

Liquidity Provision

1. **In response to a quote request, can an issuer (including its Liquidity Provider) provide a one-sided quote if the theoretical value of the bid price of a structured product is less than HK\$0.01?**

An issuer has continuing obligations to respond to investors' requests for quotes within committed service levels, including the provision of two-sided quotes to meet the maximum bid-ask spread requirement. As stated in the launch announcement and supplemental listing document, if the Liquidity Provider chooses to provide liquidity when the theoretical value of the Warrant is less than HK\$0.01, both bid and ask price quotes should be made available.

*MB Rule 15A.22(4)
First released: May 2024*

2. **If a quote request is received three minutes before the close of the morning trading session, is an issuer obligated to meet the five-minute minimum holding time?**

Yes. An issuer should provide quotes with a minimum holding time of five minutes in response to a quote request notwithstanding that such request is received shortly prior to the close of the morning session. Where the holding time is less than five minutes upon the close of the morning session, the Liquidity Provider should continue to provide quotes upon commencement of the afternoon session, such that the aggregate holding time is not less than five minutes to meet the minimum holding time standard set out in the Industry Principles on Liquidity Provision for Listed Structured Product (the "Industry Principles").

The obligation to maintain the five-minute minimum holding time lapses if any investor has proceeded with a trade with such quote during this period.

*MB Rule 15A.22(3)
First released: May 2024*

3. **Should an issuer provide active quotes all the time for its products?**

An issuer should strive to provide quotes all the time when the prescribed criteria for active quotes set out in the Industry Principles are met. However, it is recognized that an issuer may temporarily cease quoting for a short period of time to adjust quotes in response to market conditions or other operational needs. The Exchange will monitor the duration of time during which active quotes are provided by an issuer for each product and may require an issuer to explain if (i) it fails to provide active quotes for at least 90% of the Qualified Period (as defined in the Industry Principles) of a trading day; or (ii) any temporary cessation of active quotes exceeds 10 minutes in the Qualified Period. The Exchange may review and adjust the monitoring thresholds from time to time.

While an issuer should comply with these principles, the principles are not intended to be binding commitments nor should they give rise to enforceable obligations or duties. Occasional failure to comply with the Industry Principles will not in itself render an issuer or its liquidity agent liable to any sanction or enforcement action. However, compliance with the Industry Principles is relevant to the Exchange's assessment of an issuer's suitability to list structured products.

MB Rule 15A.22(2-4)

First released: July 2012; last updated: May 2024

4. How should an issuer monitor liquidity provision performance?

An issuer should adopt the following best practices in monitoring its liquidity provision performance:

- (a) implement internal systems and procedures to:
 - i. monitor whether actual performance meets committed obligations and the Industry Principles;
 - ii. record all quote requests and include them in monthly quote request report submitted to the Exchange; and
 - iii. monitor unusual price and volume movements of structured products;
- (b) keep records of actual liquidity provision performance and report the content of such records to the Exchange upon request;
- (c) provide a report to the Exchange on remedial measures and signed by its compliance officer when there are material non-conformances with liquidity provision obligations;
- (d) inform the Exchange immediately upon becoming aware of any events which affect its ability to provide liquidity and publish announcements to inform the market as soon as possible; and
- (e) record complaints made with respect to its structured products as required by its internal policies and the SFC's Code of Conduct for Persons Licensed by or Registered with the SFC. The complaint log should be readily available to the Exchange upon request.

MB Rules 15A.11, 15A.22

First released: July 2012; last updated: May 2024

