

**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)?**

No, reasons as follows

**If not, please provide reasons:**

Answers are mixed depending on teams:

Some teams don't mind about the change (DLP)

Other teams (Electronic Market Making) believe it will have negative impact:

- Number of orders sent/cancelled/modified increase making them more vulnerable to latency arbitrage
- reduce the interest to offer liquidity
- Significant impact on model and algos, reduced history and sample period for proper calibration

**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)?**

No, reasons as follows

**If not, please provide reasons:**

Answers are mixed depending on teams:

Some teams don't mind about the change (DLP)

Other teams (Electronic Market Making) believe it will have negative impact:

- Number of orders sent/cancelled/modified increase making them more vulnerable to latency arbitrage
- reduce the interest to offer liquidity
- Significant impact on model and algos, reduced history and sample period for proper calibration

**Question 5:**

**Continued use of a single spread table model with increasing minimum spreads along with price bands is proposed. Do you agree?**

No comment

**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:**

Any model that reduces the average spread on a list of securities will have the following challenges:

- Number of orders sent/cancelled/modified increase making market markets more vulnerable to latency arbitrage
- reduce the interest to offer liquidity
- Significant impact on model and algos, reduced history and sample period for proper calibration

**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?**

N/A