<u>Submitted via Qualtrics</u>
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:

1. Whilst it might benefit the market in general, only a relatively small fraction of the stocks will have improved trading characteristics as a result.

2. The complication arising from implementation cannot be overlooked; especially the grouping of stocks for potential multiple spread tables are unknown yet; such as the impact on stock trading characteristics over time.

3. Need constant monitoring and review with changing stock liquidity over time. As mentioned it would need more active involvement from market participants in incorporating the relevant data into their trading systems and performing additional back testing for deployment of algorithmic trading strategies.

Question 7:

Do you agree to the inclusion of percentage-based requirement on top of the existing spread based requirements (i.e. either ±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?

Yes, details as follows

Please elaborate and explain the potential impact, including the possible lead time required for the additional infrastructure changes, if any.

1. We envisage increase in trading traffic due to more frequent order book status change when the tick size is reduced; however, at the moment we do not have an estimate on the scale of the change. This may require increased server and network capacity.

2. Some work will be required to update and validate tick computations, and use the proper tick table for stocks vs derivative warrants, which currently assume they are identical – 3 months

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?

7 - 12 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?

We would highly recommend that the tick size revision to be coupled with a revision of the CCASS settlement fee pricing structure to optimize transaction cost, due to the potential reduction the average trade sizes on the exchange resulting from a tick size reduction.   We acknowledge that HKEx has addressed this on Q58 of the consultation paper