

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.

No comment.

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

No comment.

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

No. The proposal does not adequately account for the legitimate corporate governance function served by board lot value. For issuers in certain sectors, particularly those with high-growth profiles or volatile share prices, a higher minimum investment threshold serves as a natural filter for sophisticated, long-term investors with appropriate risk tolerance and investment horizon. This consideration benefits not only the issuer but investors themselves: mandating lower board lot values exposes retail investors to highly volatile securities they may be poorly placed to assess or absorb financially. Issuers are better positioned than the Exchange to determine the appropriate entry threshold for their securities, having regard to their business characteristics, volatility profile, and target investor base. The framework should preserve meaningful issuer discretion in this regard.

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

No. Consistent with our position in Q3, we do not support any specific ceiling level. The diversity of sectors and business models among listed issuers calls into question whether any single monetary threshold can appropriately address issuer-specific considerations.

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. If ceiling guidance is to be introduced, limiting its application to issuers with board lot units exceeding 100 shares is a reasonable and proportionate scope. This approach appropriately preserves flexibility for issuers that have already adopted smaller board lot units.

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

No. For the reasons stated in Q3 and Q4, we oppose the value ceiling concept and therefore cannot support its further tightening.

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

No. The operational complexities cited in the consultation — errors in trading and clearing, hedging misalignment, and system configuration burdens — are infrastructure and system issues that could be properly addressed through improvements to HKEX's own market infrastructure, rather than by restricting issuer flexibility. The Exchange should invest in making its systems robust enough to handle the current diversity of board lot units efficiently.

Standardization is also premature in the absence of a well-functioning odd-lot trading mechanism. Compelling a significant proportion of issuers to change their board lots will inevitably generate widespread odd-lot holdings across the market. As the consultation itself acknowledges, the odd-lot mechanism in Hong Kong remains inefficient compared to the automated systems operating in other major markets. In markets such as the United States, investors can trade in odd-lot quantities with full liquidity and pricing transparency — indeed, odd-lot trades now represent over 55% of all U.S. trades. HKEX should prioritize bringing its odd-lot infrastructure to a comparable standard before implementing reforms that risk increasing trading friction for investors where the necessary infrastructure is not yet in place.

Board lot sizing is a matter that issuers determine based on their specific circumstances, including share price characteristics, target investor base, and corporate strategy. The current diversity of board lot units in the market reflects those genuine differences. A mandatory prescribed framework removes this flexibility without adequately accounting for the varied needs of Hong Kong's diverse listed universe. In addition, requiring a significant proportion of issuers to change their board lot units also imposes a substantial operational and administrative burden.

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.

No. Consistent with our position in Q7, we do not support mandatory standardization to any prescribed set of units. A rigid menu of only eight options undermines issuer autonomy, depriving issuers of the flexibility to customize board lot size as a legitimate tool for corporate governance and investor relations management.

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.

No. Our position is that issuer discretion in board lot determination should be preserved rather than restricted by any mandatory prescribed framework.

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.

No. The proposed timeframe does not adequately account for the complexity of the required processes. Board lot adjustments (and in particular, share consolidations or subdivisions, if applicable) require board deliberation and approval, regulatory filings, shareholder communications, and extensive coordination across trading, clearing and custody systems. The practical burden on issuers is considerable, and the proposed timeframe should be meaningfully extended to allow for proper implementation.

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

Yes. Aligning implementation with the USM migration is operationally sensible, as it eliminates the need to reprint physical share certificates and allows issuers to manage both transitions in a coordinated manner. We would note, however, that this does not address the need to modernize Hong Kong's odd-lot trading infrastructure before mandating changes to the board lot framework that will materially increase odd-lot volumes.

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

Yes. The most pressing concern is the odd-lot infrastructure gap. Board lot changes affecting a wide range of issuers will generate substantial odd-lot holdings across the market, yet Hong Kong's current odd-lot mechanism lacks the automated matching, pricing transparency, and liquidity necessary to handle these efficiently. Investors holding odd-lot positions will face execution difficulties until the necessary infrastructure improvements are in place.

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

We appreciate HKEX's efforts to enhance operational efficiency and market accessibility. However, we respectfully encourage the Exchange to prioritize infrastructure improvements — particularly modernization of the odd-lot trading mechanism and reduction of transaction costs — which would more comprehensively and sustainably advance these goals. We also encourage the Exchange to ensure that the revised framework does not become disproportionately focused on retail participation at the expense of institutional investors and market quality, and that meaningful issuer discretion in legitimate corporate governance considerations is preserved.