

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. The current guidance of HK\$2,000 has been in place for over a decade. During this time, the cost of executing low-value trades has significantly decreased, and as a result, the risk of negative-value trades (where the fees exceed trade value) at this level has been reduced. From a market perspective, lowering the floor will enable investors to buy smaller value lots, improving accessibility for retail participants without materially increasing trading risks.

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

Yes. The proposed HK\$1,000 level strikes an effective balance. It enhances market accessibility by giving participants more flexibility to trade in smaller sizes without materially increasing the risk of negative-value trades, even in the event of stock price depreciation. The consultation paper also noted that this level is expected to increase daily trade volume by only 1.9%, which is considered an acceptable and manageable impact on market infrastructure.

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

Yes. High board lot values can be a significant barrier to entry for retail participation, making some stocks prohibitively expensive for individual investors. A value ceiling would encourage issuers of securities with high board lot values to make adjustments, thereby promoting greater affordability and accessibility for investors. This also helps with increasing liquidity, as a broader base of investors can participate in trading.

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

Yes. According to the consultation paper, the retail participation rate notably declines when board lot value exceeds HK\$50,000. Therefore, setting the ceiling at this level directly targets the threshold where affordability appears to become a significant constraint for retail investors. This level also provides a reasonable buffer for stock price appreciation before an issuer would need to consider a share subdivision or change in board lot size, avoiding excessive corporate actions while maintaining accessibility.

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. This approach encourages issuers to gradually adopt smaller board lot units, which helps position the market for a potential future transition to a single unified board lot unit. Further, it supports alignment with markets in the Chinese Mainland which use a board lot unit of 100 shares, which is beneficial for facilitating Southbound trading and for dual-listed companies seeking consistency.

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

Yes. A phased reduction would improve market accessibility and allow the market to gradually adjust towards the ultimate goal of a unified board lot size (e.g., 100 shares) without causing immediate widespread disruption. However, any further reduction should be subject to a review of market conditions and the operational capacity of market participants at that time.

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

Yes. The current market structure, with over 40 different board lot units, introduces significant complexity across trading, clearing, and settlement processes and increases the risk of operational errors. Standardising to a defined set of units will streamline these processes, reduce the potential for errors, simplify hedging, and better align the Hong Kong market with international best practices, making it more intuitive for all participants.

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. The proposal for eight units represents a more balanced outcome, with a meaningful reduction in complexity while limiting the implementation impact. It provides sufficient flexibility for issuers of stocks across different price levels while minimising the number of issuers who would need to change their board lot, the potential for disruptive corporate actions, and the creation of odd lots.

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. Aligning the implementation with the USM initiative will allow issuers to make board lot changes without the significant cost and administrative effort of reprinting physical share certificates. It also reduces the need for temporary parallel trading arrangements, further simplifying the transition process for securities that have moved to the uncertificated model.

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

Yes. Affected issuers will need to carefully plan the implementation of the proposed framework, taking into account additional requirements, administration and process involved such as board approval, public disclosure and, where the change in board lot is combined with other corporate actions such as share consolidation, shareholders' approval. In addition, issuers will also need to ensure arrangements are in place to deal with any odd lots that are created. This entire process necessitates clear and proactive communication with all shareholders to manage the transition smoothly and avoid confusion.

In addition, market participants will need to update their trading and back-office systems to cater for the implementation of the proposed board lot framework, for example, system capacity for the likely increase in daily trades as a result of the lowering of the board lot value floor, and adjustments for associated products that might be affected. We note that the Exchange will coordinate with product issuers and market makers to ensure trading remains orderly throughout the implementation process.

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

No comment.