

Submitted via Qualtrics

Company / Organisation view

Question 1:

It is proposed that only the Applicable Securities, i.e. equities, REITs and equity warrants, will undergo minimum spread reduction. Do you agree?

Yes

If not, please provide reasons:

N/A

Question 2:

Do you agree with the Exchange's proposal to keep the minimum spreads of price bands below \$0.5 and above \$50 unchanged?

Yes

If not, please provide reasons:

N/A

Question 3:

Do you agree with the proposed selection of the price bands and/ or the proposed magnitude of reduction of minimum spreads for phase 1 (i.e. 50% to 60% reduction to stocks priced between \$10 and \$50 to achieve 4 to 10 bps for tick-to-price ratios)?

Yes

If not, please provide reasons:

N/A

Question 4:

Do you agree with the proposed selection of the price band and/ or the proposed magnitude of reduction of minimum spreads for phase 2 (i.e. 50% reduction to stocks priced between \$0.5 and \$10 to achieve 5 to 100 bps for tick-to-price ratios)?

Yes

If not, please provide reasons:

N/A

Question 5:

Continued use of a single spread table model with increasing minimum spreads along with price bands is proposed. Do you agree?

Yes

If not, please provide reasons:

N/A

Question 6:

Are you supportive of a multiple spread table model for the same type of securities?

No. Potential challenges as below:

If so, what eligibility criteria would you suggest?

N/A

If not, what challenges would you foresee in the implementation of a multiple spread table model? Please elaborate:

We don't support this proposal due to the increased complexity and cost it would create. We do not feel a multiple spread table is necessary to achieve the goals of the overall spread reduction proposal.

Question 7:

Do you agree to the inclusion of percentage-based requirement on top of the existing spread based requirements (i.e. either ± 24 spreads or 3.5% from the reference price, whichever is greater in percentage terms) in the quotation rules, including the relevant rules applicable in different trading sessions and transactions concluded on and outside of the Exchange's trading system?

No, reasons as follows

If not, please provide reasons:

No, we do not agree as this change would impact stocks which are not going to have new spread and require considerable upgrades to our systems.

The new 3.5% logic and the ± 24 spreads are similar in nature hence we don't see any incremental benefit of adding this percentage-based logic.

We have the same view when it comes to the ETF spreads that were recently introduced.

Question 8:

Are you aware of any infrastructure impact which may arise from the proposed minimum spread reduction, including but not limited to a 3 decimal place system set up for Exchange Traded Options trades?

Yes, details as follows

Please elaborate and explain the potential impact, including the possible lead time required for the additional infrastructure changes, if any.

We would first like to express appreciation to HKEX for agreeing to reform the settlement fees, which has been a long-standing industry ask. It is also important that this settlement fee change takes place before the go-live of the new reduced spreads.

However, we would also like to raise that from the spread reduction, we expect to see more DMA/high-frequency client flow (DMA) and a surge in trading activity which would increase the pressure on trading system capacity including but not limited to exchange throttle usage. We would appreciate if HKEX could consider reducing the exchange

throttle fees, otherwise brokers will face as much as ~35% increase in throttle fee costs, based on our estimation.

Question 9:

Do you agree with the proposed six-month lead time before effecting the new Spread Table for the Applicable Securities under phase 1?

No, recommended length and reasons as follows

If not, what would be a reasonable length and why?

We agree to a six-month lead time for change to the spread tables, but will need more time (additional six months) if the $\pm 3.5\%$ price requirement is enacted.

Question 10:

If the Exchange decides to implement phase 2 proposed after the review of phase 1, how much lead time would you need?

Under 3 months

Others, please specify and give reasons for your view:

N/A

Question 11:

Do you have any other comments regarding the proposed minimum spread reduction in the Hong Kong securities market?

N/A