

**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)?**

Yes

**If not, please provide reasons:**

N/A

**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)?**

Yes

**If not, please provide reasons:**

N/A

**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 believe a multiple spread table model will increase complexity for market participants. However, if the exchange were to implement a multiple spread table mechanism, we would like to reiterate the importance of having a data-driven process when determining appropriate tick sizes and the unintended consequences inappropriate tick sizes may bring. Clear guidance and definition of rules in determining

a stock's liquidity is also equally important

**Question 7:**

**Do you agree to the inclusion of percentage-based requirement on top of the existing spread based requirements (i.e. either  $\pm 24$  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

**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?**

4 - 6 months

**Others, please specify and give reasons for your view:**

N/A

**Question 11:**

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

In terms of SSO market maker obligations, the reduction of tick sizes in equities will increase market maker costs for maintaining quote requirements as part of PMM / CQMM / QR obligations. We propose corresponding amendments to SSO market making obligations (increasing the number of spreads) to reduce the negative impact of the reduced tick sizes on the underlying securities.

In terms of effective date, we suggest that the Exchange choose an appropriate date (away from other regional upgrades, key events and public holidays) to implement such changes.