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Our ref  
3174

Date  
12 March 2026

By email (response@hkex.com.hk)

Dear Sir/Madam,

**Re: Consultation Paper – Board Lot Framework Enhancements in the Hong Kong Securities Market**

We refer to the Consultation Paper on Board Lot Framework Enhancements in the Hong Kong Market (the "**Consultation Paper**") issued in December 2025 and are pleased to respond with our comments. Unless otherwise defined, all capitalised terms used in this letter shall have the same meanings as defined in the Further Consultation Paper.

We have not completed the questionnaire and prefer to respond in letter format which we trust is acceptable.

We set out our comments on the specific proposals in the table below.

<b>Question 1</b>
<b>Do you agree that the board lot value floor guidance should be revised? If not, please provide reasons.</b>
We support a revision to the board lot floor guidance as proposed. We note that the current board lot value floor guidance of HK\$2,000 has remained unchanged for over ten years, during which market conditions, in particular execution costs, have evolved. With such reduced execution costs, we consider that a lower board lot floor is appropriate.

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<b>Question 2</b>
<b>Do you agree that the board lot value floor guidance should be revised to HK\$1,000? If not, please provide reasons.</b>
We consider that HK\$1,000 would be a reasonable and measured amount for the revised value floor guidance. This would allow market participants to have increased flexibility to trade in smaller sizes, without materially increasing the risk of negative value trades occurring.
<b>Question 3</b>
<b>Do you agree with introducing board lot value ceiling guidance? If not, please provide reasons.</b>
We support the introduction of a board lot value ceiling. We consider this to be a sensible market development measure to help ensure that entry costs for investors are not prohibitively high.
<b>Question 4</b>
<b>Do you agree that the board lot value ceiling guidance should be set at HK\$50,000? If not, please provide reasons.</b>
We consider that HK\$50,000 is a reasonable level for the proposed ceiling based on the retail participation statistics across different board lot value bands shown in the Consultation Paper.
<b>Question 5</b>
<b>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.</b>
We consider this to be sensible, as it avoids placing a compliance burden on issuers who have already adopted a board lot unit that is consistent with the long-term transition to a single unified board lot, aligned with Chinese Mainland markets.
<b>Question 6</b>
<b>Do you support further reduction of the board lot value ceiling guidance in the future? If not, please provide reasons.</b>
We recognise that a lower ceiling in the future could further enhance retail accessibility and deepen investor participation. However, we would caution that any future reduction should be subject to thorough market impact assessment at the relevant time. We suggest that the HKEX commit to reviewing the effectiveness of the HK\$50,000 ceiling following a period of operation and consider any further reduction in light of prevailing market data, including execution cost trends, retail participation rates, and the progress of the broader board lot framework reform. We would not support a predetermined or automatic reduction without appropriate prior consultation.



<b>Question 7</b>
<b>Do you support standardising board lot units as a pathway to reducing market complexity? If not, please provide reasons.</b>
We generally support the proposal to standardise board lot units which addresses the current complexity and will help to streamline secondary market trading and operational processes. The retention of issuer choice within the standardised framework is an important feature that mitigates the risk of undue market disruption and enables issuers to select the board lot value that is most appropriate for their circumstances.
<b>Question 8</b>
<b>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.</b>
We note the HKEX's considerations in determining the appropriate standardised board lot units including the need to reduce the range to support secondary market efficiency whilst ensuring that sufficient range remains to accommodate different pricing levels. We consider that the proposed eight board lot units provide a reasonable balance between meaningful reform and manageable implementation burden. That said, we note that there is a relatively larger gap between 100 and 500. This may be problematic for an issuer with, for example, a board lot of 400 who would need to reduce its board lot fourfold to 100. Depending on value of the shares, this could result in a drop below the board lot value floor guidance. The HKEX may wish to consider including an additional board lot unit of 200 shares to address the disproportionately greater impact on such issuers.
<b>Question 9</b>
<b>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.</b>
N/A
<b>Question 10</b>
<b>(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.</b>
N/A - we note this question is for issuers only.
<b>Question 11</b>
<b>Do you support aligning implementation of standardisation of board lot units with the USM initiative? If not, please provide reasons.</b>
We support the approach to align the implementation methodology and timeline of the new board lot framework with the USM initiative. This would allow issuers to optimise resources and avoids the need to reprint share certificates following board lot unit changes. We consider this to be a



sensible approach from both a cost and operational risk perspective. Coordinating these two reforms should help to minimise disruption to issuers and market participants and represents an efficient use of implementation resources.

**Question 12**

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

We do not anticipate any fundamental legal obstacles to implementation of the proposed framework.

Please let us know if you have any queries in relation to the above.

We confirm that we are happy for the contents of this letter to be made publicly available as part of the consultation process.

Yours faithfully,

**Herbert Smith Freehills Kramer**