

New Order Type – Session Order

Starting from 9 July 2016, our cybertrading trading system will provide a new type of order - Session Order, to replace all existing order types, including “At-Auction Limit Order”, “Price Limit Order”, “Enhanced Limit Order” and “Special Limit Order”. Hence, time can be saved as clients do not have to select order type manually. When client places order via cybertrading channels, system will automatically assign an appropriate order type according to the trading session and send to the market for execution. The following table summarizes different order types assigned by system in different sessions:

	Different Order Types automatically assigned by system		
Channel	Internet*	Automated Phone*	Mobile Service*
Operating Hour	At-auction Limit	At-auction Limit	At-auction Limit
Before 9:15am			
9:15am –4:00pm	Enhanced Limit	Enhanced Limit	Enhanced Limit
4:00pm –4:10pm	At-auction Limit	At-auction Limit	At-auction Limit
After Market Close	At-auction Limit	At-auction Limit	At-auction Limit
* Default order type is Session Order and cannot be changed by clients			

The following part will describe the uses and features of each order type and clients should understand the application of each order type before proceed with order placing.

Pre-opening Session

Hong Kong Exchanges and Clearing Limited (HKEX) introduces a Pre-opening Session for the securities market, which is an additional trading session of 30 minutes commencing before the Morning Trading Session. It allows orders to be input to the Automatic Order Matching and Execution System (AMS/3) for a single price auction.

The purposes and features of the Pre-opening Session are as follows:

- To determine an opening price for each security and can help to avoid significant price fluctuations at the commencement of the Morning Trading Session;
- To maximise the quantity of shares which can be matched during the Order Matching Period; and
- For trading debut of Initial Public Offering (IPO), it can help to determine the first trading price (depend on market situations).

1. AT-AUCTION LIMIT ORDER

An “At-auction limit order” is an order with a specified price and is only allowed to be input to the AMS/3 during the Pre-opening Session and the Closing Auction Session. An At-auction limit order with a specified price at or more competitive than the final Indicative Equilibrium Price (IEP) (in the case of a buy order, the specified price is equal to or higher than the final IEP, or in the case of a sell order, the specified price is equal to or lower than the final IEP) may be matched at the final IEP.

When clients place order via our Cybertrading System during the Pre-opening Session and the Closing Auction Session, the default order type will be Session Order and cannot be changed. System will automatically change the order type to “At-auction limit order” once the order is being submitted to the market for execution.

Any unfilled At-auction limit orders in Pre-opening Session will be converted into Price limit orders and carried forward to the Continuous Trading Session provided that the specified price of that At-auction limit order does not deviate 9 times or more from the nominal price.



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At-auction Limited Order (Case 1)

Buy 5,000 shares of CKH Holdings at \$80.6:

Buy / Sell	Buy
Stock Code	00001 CKH Holdings
Price	80.60 (HKD)
Quantity	5,000
Order Type	Session Order
Order validity	Day Order

Simulations on trading price of CKH Holdings:

Bid		Ask	
80.60	5K	80.60	4K
80.55	3K	80.65	1K
80.50	4K	80.70	2K
80.45	8K	80.75	6K
80.40	10K	80.80	5K

Transaction History:

	Price	Quantity
Executed	80.60	4,000
<i>Outstanding (in queue)</i>		<i>1,000</i>



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At-auction Limited Order (Case 2)

Sell 10,000 shares of Power Assets at \$39.15:

Buy / Sell	Sell
Stock Code	00006 Power Assets
Price	39.15 (HKD)
Quantity	10,000
Order Type	Session Order
Order validity	Day Order

Simulations on trading price of Power Assets:

Bid		Ask	
39.15	60K	39.15	25K
39.10	53K	39.20	33K
39.05	27K	39.25	43K
39.00	34K	39.30	56K
38.95	22K	39.35	26K

Transaction History:

	Price	Quantity
Executed	39.15	10,000
<i>Outstanding (in queue)</i>	<i>0</i>	



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Trading Mechanism of At-auction Limit Order during Pre-opening Session

