

Submitted via Qualtrics

Personal view

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

Yes. I support the proposed reduction of the board lot value floor guidance from HK\$2,000 to HK\$1,000. The analysis in Figure 8 convincingly demonstrates that execution costs have declined significantly, with "the cost to trade HK\$2,000 reduc[ing] from 23 basis points in 2015 to 11 bps in 2025."

However, I have two concerns:

First, while Table 1 estimates only a 1.9% increase in daily trades from this change, this aggregate figure may mask more significant impacts on specific securities, particularly those with high retail participation. I would welcome additional analysis on whether certain sectors or stock price bands are likely to experience disproportionate increases in trade volumes, and what measures might be taken if operational strain emerges.

Second, paragraph 62 acknowledges that "lower board lot value guidance levels were considered, such as HK\$500, HK\$250, or HK\$100," but these were rejected due to "the longer-term risk of negative value trades in the event of stock price depreciation." While I accept this reasoning, I suggest that the Exchange commit to reviewing the floor guidance periodically (e.g., every five years) to ensure it remains appropriate as execution costs continue to evolve.

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

Yes.

I support the introduction of a board lot value ceiling guidance. The analysis in Figure 10 is compelling: "retail participation notably declines when board lot value exceeds HK\$50,000, which is likely to indicate reduced retail participation due to affordability constraints."

That said, I wish to raise the following points:

Enforcement and compliance: Paragraph 67 states that "unlike the board lot value floor guidance, which applies when board lot units are set by issuers or changed, board lot value ceiling guidance is proposed to apply at all times." This raises practical questions. How will the Exchange monitor compliance on an ongoing basis? What happens if a stock's price appreciates gradually over several years, pushing it above the HK\$50,000 threshold? Will issuers be expected to adjust their board lot units proactively, or will the Exchange issue directions? Greater clarity on the enforcement mechanism would be appreciated.

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

Yes. I support the introduction of a board lot value ceiling guidance. The analysis in Figure 10 is compelling: "retail participation notably declines when board lot value exceeds HK\$50,000, which is likely to indicate reduced retail participation due to affordability constraints."

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

Yes.

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. Application to securities with board lot units of 100 shares or less: I agree with the proposal in paragraph 72 to exempt securities using board lot units of 100 shares or less from the ceiling guidance, as this "encourages issuers to gradually adopt smaller board lot units and future-proof their board lot unit" and supports alignment with Mainland markets. However, I note that this creates a two-tier system where some high-priced stocks (e.g., those trading at HK\$600 with a 100-share lot) will have board lot values of HK\$60,000—above the HK\$50,000 ceiling—yet face no obligation to adjust. While I understand the policy rationale, this may be perceived as inconsistent. The Exchange should consider communicating clearly why this exception is necessary to avoid confusion.

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

Yes. Question 6 asks whether I support further reduction of the board lot value ceiling guidance in the future. I support this in principle, but only if accompanied by rigorous analysis of market readiness and retail participation patterns. Any future reduction should be gradual and subject to consultation.

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

Yes. I support standardising board lot units as a pathway to reducing market complexity. The proposed set of eight units—1, 50, 100, 500, 1,000, 2,000, 5,000, and 10,000 shares—appears well-calibrated based on the analysis in Table 3.

However, I wish to offer several critical observations:

Impact on smaller issuers: While the proposal affects 25% of issuers (657 securities), I am concerned about the disproportionate impact on smaller-cap companies. These issuers may have fewer resources to manage board lot changes, communicate with shareholders, and handle any resultant odd lots. The Exchange should consider whether additional support or guidance could be provided to smaller issuers during the transition.

Odd lot creation: Table 3 indicates that the eight-unit framework would result in odd lot creation for 270 securities (10%). While this is manageable, paragraph 108 acknowledges that "developing an odd lot trading solution requires careful consideration of market preferences, stakeholder input, and technological complexities." I urge the Exchange to prioritise enhancements to the odd lot trading mechanism in parallel with the board lot changes, rather than as a subsequent phase. Investors should not be left with illiquid odd lot positions for an extended period.

Choice of units: I note that the proposed units include 50 and 500 shares, which are less common internationally but appear justified by Hong Kong's price distribution. I would welcome further explanation of why 200 shares—currently used by 4% of issuers and representing 14% of ADT according to Table 3—was not included in the final set. While I accept the eight-unit framework, understanding why 200 shares was excluded would provide greater transparency.

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. Mentioned in Q7.

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. I support aligning implementation with the Uncertificated Securities Market (USM) initiative, as this "allows issuers to optimise resources and avoids the need to reprint share certificates following board lot unit changes" (paragraph 91).

However, I have concerns about the two-phase approach:

Timing uncertainty: Phase Two requires each existing issuer to adopt a standardised board lot unit "within a specified period following its transition to uncertificated shareholding under the USM initiative." This creates uncertainty, as the USM migration timeline may vary across issuers. Some issuers may transition early, while others may delay. This could result in a prolonged period where some securities have standardised units while others do not, potentially complicating trading and hedging strategies that involve multiple securities.

I suggest that the Exchange consider setting a long-stop date by which all issuers must have adopted a standardised board lot unit, regardless of their USM migration status. This would provide market participants with certainty that the transition will be complete by a known date.

Six-month adjustment period: Question 10 asks whether six months is appropriate for issuers to adjust their board lot units. I believe six months is generally sufficient, but I note that this may be challenging for issuers that also need to undertake share consolidations or sub-divisions to comply with the floor or ceiling guidance. These corporate actions require shareholder approvals and may take longer to execute. The Exchange should consider allowing flexibility on a case-by-case basis where genuine difficulties arise.

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

No.

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

I welcome the Exchange's acknowledgment of impacts on associated products. Paragraph 106 states that "HKEX will coordinate with product issuers and market makers so that trading remains orderly, and investor protections are maintained throughout implementation." I would appreciate more detail on how this coordination will work in practice, and whether any grandfathering arrangements will be available for existing structured products.

Regarding odd lot trading, I strongly support the commitment in paragraph 109 to "reviewing potential enhancements to the odd lot trading mechanism." However, I am concerned that this review is mentioned only briefly and without a clear timeline. Given that the board lot changes will inevitably create odd lots, I urge the Exchange to publish a separate consultation or at least

a detailed roadmap for odd lot trading enhancements by the time the consultation conclusions are published.

The proposed board lot framework enhancements are a significant and welcome step toward modernising Hong Kong's securities market. I support the proposals in principle and commend the Exchange for its thorough analysis.

However, I respectfully offer the following recommendations for consideration:

1. Periodic review of the board lot value floor guidance to ensure it remains appropriate as execution costs evolve.
2. Clearer enforcement mechanisms for the board lot value ceiling guidance, including how compliance will be monitored and enforced.
3. Prioritisation of odd lot trading enhancements in parallel with board lot changes, with a published roadmap.
4. A long-stop date for Phase Two implementation to provide market certainty.
5. Additional support for smaller issuers during the transition.
6. Greater transparency on the exclusion of certain board lot units (e.g., 200 shares) from the standardised set.

I thank the Exchange for the opportunity to comment and would be happy to elaborate on any of the points raised above.