

## 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.

We support the revision of the current model as the current position limit regime does not have a regular review mechanism to cater for material changes in the market capitalisation and liquidity of the underlying stock. The market may be subject to restrictions that are no longer suitable. Due to the large diversity in prices, board lots and market capitalisation of the underlying stocks, the existing stock option position limit regime might not accommodate all the 84 stock option classes.

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.

In view of below, we agree that the implementation of the proposed model would help enhance HK's stock options market and increase its competitiveness:

- Hong Kong's existing position limit regime does not have a regular review mechanism to cater for changes due to market development, and there is no mechanism for adjustments due to corporate actions that have an impact on the underlying stock.
- Over the past decade, capitalization of Hong Kong's cash market has grown. Significant growth of the cash market has also led to rising demand for derivatives products.
- A prompt and timely refinement of the exchange-traded derivatives position limits regime would help Hong Kong maintain its global competitiveness and better realize its potential as a leading international financial centre.

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

We have no further comments.

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