

## Policy on Share Trading Suspension

### Speed Read

The Stock Exchange of Hong Kong Limited (SEHK) published a letter to issuers and market practitioners on 30 June 2011 to remind them about their policy and practice in relation to share trading suspensions. The core principle is that, although share trading suspensions may be necessary to protect investors or maintain an orderly market, SEHK expects issuers to avoid share trading suspensions to the extent possible by planning their affairs properly. Also, issuers should try to keep any suspension periods as short as reasonably possible.

### Common Scenarios

In particular, SEHK explains the following four common situations to demonstrate the application of their share trading suspension policy:

#### SITUATION 1

*An issuer requests a suspension of share trading before the expected execution of a transaction.*

SEHK's response: SEHK would expect the issuer to structure its affairs properly for the purpose of avoiding share trading suspensions to the extent possible. For example, material agreements should not be entered into during trading hours. In this connection, SEHK would only agree to a suspension if there appears to be a genuine, or reasonable,

concern on the leakage of price sensitive information and/or practical difficulty in maintaining confidentiality.

#### SITUATION 2

*An issuer requests share trading to be suspended shortly before a block-trade is to be executed. Given that the principle set out in Situation 1 would apply, the issuer requests for a share trading suspension for the purpose of facilitating a sale of existing shares.*

SEHK's response: SEHK is of the view that it is inappropriate to suspend share trading in order to facilitate the sale process. The underlying purpose of allowing a share trading suspension is to give time to an issuer to prepare announcement after the relevant price sensitive information has been crystallised, and not to facilitate the execution of the price-sensitive event (e.g. a corporate action). However, if a block-trade commences after trading hours but is still incomplete by the commencement of the next trading session, such case may have a better justification for a share trading suspension as information about the block-trade is disseminated in the market but not yet publicised by way of an announcement.

It should also be noted that market participants who possess non-public information about a prospective block-trade may violate the insider trading provisions under the Securities and Futures Ordinance if they trade on such information.

### SITUATION 3

*Trading in the securities of an issuer has been suspended pending an announcement about a material acquisition. The announcement is released after trading hours. Shortly after the release of the announcement, the issuer then conducts a block-trade shortly and requests to continue the suspension.*

SEHK's response: The suspension policy set out in Situation 2 would apply. SEHK would permit a continuing suspension only if such suspension is necessary to avoid a disorderly market (e.g. the block trade remains incomplete by the commencement of the next trading session and an announcement on the block-trade is yet to be made). However, the issuer should minimise suspensions as much as possible by executing the block-trade outside trading hours and after the announcement about the material acquisition has been published.

### SITUATION 4

*Policy for dual or multiple-listed issuers.*

SEHK's response: For dual or multiple-listed issuers, SEHK works diligently with issuers and other market regulators to ensure simultaneous dissemination of price sensitive information in the different markets as far as practicable. If simultaneous dissemination is not achievable (e.g. due to time zone differences), then the information should be announced before the

market opens in Hong Kong. If a price sensitive announcement can only be made during a trading session, then a short share trading suspension would normally be allowed before the release of the announcement.

Copies of the SEHK's letter can be downloaded via the link below:

<http://www.hkex.com.hk/eng/rulesreg/listrules/listletter/Documents/20110630.pdf>

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