

Reduction of Minimum Spreads in the Hong Kong Securities Market

Frequently Asked Questions

(Version Date: 24 Jan 2025)

Note: This document will be updated from time to time to reflect the latest development and please refer to the latest version for further details.

1. What products will be affected by minimum spreads reductions?

The products which will be impacted by minimum spreads reductions are all securities (i.e. equities, Real Estate Investment Trusts (“REITs”), equity warrants and all other securities), **excluding** Exchange Traded Products (“ETPs”), debt securities, Exchange Traded Options (“ETOs”) and Structured Products (including Callable Bull / Bear Contracts, Derivative Warrants and Inline Warrants) (the in-scope products hereinafter referred to as the “Applicable Securities”). The minimum spreads applicable to the excluded securities will remain unchanged.

2. Why are the spread tables of debt securities, ETOs, ETPs and Structured Products not included in this review?

The minimum spreads for ETPs were reviewed in 2020 and ETPs have subsequently been traded efficiently. While the current spread table for Structured Products aligns with that of Applicable Securities, given the product segment operates within a different trading ecosystem which necessitates a separate spread table arrangement, the spread table for Structured Products will remain unchanged.

3. Does the additional 5% requirement in the Quotation Rules¹ apply to particular price band(s) only?

The update in the proposed allowable price limit under the Quotation Rules for all securities except ETPs to either ± 24 spreads or 5% from the reference price, whichever is greater in percentage terms, will apply across all the price bands.

It should also be noted that the scope and requirement of the “9-time rule” will remain unchanged. During the Continuous Trading Session (“CTS”), the order price input into the OTP-C should not deviate 9 times or more from the nominal price.

4. Will off-exchange trades² be affected by the change in Quotation Rules?

The proposed changes in Quotation Rules will affect all securities **except ETPs**, and there is no specific distinction between transactions concluded on or outside of OTP-C. Off-exchange trades will also be affected by changes in the relevant Quotation Rules.

5. When will the changes in Quotation Rules, single stock options market making obligations and stock settlement fees come into effect?

The changes will be implemented before and/or along with phase 1, with further details to be announced in due course.

6. Will the spread data for each product become available in OMD-C and MMDH as part of the reduction of minimum spreads initiative?

No. OMD-C and MMDH will continue to provide the “Spread Table Code”, which indicates the spread table corresponding to the corresponding security, via the Security Definition (11) message.

¹ The “Quotation Rules” refers to the relevant quotation rules that govern the order input prices currently expressed in the number of 24 trading spreads during the Continuous Trading Session under Chapter 5 of the Rules of the Exchange.

² For the avoidance of doubt, off-exchange trades refer to trades conducted outside of SEHK’s trading system, Orion Trading Platform – Securities Market (OTP-C), but are reportable by Exchange Participants to the Exchange pursuant to the Rules.

7. Will there be any changes in OMD-C and MMDH Interface Specification?

There will be no modifications to the OMD-C and MMDH interfaces. However, updates to the OMD-C and MMDH Interface Specification will be implemented to provide new value(s) of spread table code via Security Definition (11) message.

8. Will Exchange Participants (“EPs”) be required to complete any specific test case during the market rehearsal?

Please note that participation in the market rehearsal will be mandatory for all EPs. HKEX will provide a sample test case related to the minimum spreads reduction. Detailed information regarding the test schedule and relevant materials will be available on the [web corner](#) for the initiative in due course.

9. What factors will be considered when assessing the result of phase 1?

HKEX will conduct a thorough assessment of various factors. Indicators such as changes in bid-ask spreads, order book depth and order message traffic may be examined.