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Consultation on Board Lot Framework Enhancements in the Hong Kong Securities Market

Thank you for taking the time to respond to the Consultation Paper on the Board Lot Framework Enhancements in the Hong Kong Securities Market ("Consultation Paper").

Please state whether your response represents the view of your company / organisation or your personal view.

- Company / Organisation view**
- Personal view

Please provide the following information about your company / organisation. A statement on HKEX's privacy policy is set out in Appendix II to the [Consultation Paper](#).

Company / Organisation Name*.

The Chamber of Hong Kong Listed Companies

Please indicate whether you are an HKEX Participant and / or Listed Company on SEHK*.

- Yes, SEHK Participant
- Yes, HKFE Participant
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- Yes, others (e.g. HKSCC Participant)
- Yes, listed company on SEHK
- Not an HKEX Participant / listed company on SEHK**

Business nature best represents your company / organisation in the responses*.

- Broker - Institutional client base
- Broker - Retail client base
- Broker Supplied Systems Vendor / information vendor
- Proprietary trading firm / market maker
- Institutional investor
- Retail investor
- Industry association**
- Listed company
- Others (please specify)

Please provide the following information.

Name*

Email address*

(use a company / organisation email)

Job title / position

Important note: All fields marked with an asterisk (*) are mandatory. HKEX may use the contact information above to verify the identity of the respondent. Responses without valid contact details may be treated as invalid.

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I / We do NOT wish to disclose my / our identity to the members of the public.

Please refer to Paragraph 55 to 63 in Chapter 2 of the [Consultation Paper](#).

Q1. Do you agree that the board lot value floor guidance should be revised? If not, please provide reasons.

Yes, comments (optional) as follows

This may further enable retail investors to trade in smaller companies trading in low prices, this perhaps will encourage trading in them and improve stock liquidity. We agree that it is permissible for board lot values to fall below the board lot value floor as a result of share price movements.

No, reasons as follows

No comment

Q2. Do you agree that the board lot value floor guidance should be revised to HK\$1,000? If not, please provide reasons.

Yes, comments (optional) as follows

We agree to the reasoning stated in the CP

No, reasons as follows

No comment

Q3. Do you agree with introducing board lot value ceiling guidance? If not, please provide reasons.

Yes, comments (optional) as follows

Setting a value ceiling will make currently high price stocks more accessible to retail investors, allowing them to trade in stocks otherwise too expensive for them. This will also open the stocks to a new investor segment, and may help boost stock liquidity.

No, reasons as follows

No comment

Q4. Do you agree that the board lot value ceiling guidance should be set at HK\$50,000? If not, please provide reasons.

Yes, comments (optional) as follows

We agree to the analysis in the CP. As stated, shares traded at this price level retain retail investors participation, and is a level acceptable to retail investors. For institutional investors wishing to make investment of larger sums, they can buy multiple board lots, so there should not be effects on their investment decisions.

No, reasons as follows

No comment

Q5. Do you agree with applying the board lot value ceiling guidance only to issuers whose board lot units exceed 100 shares in order to facilitate potential future adoption of a single board lot unit and support alignment with Chinese Mainland markets? If not, please provide reasons.

Yes, comments (optional) as follows

No, reasons as follows

No comment

Q6. Do you support further reduction of the board lot value ceiling guidance in the future? If not, please provide reasons.

Yes, comments (optional) as follows

No, reasons as follows

No comment

Please refer to Paragraph 75 to 90 in Chapter 2 of the [Consultation Paper](#).

Q7. Do you support standardising board lot units as a pathway to reducing market complexity? If not, please provide reasons.

Yes, comments (optional) as follows

We agree to the analysis in the CP.

No. reasons as follows

No comment

Q8. Do you support adopting the eight board lot units specified (1, 50, 100, 500, 1,000, 2,000, 5,000, 10,000 share(s))? If not, please provide reasons.

Yes, comments (optional) as follows

We agree to the analysis of the CP.

No. reasons as follows

No comment

Please refer to Paragraph 75 to 90 in Chapter 2 of the [Consultation Paper](#).

Q9. If you do not support adopting 8 board lot units, do you prefer a larger number of board lot units? If yes, please provide reasons.

Not applicable

Q10. (For listed companies only) If a change is required, is six months an appropriate duration for an issuer to adjust its board lot unit or undertake other corporate action, to comply with board lot value ceiling guidance or standardisation of board lot units? If not, please provide reasons.

Not applicable

Q11. Do you support aligning implementation of standardisation of board lot units with the USM initiative? If not, please provide reasons.

Yes, comments (optional) as follows

Yes. It is important that the implementation of the two initiatives be aligned in order to have a streamlined transition, better co-ordination with the share registrars and minimise disruption to shareholders. Where the board lot size shall be changed, the issuer has to undertake shareholder communication, providing odd lot matching service, etc. Sufficient time shall be allowed and well-coordinated with the migration to USM.

No, reasons as follows

No comment

Q12. Are there any anticipated challenges, such as system limitations, in implementing the proposed board lot framework?

Yes, anticipated challenges as follows

Before USM, where a company undergoes board lot size change, shareholders who are holding scrips will exchange for new scrips indicating the new board lot size, and can continue to hold them if they so wish. However, under the USM scenario no physical scrips shall be issued once an issuer is on board, which means after the change of board lots, shareholders will not have the right to hold scrips anymore. They would have to open an individual account with the share registrars to record their shareholdings, or lodge them with an intermediary, even if they do not intend to do so in the first place. To some moms and pops shareholders, they may feel they are compelled to give up their scrips because of the new board lot framework and feel dissatisfied. We are not sure how likely this situation will be but it is worth the Exchange paying attention to and have it managed.

No, comments (optional) as follows

No comment

Q13. Do you have any other comments regarding the board lot framework enhancements in the Hong Kong securities market?

The CP discusses much about the effects of the new board lot framework to market activities and trading operation e.g. trading, clearing settlement, hedging, etc. But little has been said about the implications to listed issuers and shareholders. For issuers who need to adopt a new board lot size, administrative costs will be incurred e.g. in shareholders communication and handling of odd lots. In case of low-priced stocks where share consolidation is required in order to meet the board lot value floor when the new framework comes into effect, shareholders approval may be required, involving even higher costs from legal work and administration. For shareholders who end up with odd lots as a result of the board lot change, since odd lots are usually traded at a slight discount than board lots and incur higher transaction costs, they may experience a loss of value in their shareholdings. On the other hand, it is still an unknown if the new board lot framework will benefit trading turnover or share price. On balance, there are costs to issuers and potential reduction in value to shareholders from this change while benefits to them are uncertain. The Exchange should perhaps lay out the possible effects to issuers and shareholders more clearly in its next communication to present a full picture to the market.

This is the last page of the questionnaire. By clicking "Submit", your response will be submitted and recorded.

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