

Submitted via email

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:

Fund manager members generally do not have any issues re the proposed scope of the reduction (i.e. for stocks in the \$0.5 - \$50 price band) and the proposed magnitude of the reduction.

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:

Would prefer to maintain a single spread table, because this approach is operationally simpler to implement.

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 is more complex, and would require clear communication by the Exchange of the liquidity criteria being used to place stocks within each spread table. Suggest the Exchange to consider the unintended consequences of using inappropriate tick sizes under this model as well.

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 comment

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.

Smaller tick sizes could result in a larger demand for market data bandwidth from the Exchange, which should be assessed to ensure enough capacity post-implementation.

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?

Fund managers do not have issues with the proposed six-month lead time. However, it has been suggested that amendments to the tick sizes occur at a suitable time lag after the adjustment of fees (i.e. the \$2 minimum) to ensure that the impact of each change in isolation can be adequately analyzed and monitored.

Question 10:

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

No comment

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