

Submitted via Qualtrics

Company / Entity View

Market Represent(s): Securities & Derivatives Markets

Question 1

Do you have any comments or concerns on the proposed arrangements for the Hong Kong securities market?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 2

Do you have any comments or concerns on the proposed arrangements for Northbound Trading under Stock Connect?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 3

Do you have any comments or concerns on the proposed arrangements for Hong Kong derivatives market?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 4

Do you have any comments or concerns on the proposed arrangements for new listings and new products?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 5a

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Cheque Clearing?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 5b

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Banking Services?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 6

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 90 – 91?

Yes

If the answer is "No", please specify your comments or concern:

N/A

Question 7

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 92 – 94?

Yes

If the answer is "No", please specify your comments or concern:

N/A

Question 8

Do you envisage there being any material practical difficulty in complying with any particular Listing Rule requirements?

Yes

If the answer is "Yes", please specify your comments or concern:

Please see response to Question 10.

Question 9

Do you agree that consequential amendments to the Listing Rules should be made?

Yes

If the answer is "No", please specify your comments or concern:

N/A

Question 10

Under the proposed model, do you foresee any insurmountable difficulties for

implementing SWT?

Yes

If the answer is "Yes", please specify your comments or concern:

We agree that, in order to remain competitive and in order to avoid disruption to the multi-directional capital flows which are typical of the available markets and products traded in the Hong Kong securities market, the ability to continue trading in severe weather is critical for the continued maintenance of Hong Kong as an international financial centre.

We also agree with the key principles in the Consultation Paper that no physical financial facilities should be open on severe weather trading (SWT) days.

The issues that we need to take into account of and cater for are the factual situation in Hong Kong which has many small brokers and retail customers. Younger investors will no doubt have easily adopted technology in the management of their investments. However, it remains a fact that small brokers do work with their customers through the phone and the physical delivery of cheques to settle trades. It is not sufficient for the SWT proposals to operate solely on the basis that technology makes available electronic means of trading and settlement. It also needs to take into account whether smaller operators have the means to undergo systemic changes and also to retrain personnel to become conversant in the new ways of trading and settlement.

For example, we see that the proposals involve fairly large responsibilities on market participants to adopt measures to meet the requirements of the new SWT initiative. For example, in paragraph 81, it is stated that : "Participants are strongly encouraged to adopt and familiarise themselves with electronic means for money transfer such as Clearing House Automated Transfer System ("CHATS"), Faster Payment System ("FPS"), e-cheques and Autocredit bulk settlement runs ("Autocredit"), to prepare for the implementation of SWT. " The training and software enhancement costs that may be required, as well as the development of personnel familiarity with new systems, may not be easily surmountable.

In other words, it is not sufficient simply to require all service providers to comply with rules by a certain date. Practical implementation, and perhaps onsite personnel from the Exchange to offer guidance, and the provision of training, should accompany this new initiative. Practicalities need to be addressed.

A particular practicality to address is the event of a failed settlement, and the definition thereof. For example, if a purchaser of stocks provided a physical cheque to his broker ahead of time for clearance on SWT, does the purchaser alone bear the risk of no cheque clearance on SWT or does the broker need to bear part of the responsibility of failed settlement? We believe that it is necessary for the overall SWT trading system to cater for events of failed settlement, not only in terms of legal liability but in the same day (including the SWT day) solution (including mechanics) in the smooth running of the market. In this regard, any rules must address such issues with maximum clarity.

In addition, we believe that SWT is a step in the right direction. However, in order for Hong Kong to become truly competitive, the infrastructure that we build for SWT trading could similarly be applied to extend the trading hours of the Hong Kong market on a daily basis. The work to be done to cater for SWT days can likewise facilitate longer trading hours in Hong Kong for Hong Kong stocks, which would allow overlap with the trading hours of some overseas markets and encourage trading volumes and revenue in Hong Kong.

Question 11

Would there be adequate time to prepare for SWT to come effective in July 2024 under the proposed model?

No

If the answer is "No", please specify the reasonable length and reason(s):

Although we need to catch up quickly to implement SWT rules, the deadline for implementation really depends on how much time the market participants require to adapt to the new rules. The new measures may not allow transitional periods as we cannot have a market where some participants trade on SWT days but others do not. Therefore the July 2024 deadline needs some fluidity and the Exchange should gather market feedback on this issue urgently.

