

**Submitted via Qualtrics**

**(Anonymous)**

**Company/Organisation view**

**Investment Firm / Asset Manager Focusing on Public Equity**

**Question 1.1(a)**

**Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by requiring the public float percentage of securities new to listing be calculated normally by reference to the total number of securities of that class only (as set out in paragraph 44 of the Consultation Paper)?**

**Yes**

**Please give reasons for your views and any alternative suggestions.**

**Question 1.1(b)**

**Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with no other listed shares, requiring the numerator of its public float percentage to be calculated by reference to its H shares only, such that any shares it has in issue that are in the class to which H shares belong would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?**

**Yes**

**Please give reasons for your views and any alternative suggestions.**

**Question 1.1(c)**

**Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of a PRC issuer with other listed shares (e.g. A shares listed on a PRC stock exchange), requiring**

**the numerator of its public float percentage to be calculated by reference to its H shares only, such that any other listed shares it has in issue would only be included in the denominator (as set out in paragraph 45 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

We believe only shares tradable in Hong Kong should count toward the public float, as this more accurately reflects the policy rationale of imposing a public float requirement. If securities that do not contribute to market openness, such as A shares of PRC issuers, are included, they could inflate public float figures without genuinely contributing to market liquidity. This is in line with other international markets.

We also support the proposal that A to H issuers should be subject to a bespoke set of rules (along with the amendment to the Minimum 15% Threshold as proposed below) because of their unique features. A-shares themselves, which are not fungible with H shares, should not be counted as part of the Hong Kong market public float as they do not add to local liquidity formation.

Although it may not be the objective of this consultation, we believe this proposal may eventually encourage a further review to exclude shareholders of HK-listed securities from inadvertently violating the PRC's short-swing profit rule.

**Question 1.1(d)**

**Do you agree with our proposal to exclude securities that do not contribute to an open market in trading in Hong Kong from the calculation of the public float by in the case of an issuer with other share class(es) listed overseas, requiring the numerator of its public float percentage at listing to be calculated by reference to only the shares of the class for which listing is sought in Hong Kong, such that any shares of other classes it has in issue would only be included in the denominator (as set out in paragraph 46 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 1.2**

**Do you agree with our proposal to modify the requirement of MB Rule 8.09(1) (GEM Rule 11.23(2)(a)) to clarify that the minimum market value in public hands requirement applies to the securities for which listing is sought (as set out in paragraph 47 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 2.1**

**Do you agree that we should exclude from the definition of “the public” any person whose acquisition of securities has been financed by the issuer and any person who is accustomed to take instructions from the issuer (as set out in paragraph 64 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 2.2**

**Do you agree with our proposal to regard shares held by an independent trustee which are granted to independent scheme participants and unvested as shares held in public hands (as set out in paragraph 65 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 3.1**

**Do you agree that we should replace the current minimum initial public float thresholds with tiered initial public float thresholds according to the expected market value of the class of securities for which listing is sought on the Exchange at the time of listing?**

Yes

**Please give reasons for your views and any alternative suggestions.**

Any proposal that clarifies the listing requirements/process in Hong Kong and seeks to align Hong Kong's requirements with those of other major overseas markets is welcome.

Like other investors, we are concerned that any move to lower the IPO public float threshold will negatively impact liquidity. We also draw your attention to another unintended consequence: If the size of the free float decreases, many asset managers may find it hits their internal risk thresholds, making it less likely we can apply for certain deals.

**Question 3.2**

**Do you agree with the proposed tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 3.3(a)**

**Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for the initial listing of A+H issuers (and other prescribed types of issuers)?**

No

**Please give reasons for your views and any alternative suggestions.**

Like other investors, we are concerned that any move to lower the IPO public float threshold will negatively impact liquidity. We also draw your attention to another unintended consequence: If the size of the free float decreases, many asset managers may find it hits their internal risk thresholds, making it less likely we can apply for certain deals.

