

CHAPTER 1

INTERPRETATION

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

“VCM percentage” in relation to a VCM security, means the percentage as prescribed by the Exchange from time to time, for the purpose of calculating the price limits referred to in Rule 513B(2). For the avoidance of doubt, the Exchange may prescribe different VCM percentages with respect to different VCM securities;

“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 random 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;

in each case provided that upon resumption of VCM monitoring at the end of a cooling-off period, the first VCM reference price means the recorded price of the first transaction in that VCM security concluded by automatic order matching during the cooling-off period, and if there has been no transaction in that VCM security in the cooling-off period, the recorded price of the first transaction in that VCM security concluded by automatic order matching after the end of the cooling-off period;

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(s) 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 percentage above 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 percentage below 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~~may 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~~VCM monitoring of the relevant VCM security will resume at the end of the cooling-off period.
- (2) On the commencement of ~~the~~a 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~~a 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.