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Hong Kong Exchanges and Clearing Limited
12/F One Exchange Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs,

Subject : Consultation Paper on Review of the Growth Enterprise Market (GEM) and Changes to the GEM and Main Board Listing Rules

Thank you for inviting FTSE to respond to this consultation. As index provider, a lot of consultation questions raised in the documents are not relevant to our business as such we are providing our written comments in the following areas:

I) Raising listing criteria, Re-positioning GEM as a stand-alone board etc.

FTSE comments:

- The changes look favourable as it addresses the public concerns on quality and performance of the companies by tightening listing criteria and re-positioning as a Small and Medium sized enterprise board.
- Russell's Global Index (RGI) has GEM companies while FTSE's Global Index (GEIS) only has mainboard companies. FTSE would need to consult index users for comments on eligibility of GEM stocks in our global index. Liquidity and local index users' view on the enhanced GEM board would need further studies internally for index eligibility. In order to be considered for eligibility, the following market segment criteria must exist: closing function requirements, listing requirements, governance requirements, additional access barriers removed
- Proposals to require higher float and dissuade insiders from selling for two years should help with the High Concentration of Shareholder problem. At present those stocks under 'High concentration warning' issued by SFC are not eligible in FTSE indexes.
- High concentration problems also exist on Mainboard. FTSE supports any measures to enhance the mainboard rule to address this issue.

II) New Board Concept Paper:

- New Board Pro

FTSE Comments:

- As this is mainly targeted for issuers at early stage /pre-profit new economy company and professional investors, most likely it will not be an eligible market for FTSE global index. However, if liquidity develops and there exists demand from our index users, we may consult index users at a later stage for eligibility of New Board Pro stocks in our indexes.

- New Board Premium

FTSE Comments:

- The name of this board could be confusing with New Board Pro, as they share the same name 'New Board'
- We understand that this is for companies meeting mainboard criteria but unable to meet certain criteria like non-standard equity governance structure or US listed companies with standard differing from HK. Will this actually an International Main Board?
- FTSE index also include shares with dual share class such as Alibaba, Facebook etc. as users have shown a degree of tolerance for weighted voting rights.
- However, for recent case of US listed SNAP, with zero public voting. FTSE has changed our rules to add a 5% voting rights hurdle after public consultation.
- For eligibility of New Board Premium companies to FTSE index, again would need to have public consultation before we can consider including them in the international index series.
- Currently we already allowed companies such as Alibaba ADR to be included in our global index. If these companies are listed as secondary listing in New Board Premium in the future, it may have the issue of double counting if we included their HK listing also.

Please do not hesitate to contact the undersigned should you have require additional input.

Yours sincerely,



Jessie Pak
Managing Director, Asia