**Question 3.3(b)**

**Do you agree that the proposed tiered initial public float thresholds should be applied to any class of equity securities new to listing on the Exchange, except for a bonus issue of a new class of securities (as set out in paragraph 79 of the Consultation Paper)?**

No

**Please give reasons for your views and any alternative suggestions.**

Like other investors, we are concerned that any move to lower the IPO public float threshold will negatively impact liquidity. We also draw your attention to another unintended consequence. If the size of the free float decreases, many asset managers may find it hits their internal risk thresholds, making it less likely we can apply for certain deals.

#### **Question 3.4**

**Do you agree that all issuers disclose, in their listing documents, the initial public float threshold that is applicable to the class of securities they seek to list on the Exchange?**

Yes

**Please give reasons for your views and any alternative suggestions.**

#### **Question 3.5**

**Do you agree that the same tiered initial public float thresholds (as set out in Table 5 of the Consultation Paper) should be applied to GEM issuers?**

Yes

**Please give reasons for your views and any alternative suggestions.**

We believe GEM should have a low entry requirement with the caveat that it should carry a "buyers beware" warning. If, over time, an issuer demonstrates it has a sustainable business and the ability to comply with regulatory listing requirements, we would encourage that there should be automatic promotion to the Main Board.

**Question 4.1(a)**

**If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for issuers, subject to the initial public float tiers proposed (see Table 5 in Section I.B.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.**

no additional comment

**Question 4.1(b)**

**If our proposed initial public float thresholds (see proposals in Section I.B.1 and Section I.D.1 of Chapter 1 of the Consultation Paper) are supported by the market, we seek views on the appropriate ongoing public float requirements for: A+H issuers and other prescribed types of issuers (see Section I.D.1 of Chapter 1 of the Consultation Paper). Please give reasons for your views and any alternative suggestions.**

no additional comment

**Question 4.2**

**Should issuers be allowed the flexibility to maintain a lower public float level, after listing, than that required at listing, in view of the issues we have described in the Consultation Paper (see paragraphs 102 to 109 of the Consultation Paper)?**

Yes

**Please give reasons for your views.**

We support a relaxation of the post-listing public float requirement. Issuers should be given flexibility to manage their share capital for strategic planning and financial management, such as mergers and acquisitions, or to support share buyback programmes.

We are also supportive of ASIFMA calls to identify issuers with a “Low Public Float” tag when a public float level that falls more than 20% of the lower of:

- (i) the initial public float tier/threshold at listing; and
- (ii) the highest public float level during the past six months.

We strongly believe this is far better than suspending the issuer from listing, which disadvantages all shareholders and risks reducing market integrity.

**Question 4.3**

**Should the existing regulatory approach of suspending trading of issuers with public float below a prescribed level (see paragraph 92(c) of the Consultation Paper) be maintained, in view of the issues we have described in the Consultation Paper (see paragraphs 110 to 111 of the Consultation Paper)?**

No

**Please give reasons for your views.**

We believe this disadvantages shareholders and reduces market integrity.

**Question 4.4**

**Do you agree that ongoing public float requirements should be applied to shares only (as set out in paragraph 118 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 4.5**

**Do you agree that an OTC market should be established in Hong Kong (as set out in paragraph 119 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

An official over-the-counter market seems to no longer be OTC. That said, the creation of an official "notice board" where bids/offers and trades are printed gives transparency from both a trading and valuation perspective.

If HKEX does go ahead with this, it should be on a “buyer beware” basis with retail investors only able to sell positions. Only professional investors should be allowed to buy securities in any OTC market.

**Question 4.6(a)**

**What are your views on the potential benefits and risks of establishing an OTC market? Please give reasons for your views.**

The creation of an official "notice board" where bids/offers and trades are printed gives transparency from both a trading and valuation perspective.

If HKEX does go ahead with this, it should be on a “buyer beware” basis with retail investors only able to sell positions. Only professional investors should be allowed to buy securities in any OTC market.

