

Submitted via Qualtrics

Company / Entity View

Market Represent(s): Securities Market

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:

We generally support the initiative to maintain market operations during severe weather conditions. This initiative could mitigate market risks associated with unexpected closures and enhance investor confidence.

According to the paragraphs 34 to 41 of the proposal, trading arrangements, clearing, settlement and collateral management services arrangements under the SWT Day will remain unchanged as a regular trading and settlement days. These include trading hours, trading mechanisms, liquidity provision, requirements for manual trade reporting, and stock suspensions or resumptions. The service schedules in CCASS and custodian services will also remain the same.

For example, the ex-date will not be postponed upon the implementation of SWT. However, under the SW, the physical outlets of HKSCC and share registrars are expected to be closed. In such cases, if a corporate action such as the entitlement/record date falls on a SWT Day, the share transfer by those physical certificate holders will be hindered and the transferees may not be able to entitle themselves to the rights and benefits as a shareholder.

In the scenario where the last registration date for a corporate action falls on a SWT Day, the Stock Exchange needs to address how physical certificate holders can trade on the ex-entitlements of cash dividends, stock dividend, bonus issue and rights issues. Specially, how the physical certificate holders who have not yet lodged and completed the deposit or withdrawal with CCASS on the last registration date, which happens to be a SWT Day.

Another issue to be addressed by the Stock Exchange is the arrangement for those physical certificate holders to trade their new shares where collection of certificates for such new shares upon completion of new shares issue falls on a SWT Day. In such a case, those “shareholders” may not be able to collect the physical certificates on completion and therefore cannot trade immediately on that day.

In addition, the proposal has not clearly addressed the matters regarding the operation under the SWT Day. We are concerned about:

- (i) Personnel and investor safety, especially small and mid-size brokers often have limited resources. We urge that the Stock Exchange provides clear guidelines on staff requirements during SWT conditions, and urge regulators to connect with insurance providers for special arrangement to cover related personnel in SWT arrangement.
- (ii) Technological infrastructure support (in form of financial subsidies, technical assistance, or extended lead time for implementation). We recommend that the Stock Exchange offers necessary supports to brokers in upgrading their technological infrastructure to ensure they can operate effectively during SWT conditions.
- (iii) Operational continuity. We recommend that the Stock Exchange works closely with telecommunications and power providers to ensure that the necessary infrastructure remains robust during SWT conditions.
- (iv) Risk management. The proposal should include specific measures for risk management tailored to the scale of operations of small and mid-size brokers. These measures should address potential challenges in margin calls, liquidity demands, and the settlement process during SWT.
- (v) Training and preparation. We recommend that the Stock Exchange launches training and market rehearsal programs for brokers to prepare for SWT model, including

but not limited to the handling of systems, understanding of the new operational arrangements, and managing client expectations

(vi) Clear communication channels. We recommend that the Stock Exchange establishes clear and reliable communication channels to provide real-time updates during SWT conditions, to ensure that all market participants are well-informed and can make timely decisions. A dedicated team and hotline should be established for emergency enquiries during SWT Days.

(vii) Regulatory compliance. We appreciate the Stock Exchange's commitment to align with both local and international regulatory requirements. We seek assurance that the regulatory framework will be adaptive given some limitations faced by smaller brokers.

(viii) Capital and liquidity challenges. During severe weather events, the operational and financial demands on brokers can escalate. Small and mid-size brokers are particularly vulnerable to liquidity strains, as they may not have the same capital reserves as larger institutions.

Last but not the least, while the rationale for normal trading during SWT Day is generally accepted by the market, the investors, brokers and securities houses are looking forward to receiving various resources support from the Stock Exchange. Given that more real time data use is anticipated during SWT Days, we urge the Stock Exchange to consider waiving or lessening the real time data service subscriber fees.

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:

The clearing, settlement and collateral management services arrangements and respective service schedules in CCASS will remain the same as on a regular Northbound trading and settlement day, in order that CCCPs would not constitute an event of default, bank support is crucial in providing currency exchange service on a timely manner.

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 refer to the response in Q1.

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 refer to the response in Q1.

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:

Although there is e-Cheque or other electronic means for fund transfer via banks systems, while branches and customer service staff will be absent during SW Days, it is

suggested that banks should set up dedicated hotline to handle exceptional issues such as bounced cheques or emergency amendment/cancellation of cheques, etc.

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 refer to the response in Q(5)(i).

Question 6

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

No

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

While it is currently proposed definition of "Business Day" will remain under SFO, since a "Trading Day" may not necessary be a "Business Day" upon the implementation of the SWT, regulator should further provide clear definition to the public to avoid confusion.

We also urge the Stock Exchange to address if there be any special arrangement for half day SW and if such a half day SW be treated as full day SW or a normal trading day. The Stock Exchange should also give guidelines to the relevant parties including CCASS, registrars and banks as to whether the physical outlets remain operate in afternoon should there be only half day SW in the morning.

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:

Yes. It provides a clear guideline.

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 refer to the response in Q1.

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:

Yes. It provides a clear guideline. Please also refer to the response in Q1.

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:

While we support the proposal for SWT in principle, we emphasize the need for a measured and supportive approach to its implementation. Please refer to the response in Q1.

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):

Please refer to the response in Q1.