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香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)
THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Amendments to the Rules of the Exchange

Enquiry: Participant General Enquiry Hotline Tel : 2840 3626 E-mail : trd@hkex.com.hk

Holders of Stock Exchange Trading Rights and Exchange Participants are requested to note that the Securities and Futures Commission has approved amendments to the Rules of the Exchange for the purpose of introducing a volatility control mechanism in the securities market.

The amendments, as set out in the Appendix, will come into effect on Monday, 22 August 2016.

The marked-up version of the amendments can be downloaded from the "Rule Update - Rules of the Exchange" section of the HKEX website.

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Appendix

Rules of the Exchange

CHAPTER 1

INTERPRETATION

101. In these Rules, unless the context otherwise requires:-

"cooling-off period"	in relation to a VCM security, means a period during which trading of the VCM security shall be subject to Rule 513C;
"VCM"	means the Volatility Control Mechanism imposed by the Exchange on VCM securities for the purpose of safeguarding market integrity from extreme price volatility, as referred to in Rule 513A;
"VCM reference price"	in relation to any order for a VCM security input into the System at any time during the VCM monitoring period in the following trading sessions, means, unless otherwise determined by the Exchange, –

(a) in the Morning Session:-

(i) the price of the transaction in that VCM security concluded by automatic order matching last recorded for this purpose 5 minutes (or such other time as the Exchange may prescribe from time to time) before the order. Such last recorded price shall be updated by the System at the end of each one minute interval during the Morning Session, or at such time, during such period and in such manner as the Exchange may from time to time determine; and

(ii) (if there have been no transaction in that VCM security in the Morning Session) the IEP of that VCM security calculated at the end of the pre-order matching period of the Pre-opening Session on that day; and

(iii) (if there is no such IEP) the recorded price of the first transaction of that VCM security concluded by automatic order matching in the Morning Session;

(b) in the Afternoon Session:-

(i) the price of a transaction in that VCM security concluded by automatic order matching last recorded

for this purpose 5 minutes (or such other time as the Exchange may prescribe from time to time) before the order. Such last recorded price shall be updated by the System at the end of each one minute interval during the Afternoon Session, or at such time, during such period and in such manner as the Exchange may from time to time determine; and

(ii) where (b)(i) above does not apply, then the recorded price of the first transaction of that VCM security concluded by automatic order matching in the Afternoon Session;

"VCM security" means an issue of security prescribed by the Exchange to be subject to the Volatility Control Mechanism;

CHAPTER 5

TRADING

Operational Trading Rules

Volatility Control Mechanism

513A (1) The Exchange may impose a Volatility Control Mechanism on selected securities. Unless otherwise determined by the Exchange, the operation of the VCM in relation to a VCM security involves –

(a) a VCM monitoring period as set out in Rule 513B(1) during which a cooling-off period may be triggered pursuant to Rule 513B; and

(b) (where applicable) the cooling-off period during which trading shall be subject to Rule 513C.

(2) The Exchange may prescribe from time to time in its absolute discretion a list of VCM securities which are subject to the VCM. For the avoidance of doubt, the Exchange may from time to time include any securities in or exclude any securities from the list of VCM securities.

(3) Rules 513B and 513C shall not apply to odd lot orders and special lot orders.

513B (1) All orders for a VCM security input into the System during the Continuous Trading Session, with the exception of the following periods, shall be subject to VCM monitoring:

(a) the first 15 minutes of the Morning Session;
(b) the last 20 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year;
(c) the first 15 minutes and the last 20 minutes of the Afternoon Session; and

(d) such other time or times as the Exchange may from time to time prescribe.

(2) For the purposes of Rules 513B(3), 513C(2) and 513C(3), unless otherwise determined by the Exchange –

(a) the upper price limit means a price which is 10% (or such other percentage as the Exchange may from time to time determine) higher than the VCM reference price, rounded down to the nearest spread; and

(b) the lower price limit means a price which is 10% (or such other percentage as the Exchange may from time to time determine) lower than the VCM reference price, rounded up to the nearest spread.

(3) During the VCM monitoring period, a cooling-off period will be triggered and commence immediately when any order or any remaining unmatched part of an order for a VCM security which, if matched in the System, will be at a price that is -

(a) higher than the upper price limit; or

(b) lower than the lower price limit.

(4) In respect of each VCM security, a cooling-off period will not be triggered more than once in each of the Morning Session and the Afternoon Session. For the avoidance of doubt, there will be no cooling-off period in the last 15 minutes of the Morning Session on the eves of Christmas, New Year and Lunar New Year, and the last 15 minutes of the Afternoon Session.

513C (1) A cooling-off period triggered during the Morning Session or the Afternoon Session pursuant to Rule 513B(3) shall last for 5 minutes (or such other duration as may be determined by the Exchange from time to time) from its commencement or until the end of the Morning Session or the Afternoon Session (as the case may be), whichever ends earlier. Where applicable, normal continuous trading of the relevant VCM security will resume at the end of the cooling-off period.

(2) On the commencement of the cooling-off period, unless otherwise determined by the Exchange,

(a) the order or the remaining unmatched part of any order, as the case may be, that triggered the cooling-off period will be rejected by the System. For the avoidance of doubt, the whole of such order or the whole of such remaining unmatched part of the order, as the case may be, will be rejected and will not be matched in the System; and

(b) (i) where the cooling-off period is triggered pursuant to Rule 513B(3)(a), all buy orders, including the remaining unmatched part of any buy orders, for the relevant VCM security on any buying queues in the System with a price higher than the upper price limit will be cancelled and deleted from the System automatically; or

(ii) where the cooling-off period is triggered pursuant to Rule 513B(3)(b), all sell orders, including the remaining unmatched part of any sell orders, for the relevant VCM security on any selling queues in the

System with a price lower than the lower price limit will be cancelled and deleted from the System automatically.

(3) Unless otherwise determined by the Exchange, during the cooling-off period,

(a) the price of any buy order input into the System shall not be higher than the upper price limit; and

(b) the price of any sell order input into the System shall not be lower than the lower price limit.

CHAPTER 15

SPECIAL PARTICIPANTS

Trading

1528. (1) Unless otherwise determined by the Exchange, the following Rules in Chapter 5 apply to a Special Participant, orders placed by it and trades executed by it:

501 (Trading Hours)
501G, 501H and 501I (Pre-opening Session)
501L and 501M (Closing Auction Session)
502A (Cancellation of orders)
502B (Designation and re-designation of automatch or non-automatch stock)
502D (Trading of automatch stocks during the Pre-opening Session and the Closing Auction Session)
503 and 504 (Opening Quotations)
505, 505A, 506A, 507A, 508, 511 and 512 (Quotations) and Second Schedule (Spread Table)
513A, 513B and 513C (Volatility Control Mechanism)
514, 516 and 516A (Odd Lot and Special Lot Quotations)
517(1), 517(4), 517(6), 518, 519, 522 (Transactions)
528 (Day-end Review of Sales/Purchases)
544(1), 544(3), 544(4) (Transactions not Recognized)
545 (Market Misconduct, etc.)
551 (Equipment Failure)
564, 566 and 567 (Disputes)
569 (Power of the Board to Investigate and Demand Documents)
569A, 569B (Disclosure of Information)
571 (Typhoons and Rainstorms)
572 and 573 (Emergency)
574 (Settlement under CCASS)