

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)?

No, reasons as follows

If not, please provide reasons:

Our answer is Yes but this was the only way to add text.

While these measures seem agreeable, we would urge caution against further spread reductions without sufficient data to back it up. Further proposed tick size adjustments

may hold unintentionally harsh consequences for institutional asset managers attempting to trade large orders. It may become more difficult to find real liquidity at a price point with concerns this may increase volatility, unstable (flickering) top-of-book quotes, and increased messaging traffic, further complicating the trading landscape.

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:

Our answer is Yes but this was the only way to add text.

While these measures seem agreeable, we would urge caution against further spread reductions without sufficient data to back it up. Further proposed tick size adjustments may hold unintentionally harsh consequences for institutional asset managers attempting to trade large orders. It may become more difficult to find real liquidity at a price point with concerns this may increase volatility, unstable (flickering) top-of-book quotes, and increased messaging traffic, further complicating the trading landscape.

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 would rather the exchange waited until it has the data to understand the impact of these changes.

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?

No comment

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?

Others, please specify and give reasons for your view

Others, please specify and give reasons for your view:

A minimum of twelve months so it has time to collect data and analyse the results.

Question 11:

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

For the Exchange to remain competitive and relevant, we would again ask for the following:

1. An immediate consultation of moving HK equity and bond settlement to T+1 to coincide with the timing of any move by the UK and Europe at the latest.
2. The creation of an ATS to allow mid-point crossing. We would further recommend that HKEX consider expanding this option to cover securities listed elsewhere in Asia.
3. We would encourage the HKEX to consider the introduction of periodic auctions as a mechanism to allow for mid-point crossing.