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[online version](http://www.charltonslaw.com/stock-exchange-of-hong-kong-publishes-consultation-conclusions-on-allowing-listed-issuers-to-release-inside-information-during-trading-hours-subject-to-short-trading-halts/)

# Stock Exchange of Hong Kong Publishes Consultation Conclusions On Allowing Listed Issuers to Release Inside Information During Trading Hours Subject To Short Trading Halts

Hong Kong Exchanges and Clearing Limited (the **Exchange**) has released its [conclusions](http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201207cc.pdf) ([see archive](cp201207cc.pdf)) on its [consultation](http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201207.pdf) ([see archive](cp201207.pdf)) on its proposed model for allowing the publication of inside information announcements during trading hours subject to a short trading halt in shares of the listed issuer. The consultation began on 27 July 2012 and ended on 8 October 2012. **Inside Information** is the term now used in the Listing Rules to refer to price sensitive information in line with the new statutory codification of the requirement to disclose such information in Part XIVA of the Securities and Futures Ordinance which took effect from 1 January 2013.

A majority of responses were in agreement with the Exchange’s proposals, which will all be implemented with very few changes. This note is a summary of the consultation conclusions. The Exchange will implement the trading halts proposals no earlier than mid-2014 (possibly coinciding with the Orion Trading Platform infrastructure) in order to provide sufficient lead time for the necessary preparations.

Charltons had published a [previous newsletter](/newsletters/hklaw/en/2012/160/nl-hklaw-20120815-160.html) on the consultation paper on trading halts.

## Summary Of Proposals To Be Implemented

* Listed issuers will be able to announce Inside Information on the Exchange’s news website during trading hours subject to a short trading halt to allow the public to digest the new information;
* All trading halts will have a minimum duration of 30 minutes. Resumptions in trading will occur on the quarter hour;
* Trading halts will lapse automatically after two days, at which time trading in the security is suspended and all current rules on trading suspensions will apply;
* Trading halts will not apply to issuers that are dually listed in Hong Kong and the UK and have obtained a waiver to publish Inside Information announcements during trading hours;
* After a trading halt is lifted, there will be at least 30 minutes of trading. Therefore the latest time to resume trading will be 3:30 pm on a normal trading day and 11:30 am on a half-day;
* The 30 minutes after the lifting of a trading halt will include a 10-minute auction session and 20 minutes of continuous trading;
* All outstanding orders entered before a trading halt or suspension will be cancelled automatically;
* Results announcements must be published during the current publication windows (trading halts would be granted only if the issuer can justify doing so); and
* Current rules on the release of non-Inside Information outside trading hours and the automatic purging of outstanding stock options/futures orders at the time of suspension will remain the same.

## Support For Short Trading Halts

The majority of respondents supported the implementation of trading halts for Inside Information disclosure and agreed that the UK model of disclosure (allowing Inside Information to be released during trading hours without trading halts) is inappropriate for Hong Kong as investors in the UK are mostly institutional investors, unlike in Hong Kong.

Supporters for the UK model argued that some issuers who are currently dually listed in Hong Kong and London already have waivers that allow them to publish Inside Information during trading hours without trading halts. Secondary issuers would benefit from regulations in Hong Kong that matches the regulations in their home jurisdiction. Hong Kong investors would benefit from being able to trade continuously without interruption. However, the Exchange has decided to implement trading halts because it is a more consistent solution than giving exemptions for dually listed issuers. Issuers that are dually listed in Hong Kong and the UK will still be able to publish Inside Information during trading hours without trading halts if they can obtain a waiver.

## Trading Halts And Resumptions

Most respondents supported a maximum trading halt of two trading days. Other suggestions ranged from 30 minutes to an indefinite duration. The Exchange settled on a maximum duration of two trading days as that is the approximate duration of most trading suspensions currently. Additionally, it is in line with the maximum duration set in Australia and Singapore, which are two and three trading days respectively.

