

Submitted via Qualtrics
Company / Organisation view

1. Do you agree that the board lot value floor guidance should be revised? If not, please provide reasons.

Yes. We support revising the board lot value floor as a safeguard for market health. A reasonable floor prevents negative value trades where fixed transaction and execution costs could exceed the total value of a board lot, causing investors to incur immediate losses upon purchase.

While many major global exchanges have moved to a single unified unit, Hong Kong's unique profile, where approximately 56% of stocks are priced at or below HK\$1.0, requires a tailored approach. Transitioning to a one-share unit without a value floor would risk widespread uneconomic trading for these low-priced securities. We view this proposal as a pragmatic step toward a potential future transition to a single unified unit once market conditions and digital infrastructure, such as the USM, are mature.

2. Do you agree that the board lot value floor guidance should be revised to HK\$1,000? If not, please provide reasons.

Yes. We support. Since 2015, trading costs have fallen as many fixed fees were replaced by value-based charges. Specifically, the execution cost for a HK\$2,000 board lot has dropped from 23 basis points in 2015 to an estimated 11 basis points in 2025. This reduction justifies a lower floor, which improves market accessibility for retail investors without increasing the risk of fees exceeding trade value.

A sensible baseline floor also provides a robust framework for long-term holding funds to execute algorithmic transactions, such as VWAP, PWAP, or TWAP. While we support this reduction, we do not suggest lowering the floor further at this stage. Despite overall lower costs, the Hong Kong market still includes minimum fixed charges, such as the HK\$1.00 minimum stamp duty per transaction and the minimum fixed commissions charged by certain brokers. Setting the floor at HK\$1,000 ensures these fixed costs do not become a disproportionately high percentage of the trade value. Furthermore, a floor at this level prevents the market from being susceptible to test executions, a challenge noted in other regional markets, where participants submit insignificantly small orders to probe for liquidity or identify counterparties, which can create unnecessary market noise. This baseline maintains economic viability for all participants, including single board lot trades.

3. Do you agree with introducing board lot value ceiling guidance? If not, please provide reasons.

Yes. We support. A ceiling helps keep high-priced stocks accessible to retail investors and prevents them from becoming too expensive for the average participant's ability to diversify.

We note that regional peers are adopting similar measures; for example, the Singapore Exchange (SGX) 2026 Consultation explores tiered systems to improve the accessibility of higher-priced shares*. Additionally, a ceiling may help align Hong Kong with mainland China's standard 100-share units, potentially supporting cross-border investment.

(* <https://regco.sgx.com/regco/public-consultations/20260123-consultation-paper-changes-market-structure-sgx-securities>)

4. Do you agree that the board lot value ceiling guidance should be set at HK\$50,000? If not, please provide reasons.

Yes. We support. This threshold strikes a practical balance between ensuring retail accessibility and allowing room for market or fundamental-driven price appreciation. By capping entry costs, the Exchange helps retail investors manage concentration risk and build more diversified portfolios, bringing Hong Kong closer to global market standards.

Our review of current market data suggests that only a small number of securities exceed this limit. Therefore, the immediate market impact will be minimal, yet the ceiling establishes a long-term safeguard. We note that regional peers are adopting different but complementary structural reforms to achieve this same goal of affordability. For example, the SGX 2026 Consultation proposes a tiered system that reduces board lot sizes to 10 units for shares priced above S\$10 and to 1 unit for those above S\$100*.

To ensure efficient implementation, we suggest using a weighted average price over a certain period (such as 60 trading days) to trigger adjustments. This would prevent issuers from facing the administrative burden of changing board lots due to temporary market volatility while ensuring that only sustained price increases lead to a revision.

(* <https://regco.sgx.com/regco/public-consultations/20260123-consultation-paper-changes-market-structure-sgx-securities>)

5. Do you agree with applying the board lot value ceiling guidance only to issuers whose board lot units exceed 100 shares in order to facilitate potential future adoption of a single board lot unit and support alignment with Chinese Mainland markets? If not, please provide reasons.

Yes. We support. Applying the ceiling only to board lots exceeding 100 shares is a logical step toward standardizing the market and focuses on the most expensive entry points. This creates a clear path for a potential move to a single unified unit in the future.

