cancellation period shortened by 2 minutes such that auction matching may occur latest by 9:20am same as today?

☐ Support the proposed time periods

☑ Prefer the alternative model

☐ Not support

Please give reasons for your view.

> *No big difference on the 2 mins more for No-cancellation, we prefer to have more blocking period to ready CTS.*

6. Do you support the proposal of **not** matching at-auction order at the previous closing price when an IEP cannot be formed in POS?

☑   Yes

☐   No

Please give reasons for your view.

> *It is able to keep fairness, and avoid manipulaton.*

7. Do you have any other comments on the POS enhancement proposal?

☐   Yes

☑   No

Please give reasons for your view.

Part C   Consultation Questions – Volatility Control Mechanism Enhancement

8. Do you support the proposed expansion of VCM stocks in the securities market to all HSCI constituent stocks to safeguard market from possible disorderliness in trading caused by advances in trading technology?

    ☑   Yes

    ☐   No

    Please give reasons for your view.

    > *To enchance our current market discipline by VCM is good.*

9. If you prefer other expansion options, please indicate below:

    ☐   Alternative Option 1: Expand to include constituents of Hang Seng LargeCap Index only

    ☑   Alternative Option 2: Expand to further include all constituents of Hang Seng LargeCap and MidCap Indexes only

    ☐   Alternative Option 3: Expand to all equities but with a higher triggering threshold for the non-HSCI stocks

    ☐   Others. Please specify :

    Please give reasons for your view.

    > *LargeCap and MidCap of index equities are good enough in the beginning, but we need to go further in long run for all equities.*

10. Do you support the proposed trigger thresholds of 10%, 15%, and 20% for Hang Seng Composite LargeCap, MidCap and SmallCap stocks respectively?

    ☑   Yes

☐   No

Please give reasons for your view.

This scale is fair enough and reasonable range for different equities.

11. Do you support the proposal to allow multiple triggers in the same trading session?

☐   Yes

☑   No

Please give reasons for your view.

Not fully understand the multiple triggers' logic.

12. Do you have other suggested enhancements or any other comments for VCM in the securities market?

☐   Yes

☑   No

Please give reasons for your view.

NIL

13. If your answer to Q12 is "Yes", would you support implementing the three enhancement features proposed first, as they can be implemented relatively quickly, before we move on to review or implement some other more complex features?

☐   Yes

☐   No

Please give reasons for your view.

> **NIL**

14. On top of the proposed VCM enhancements, should we also consider a market-level volatility control (such as market-wide circuit breakers) for the Hong Kong market?

☐   Yes

☑   No

Please give reasons for your view.

> **NIL**

15. If your answer to Q14 is "Yes", what kind of model would be suitable and when should we consider it?

Please give reasons for your view.

> **NIL**

Part D   Consultation Questions – Implementation Approach and Timeline

16. How much lead time would you need for the proposed POS enhancements?

☑ Under 3 months;

☐ 4-6 months;

☐ 7-12 months

☐ Others. Please specify : _____

Please give reasons for your view.

NIL

17. How much lead time would you need for the proposed VCM enhancements?

☑ Under 3 months;

☐ 4-6 months;

☐ Others. Please specify : _____

Please give reasons for your view.

NIL

- End -