<i>Time / Duration</i>	<i>Periods</i>	<i>Main Features</i>
9:00 am to 9:15 am (15 minutes)	Order Input	<ul style="list-style-type: none"> At-auction limit orders can be entered, modified or cancelled Based on the pre-defined algorithm of AMS/3, an Indicative Equilibrium Price (IEP) and Indicative Equilibrium Volume (IEV) will be continuously updated and displayed
9:15 am to 9:20 am (5 minutes)	Pre-order Matching	<ul style="list-style-type: none"> At-auction Limit orders cannot be entered, modified or cancelled Based on the pre-defined algorithm, an Indicative Equilibrium Price (IEP) and Indicative Equilibrium Volume (IEV) will be continuously updated and displayed
9:20 am to 9:28 am (8 minutes)	Order Matching	<ul style="list-style-type: none"> No input, modification or cancellation of orders is allowed Orders will be matched in order type, price and time priority at the final IEP Unmatched At-auction Limit orders will be converted into limit orders and carried forward to the Morning Trading Session provided that the specified price of an At-auction Limit order does not deviate 9 times or more from the nominal price
9:28am to 9:30 am (2 minutes)	Blocking	<ul style="list-style-type: none"> This is a break between the Pre-opening Session and the Morning Trading Session



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Trading Mechanism of At-auction Limit Order during Closing Auction Session

<i>Time / Duration</i>	<i>Periods</i>	<i>Main Features</i>
3:59 pm to 4:00 pm (1 minute)	Continuous Trading Session	<ul style="list-style-type: none">Reference price is determined in the last minute of the Continuous Trading Session
4:00 pm to 4:01 pm (1 minute)	Reference Price Fixing Period	<ul style="list-style-type: none">Calculation and dissemination of reference price
4:01 pm to 4:06 pm (5 minutes)	Order Input Period	<ul style="list-style-type: none">Price limit is $\pm 5\%$ from reference priceSystem will automatically carry over unexecuted orders from the Continuous Trading Session that are within the price limitAt-auction limit orders within the price limit can be entered, amended or cancelled
4:06 pm to 4:08 pm (2 minutes)	No-Cancellation Period	<ul style="list-style-type: none">Price limit is further tightened to between the lowest ask and the highest bid recorded at the end of Order Input PeriodAt-auction limit orders within the price limit can be entered, but cannot be amended or cancelled
4:08 pm to 4:10 pm (2 minutes)	Random Closing Period	<ul style="list-style-type: none">At-auction limit orders can still be entered before the random close, but cannot be amended or cancelledActual closing time is determined randomly by the systemSystem will match all orders at the price where the highest volume can be traded

2. ENHANCED LIMIT ORDER

Enhanced limit order allows matching of up to ten price queues at a time. The ask order price can be input at nine spreads lower than the current best bid price, or the bid order price can be input at nine spreads higher than the current best ask price. Any unfilled quantity after matching will be stored in the system as a normal limit order at the input order price.

When clients place order via our Cybertrading System during the period between 9:15am and 4:00pm, the default order type will be Session Order and cannot be changed. System will automatically change the order type to “Enhanced limit order” once the order is being submitted to the market for execution.



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Continuous Trading Session (Case)

Sell 120,000 shares of HK&S Hotels at \$8.45:

Buy / Sell	Sell
Stock Code	00045 HK&S Hotels
Price	8.45 (HKD)
Quantity	120,000
Order Type	Session Order
Order validity	Day Order

Simulations on bid price of HK&S Hotels:

Bid	
8.54	26K
8.53	14K
8.52	5K
8.51	15K
8.50	2K
8.49	20K
8.48	7K
8.47	18K
8.46	1K
8.45	5K

Transaction History:

	Price	Quantity
Executed	8.54	26,000
	8.53	14,000
	8.52	5,000
	8.51	15,000
	8.50	2,000
	8.49	20,000
	8.48	7,000
	8.47	18,000
	8.46	1,000
	8.45	5,000
Outstanding (in queue)	8.45	7,000