Most respondents also supported the 30-minute minimum duration of trading halts. Some who disagreed suggested no minimum duration while others suggested durations as long as two hours. The Exchange decided on a fixed 30-minute minimum duration for all trading halts to avoid market confusion and to be consistent with the current 30 minute gap between the close of the publication windows and the start of the next trading session.

The proposal to resume trading on the quarter hour met with little opposition. This proposal would allow investors to check for resumptions in trading at regular intervals rather than to check continuously. Some respondents suggested that information on trading halts and resumptions should be provided via market data feed or other channels in addition to the Exchange’s news website. The Exchange decided not to implement this suggestion now but may do so in the future.

## Timing Of Results Announcements

Some respondents did not agree with the Exchange that results announcements (unlike other Inside Information announcements) should be published outside trading hours (i.e. during the current publication windows in the morning, afternoon and evening). Their main argument was that the disclosure regime should treat all Inside Information announcements the same way. Moreover, secondary issuers must release results announcements in the markets in which they are listed simultaneously. Listed issuers should therefore be given the choice of releasing their results during or outside trading hours. The Exchange has therefore decided to restrict results announcements to the current publication windows but also allow results disclosures during trading subject to trading halts if the issuer can justify doing so. The current publication windows are:

* Mornings: 6:00 am to 8:30 am;
* Afternoons: 12:00 pm to 12:30 pm; and
* Evenings: 4:15 pm to 11:00 pm (6:00 pm to 8:00 pm on a public holiday before the next business day)

## Outstanding Orders Before Trading Halts

Some respondents disagreed with the proposal to cancel all orders for securities automatically before a trading halt. They also disagreed with the current practice of purging outstanding orders for stock options and futures before a suspension. The reason for both arguments is that investors would have to re-enter the cancelled orders and lose the original order priorities. The Exchange, however, believes that it is more important to minimise market disputes by adopting the proposal.

## Single Price Auction Sessions

Less than half of the respondents agreed to hold 10-minute single price auction sessions for price discovery upon lifting trading halts. Only a small minority disagreed with the proposal. Some argued that the auction mechanism is easy to manipulate while others argued that it would be simpler to resume continuous trading after the trading halt has been lifted. The Exchange decided to proceed with the proposal as it would be in line with overseas practices and would be familiar to brokers and investors as it is already implemented in the pre-opening session (albeit at a 30-minute duration).

Where an Inside Information announcement was made during the afternoon publication window without trading halts, the single price auction session would still be held for the sake of consistency.

## Non-Inside Information Announcements

The Exchange proposed to continue to restrict the release of non-Inside Information announcements to the current publication windows. A few respondents pointed out that if Inside Information can be released during trading hours, issuers should be allowed to release non-Inside Information (which is not expected to affect the price of securities) during trading hours as well. However, the Exchange believes that there is a risk that issuers may accidentally select a non-Inside Information headline for an announcement that contains Inside Information if both can be released during trading hours. Also, since there is generally no urgency in releasing non-Inside Information, there is no need to release it during trading hours. Nevertheless the Exchange will consider allowing the release of non-Inside Information during trading hours in the future.

## A+H Shares

As mid-session trading halts are not yet available in stock exchanges in Mainland China (**PRC**), suspensions in trading in A shares cannot be lifted until the beginning of the next trading day. For this reason, A+H shares companies will not be able to take advantage of the trading halts regulations that will be implemented; such companies would likely continue to release Inside Information in the Hong Kong and Mainland markets at the same time after the market closes for the day. The Exchange stated in the consultation conclusions that it will continue to communicate and coordinate with PRC stock exchanges in relation to information disclosures and trading suspensions and resumptions.

## Implementation And Future Plans

* The Exchange intends to implement trading halts along with other major market infrastructure initiatives such as the Orion Trading Platform infrastructure;
* The Exchange will be responsible for system changes to AMS terminals and MWS provided by the Exchange. Assistance will be provided for changes to in-house trading systems and trading systems provided by system vendors;
* In addition to its news website, the Exchange may also use market data feed to notify the public of trading halts and resumptions in the future; and
* The Exchange will review the experience of allowing Inside Information announcements during trading hours before considering allowing non-Inside Information announcements during trading hours.

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