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.

> While higher, more sensibly-calibrated limits are a positive step, actually a simpler solution would have been to materiallyincrease the two tier limits.
>
> Adding a 3rd tier will simply increase the risk of possible limit breaches by market participants as there are more limits being imposed that require monitoring, while only marginally potentially increasing trading volumes.
>
> A more appropriate step is for these limits to be removed completely - especially those on single stocks - as they represent an unnecessary contraint on market participants and an area of potential confusion.

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.

Its not clear how adding another tier of limits will increase HK competitiveness, except to create a marginally higher ceiling within which to trade.

Overseas markets generally do not apply limits to Options on individual, listed companies as we do in HK. Its not clear why these are necessary in HK.

Most major non-emerging markets only impose limits on Options trading in Economically-Sensitive areas, such as commodities futures contracts and very large index positions. And in the case of Singapore index limits these are not hard limits and can be increased with the approval of the SG Exchange, which would seem a sensible approach to take.

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

See above.

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