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?

No, reasons as follows

If not, please provide reasons:

Typical spreads in HK are in line with tick sizes (in line with the consultation) they may be restrictive. However, this results in considerable on book liquidity for names, which makes it easier to trade the market.

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)?

No, reasons as follows

If not, please provide reasons:

I agree; however, the reduction could be smaller to keep quoted liquidity less impacted in the market. Reducing spreads will result in more electronification and trading a faster paced market by human traders | retail will be more difficult.

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)?

No, reasons as follows

If not, please provide reasons:

I agree; however, for less liquid securities, the pace of spread reduction can be smaller.

Question 5:

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

No, reasons as follows

If not, please provide reasons:

Yes I agree and here is the reason: Schedules with multiple spread sizes per stock price bands provide flexibility. Single spread with no progressive spreads per stock price can work only in markets where security prices are significantly large (i.e., larger parts of the US market).

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:

Simplicity is often key for having less issues in implementation.

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:

Spread and % typically can cover any stock in any market.

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?

No

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

N/A

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?

N/A