

**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?**

Yes. The following eligibility criteria is suggested:

**If so, what eligibility criteria would you suggest?**

Whereas introduction of multiple spread table might increase displayed liquidity, but it would come with significant operational risk and would need major infrastructure set up changes which in itself would need more time to implement. Moreover it might also lead to frequent order modification and cancellation which would imply a broader review of system capacity.

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

N/A

**Question 7:**

**Do you agree to the inclusion of percentage-based requirement on top of the existing spread based requirements (i.e. either  $\pm 24$  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?**

Yes

**If not, please provide reasons:**

N/A

**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.**

Given the changes are being made for a specific subset of securities, we plan to work with our static data providers to introduce additional fields that help us differentiate securities that will be eligible for the revised tick rules. We would be optimizing our risk control infrastructure to specifically review price checks for instruments utilizing the new tick rule.

We would like to request that the HKEx provide a field that advertises that an instrument is utilizing the new tick rule vs the prevalent one via a market data update. Such a tag would allow the industry to adopt these changes more efficiently.

We wish to request that the HKEX consider supporting up to 4 decimal places for crosses reported via the ALPs. Coordinating such an enhancement in conjunction with the minimum spread enhancement would be ideal.

**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?**

Yes

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

N/A

**Question 10:**

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

Others, please specify and give reasons for your view

**Others, please specify and give reasons for your view:**

We would request the exchange to provide 3 additional months to implement Phase 2.

**Question 11:**

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

We strongly advise the HKEx to amend the current structure of the CCASS stock settlement fee for exchange trades with an appropriate ad valorem rate. Such an amendment should be implemented concurrently with any minimum spread reduction.

The constant attention that this charge has garnered across the brokerage industry pertains to the fact that for ~85% of single child level executions, the HK\$2 fee is charged as a minimum floor fee rather than the 0.002% charge. If the tightening of the spread table is successfully deployed, investors should expect that the market microstructure landscape within Hong Kong will change immeasurably as trade size will reduce and velocity of executions would increase, which in turn would increase

transaction costs, borne by the brokerage community, owing to the current structure of the settlement fee.