

Part B Consultation Questions

Please reply to the questions below that are raised in the Consultation Paper downloadable from the HKEX website at:

<http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201604.pdf>

Please indicate your preference by checking the appropriate boxes.

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you support the revision of the current model with the introduction of a three-tier system with a review mechanism for HKEX's stock option position limit to address the issues with the existing regime?

Yes

No

Please give reasons for your view.

The new dynamic model is an improvement to the current static model. Given the increases in daily option turnover since 2006, less restrictive limits should have a positive impact on trading activity.

2. Do you agree the implementation of the proposed model (three-tier system with review mechanism) would be an important step in enhancing Hong Kong's stock options market and increasing its competitiveness?

Yes

No

Please give reasons for your view.

We agree that liquidity of the underlying stock is a suitable measure for determining the position limits in the options.

3. Do you have any comments on the proposed model? Please give reasons for your view.

Under the current model, there is flexibility to apply for a temporary increase in limits as our positions build, and request for extensions as required. It is important this feature is kept in any new model to ensure market making activities can be conducted efficiently. Allowances should also be in place for existing positions affected by Tier change following any Annual review.

- End -