This approach also helps align Hong Kong with the Chinese Mainland markets, where 100 shares is the standard unit. Such alignment is beneficial for Southbound investors and simplifies the trading experience across the region. By exempting those already at or below the 100-share mark, the Exchange avoids unnecessary adjustments for companies that already follow international norms.

6. Do you support further reduction of the board lot value ceiling guidance in the future? If not, please provide reasons.

Yes. We support. While the initial HK\$50,000 ceiling is a positive first step, the Exchange should review this threshold periodically to ensure it remains effective as market conditions and investor preferences evolve.

The long-term goal should be twofold: achieving regional integration by standardizing toward the 100-share Mainland norm, while remaining globally competitive by ensuring high-priced stocks remain accessible. As noted in our response to Q4, regional peers are already moving toward even smaller entry points for high-priced stocks, such as the SGX 2026 Consultation which proposes board lot sizes as small as 10 units or 1 unit for instruments at higher price tiers.

We suggest that any future reduction be data-driven and gradual. By monitoring the impact of the current proposal first, the Exchange can determine the optimal timing for further adjustments without causing sudden operational strain on issuers or market participants.

7. Do you support standardising board lot units as a pathway to reducing market complexity? If not, please provide reasons.

Yes. We support standardization in principle. Streamlining the current variety of board lot units will simplify trading processes and reduce operational risks for all market participants. A more uniform structure makes the market more intuitive, particularly for retail and cross-border investors, and aligns Hong Kong with the transparency standards of other leading international financial centers.

8. Do you support adopting the eight board lot units specified (1, 50, 100, 500, 1,000, 2,000, 5,000, 10,000 share(s))? If not, please provide reasons.

Yes. We support these eight units as a practical starting point. They offer flexibility for different stock price levels while significantly reducing the current market fragmentation.

Our primary suggestion is to prioritize odd lot protection. Since approximately 25% of issuers may be required to change their units under this proposal, many investors will inevitably be left with odd lots. We suggest the Exchange facilitate low-cost odd lot matching services during the transition to ensure that investors, especially retail and smaller-scale investors, are not unfairly penalized by liquidity discounts when adjusting their holdings.

9. If you do not support adopting eight board lot units, do you prefer a larger number of board lot units? If yes, please provide reasons.

N/A

10. (For issuers only) If a change is required, is six months an appropriate duration for an issuer to adjust its board lot unit or undertake other corporate action, to comply with board lot value ceiling guidance or standardisation of board lot units? If not, please provide reasons.

N/A

11. Do you support aligning implementation of standardisation of board lot units with the USM initiative? If not, please provide reasons.

Yes. We support this alignment. As the USM initiative is targeted for launch in early 2026 and will be implemented in phases over a five-year period, aligning these two reforms allows issuers to update their listing and corporate documents and electronic registries for both initiatives simultaneously*. This minimizes administrative costs and avoids the need to reissue physical certificates multiple times.

We understand that by aligning with the USM rollout, the implementation of standardized board lot units will also be phased over this same five-year window. This gradual approach, combined with robust investor education, is essential to allow the market, and the 25% of affected issuers, to transition away from paper-based legacy systems without operational disruption.

(* <https://www.sfc.hk/en/Rules-and-standards/Uncertificated-Securities-Market>)

12. Are there any anticipated challenges, such as system limitations, in implementing the proposed board lot framework?

Yes. We suggest the Exchange consider three primary operational areas during the implementation process:

1. Odd Lot Liquidity and Market Impact - Approximately 25% of issuers will potentially need to change their board lot units. This will create a temporary surge in odd lot holdings. To help mitigate potential liquidity discounts for retail or smaller investors, we suggest the Exchange might explore coordinating with market makers to provide accessible or low-cost odd lot matching during the transition phases.

2. Intermediary System Readiness - The transition to eight standardized units, coupled with the 2026 USM launch, represents a significant technical undertaking. Brokerages and technology vendors will need to update order management systems, settlement platforms, and mobile trading apps concurrently. A phased 5-year implementation would be beneficial, as it

allows for thorough stress-testing and reduces operational pressure on smaller firms and intermediaries.

3. Investor Education - There is a risk that retail investors may misunderstand why their lot sizes are changing or how their rights are affected during the paperless transition. Educational campaigns would be helpful to highlight the long-term benefits of standardization and ensure a smooth transition for participants.

13. Do you have any other comments regarding the board lot framework enhancements in the Hong Kong securities market?

No comment.