**Question 4.6(b)**

**What are your views on functions that an OTC market should serve? Please give reasons for your views.**

Transparency

**Question 4.6(c)**

**What are your views on whether such OTC market should be open to retail investors? Please give reasons for your views.**

If HKEX does go ahead with this, retail investors should be protected by being able to sell positions only. Only professional investors should be allowed to buy securities in an OTC market.

**Question 5.1**

**Do you agree with our proposal to mandate disclosure of actual public float in listed issuers' annual reports?**



Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 5.2**

**Do you agree with the details proposed to be disclosed (as set out in paragraph 126 of the Consultation Paper), including that only persons connected at the issuer level would be required to be identified on an individually named basis in the disclosure of shareholding composition (as set out in paragraph 126(b)(i)(1) and (2) of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

We believe connected persons at both the issuer and subsidiary levels be named.

**Question 5.3**

**Do you agree that issuers should be required to disclose the relevant information based on information that is publicly available to the issuer and within the knowledge of its directors (as set out in paragraph 127 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

We support the minimum recommended action set out in the Consultation Paper.

**Question 6.1**

**Do you agree that the Exchange should require a minimum free float in public hands at the time of listing for all new applicants (as set out in paragraph 139 of the Consultation Paper)?**

Yes

**Please give reasons for your views.**

We feel strongly that this is necessary to protect the end investor. The alternative may only encourage poor behaviour and be detrimental to market

integrity. While we strongly support the requirement for an adequately defined minimum free float, we note that this, on its own, will not necessarily improve market liquidity.

**Question 6.2**

**Do you agree with our proposed initial free float thresholds (as set out in paragraph 140 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

While we reluctantly agree, we remain concerned that the 10% threshold is lower than in other major global markets and seems out of step with the objective of this consultation.

**Question 6.3**

**Do you agree with our proposed modification of the initial free float thresholds to PRC issuers (as set out in paragraphs 142 to 143 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 6.4**

**Do you agree with our proposal to apply the proposed initial free float requirement to shares only (as set out in paragraph 144 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 6.5**

**Do you agree that shares considered to be in public hands that are held by an independent trustee under a share scheme should not be counted towards the proposed initial free float requirement (as set out in paragraph 145 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

#### **Question 6.6**

**Do you agree that existing free float related requirements for Biotech Companies and Specialist Technology Companies should be replaced with the proposed initial free float requirement so that the same requirement applies to all issuers (as set out in paragraph 146 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

A consistent approach is sensible.

#### **Question 7.1**

**Do you agree with our proposed revised minimum thresholds on shares to be listed on the Exchange for A+H issuers and other prescribed types of issuers (as set out in paragraph 162 of the Consultation Paper)?**

No

**Please give reasons for your views and any alternative suggestions.**

If an A-share issuer wants to list H-shares, then it should adhere to the current 15% requirement. We believe that any retraction from this requirement is not a meaningful listing

#### **Question 7.2**

**Do you agree that the minimum initial public float thresholds for A+H issuers and other prescribed types of issuers should be the same as the**

**minimum thresholds on shares to be listed on the Exchange (as set out in paragraph 164 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

### **Question 7.3**

**Do you agree with our proposal to remove the minimum market value requirement for the class sought to be listed by issuers with other share class(es) listed overseas and H shares of PRC issuers (as set out in paragraph 166 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

### **Question 8**

**In respect of the lock-up requirement on IPO securities placed to cornerstone investors, would you prefer to:**

retain the existing six-month lock-up (as set out in Option A in paragraph 205 of the Consultation Paper)

**Please give reasons for your views and any alternative suggestions.**

We support the proposal to give cornerstone investors some release of the six-month lock-up. As long-term Investors, we will not make an investment decision to sell stock during this window. Rather than a two-tranche approach, it might be simpler to pass the lock-up management to the deal's lead manager.

To permit more efficient portfolio management, if an investor in an open-ended fund or a segregated mandate redeems, the lead manager (or HKEX, if the former is unpalatable) should be allowed to permit asset managers to make sales of this nature only. Similarly, if the deal performs exceptionally well, the lead manager would be able to loosen the lock-up to all cornerstone investors.

