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:

A multiple spread table model would increase complexity and cost for market participants and is, therefore, less desirable.

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?

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.

As a potentially related issue, we would like to highlight to the Exchange an expected spikein throttle usage due to the increased volume of smaller orders trading the same notionalamount, which has been observed in other markets when tick sizes are narrowed. Ingeneral, as the Hong Kong market evolves, members also expect to see more client flow(DMA), increasing the pressure on trading system capacity. As a result, members will likelyneed higher front-to-back processing capabilities. We would greatly appreciate it if theExchange could reconsider the current throttle capacity constraints. Moreover, we wonder iffees can be reduced on exchange throttle usage in the context of the anticipated highertransaction volumes following the proposed minimum spread reduction.

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?

4 - 6 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?

*Note: Please note this response, which includes text in Q11, supersedes the earlier entry

Regarding the exchange assessment of the stock settlement fee for exchange trades with a view to replace the current structure with an appropriate ad valorem rate: Moving to an ad valorem rate would be a strong positive step to modernize the Hong Kong market and would bring crucial predictability into trading cost calculations. An ad valorem rate would align HKEX closer to global best practices and remove frictions from investors who shy away from the market because they cannot adequately model their costs. The change to an ad valorem rate should be made before, or concurrently, with the first phase of the tick size reduction.