We also want to draw your attention to the difficulties facing investors when participating in an IPO as a cornerstone investor. The main issues that can be faced are as follows:

- **Disclosure:** We can't always reveal client identities in cornerstone agreements. It would help if these details were kept confidential and shared only with necessary parties.
- **Warranties:** Cornerstone agreements require warranties that we can't provide on behalf of clients, like waiving sovereign immunity. It would be better if we could make these warranties instead of the clients.
- **Multiple Managers:** Clients may have other managers, making it hard for us to guarantee certain actions for a specific client. We can only speak for the assets we manage.
- **Lock-up Periods:** While we support staggered lock-ups, strict lock-ups can conflict with regulations like UCITS, which require investments in transferable securities, which is not the case when a security is subject to a lock-up.

Overall, we suggest clarifying the IPO process for investment managers and providing alternative requirements, especially in the new FINI process, to better accommodate managers acting for multiple clients.

### **Question 9.1**

**Do you agree that at least 50% of the total number of shares initially offered in an IPO should be allocated to investors in the bookbuilding placing tranche (as set out in paragraphs 227 and 228 of the Consultation Paper)?**

No

**Please give reasons for your views and any alternative suggestions.**

While we are broadly supportive, any scale-back of the cornerstone's allocation must not happen after the shares have been paid for by our underlying investors.

### **Question 9.2**

**Do you agree that the proposed requirement should not be applied to the initial listing of Specialist Technology Companies (as set out in paragraphs 229 of the Consultation Paper)?**

**Please give reasons for your views.**

**Question 10.1**

**Do you agree with the proposed removal of the guideline on minimum spread of placees, being not less than three holders for each HK\$1 million of the placing, with a minimum of 100 holders in an IPO placing tranche (as set out in paragraph 230 of the Consultation Paper)?**

**Please give reasons for your views.**

We do not have an opinion. We, like most asset managers, have our own liquidity guidelines which determine whether we can invest in a security.

**Question 10.2**

**Do you consider that other safeguarding measures should be implemented to ensure an adequate spread of holders in the placing tranche, in light of the proposal (as set out in paragraph 230 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 11.1**

**Do you agree with the proposal to require issuers to adopt either Mechanism A or Mechanism B with respect to a minimum allocation of offer shares to the public subscription tranche (as set out in paragraphs 248 to 250 of the Consultation Paper)?**

No

**Please give reasons for your views and any alternative suggestions.**

We believe that only Option A should be allowed. Multiple options would be too disruptive to the integrity of the offering process and IPO price discovery.

**Question 11.2**

**Do you agree with the proposal to require Specialist Technology Companies to only adopt the existing initial allocation and clawback mechanism designed for them, i.e. Mechanism A (as set out in paragraph 251 of the Consultation Paper)?**

**Please give reasons for your views.**

**Question 12.1**

**Do you agree that we should retain the Allocation Cap?**

**Please give reasons for your views.**

No opinion

**Question 12.2**

**Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to the triggering conditions of the restrictions on Reallocation and PO Over-allocation (as set out in paragraph 262 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 12.3**

**Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendments to lower the proposed Maximum Allocation Cap Percentage Threshold from 30% to 15% (as set out in paragraph 263 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 13.1**

**Do you agree that the Existing Pricing Flexibility Mechanism should be amended to include upward pricing flexibility?**

No

**Please give reasons for your views and any alternative suggestions.**

We do not support upward pricing flexibility. Too often, the price gets prioritised to the detriment of the quality of the order book to whom allocations are made. This creates significant problems for asset managers who agree to cornerstone an issue, as they usually act for a number of underlying clients. The administrative effort involved is considerable and should not be underestimated.

Another key point is that this often leads to worse performance in the secondary market, making it more difficult for issuers to raise funds from further equity issuance.

**Question 13.2**

**Do you agree with our proposals to adopt an offer price adjustment limit of 10% in both directions (as set out in paragraph 281 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**



**Question 13.3**

**In respect of the initial offer price range, would you prefer adjustment to be made:**

**Please give reasons for your views and any alternative suggestions.**

**Question 13.4**

**Do you agree with our Proposed Opt-in Arrangement (as set out in paragraphs 283 to 284 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 13.5**

**Do you agree with our proposal to extend the current disclosure requirements (as set out in paragraph 285 of the Consultation Paper)?**

**Please give reasons for your views and any alternative suggestions.**

**Question 14**

**Do you agree with our proposals to make consequential and housekeeping amendments to the Placing Guidelines (as set out in paragraphs 302 and 303 of the Consultation Paper and Appendices I and II to the Consultation Paper)?**

**Yes**

**Please give reasons for your views and any alternative suggestions.**

**Question 15**

**Do you agree with our proposal to disapply the proposed initial public float requirement in the case of a bonus issue of a new class of securities involving options, warrants or similar rights to subscribe for or purchase shares (as set out in paragraph 306 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 16**

**Do you agree with our proposal to add new provisions under Appendices D1A and D1B to the Main Board Listing Rules to require disclosure of the minimum prescribed percentage of public float in listing documents (as set out in paragraph 311 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 17**

**Do you agree with our proposal to waive the initial free float requirement for overseas issuers that have, or are seeking, a secondary listing on the Exchange (as set out in paragraph 315 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 18**

**Do you agree with our proposal to repeal the requirement that PRC issuers list H-shares that have an expected market value, at the time of listing, of HK\$50 million (as set out in paragraph 319 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 19**

**Subject to the proposals on minimum allocation of offer shares to the public subscription tranche (as set out in paragraph 248 of the Consultation Paper) being adopted, do you agree with the proposed consequential amendment to enable GEM listing applicants to choose either Mechanism A or Mechanism B (as set out in paragraph 325 of the Consultation Paper)?**

No

**Please give reasons for your views and any alternative suggestions.**

We do not support mechanism B

**Question 20.1**

**Do you agree with our proposals on the determination of market capitalisation for new applicants that have other classes of shares apart from the class for which listing is sought or are PRC issuers (as set out in paragraph 333 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 20.2**

**Do you agree with our proposal to introduce an equivalent GEM Listing Rule provision on the basis for determining the market value of other class(es) of shares for a new applicant (as set out in paragraph 335 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 21**

**Do you agree with our proposal to amend the Listing Rules (MB Rule 12.02 (GEM Rule 16.07)) to require issuers to publish a formal notice on the date of issue of a listing document for offers or placings where any amount placed is made available directly to the general public (as set out in paragraph 339 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 22.1**

**Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the open market requirements of MB Rule 8.08 do not apply to Successor Company's warrants (as set out in paragraph 349(a) of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 22.2**

**Do you agree with our proposal to amend Chapter 18B of the Main Board Listing Rules so that the minimum market value requirement of MB Rule 8.09(4) does not apply to SPAC Warrants and Successor Company's warrants (as set out in paragraph 349(b) of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Question 23**

**Do you agree with our proposal to amend MB Rule 18C.08 so that the 50% minimum requirement is to be determined by reference to the total**

**number of shares initially offered in the IPO (as set out in paragraph 352 of the Consultation Paper)?**

Yes

**Please give reasons for your views and any alternative suggestions.**

**Overall Comments**

**Please provide your overall comments (if any) regarding the Consultation Paper which have not been covered in the questions above.**

While we welcome the opportunity to participate in the consultation, we believe it does not ask all the right questions.

We believe consideration should be given to allowing asset managers to break a lock-up in the event of a redemption or a segregated mandate being lost. HKEX should consider allowing the deal's lead manager to manage this process.

We would also support the introduction of a "registered block" process, which might make it easier to handle post-lock-up flows.

We do not support upward pricing flexibility. This often leads to worse secondary market performance, making it more difficult for issuers to raise funds from further equity issuance.