



26 January 2024

BY EMAIL (response@hkex.com.hk)

Hong Kong Exchanges and Clearing Limited
8th Floor, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs

Re : CHKLC Response to Consultation Paper “Proposal on Severe Weather Trading of Hong Kong Securities and Derivatives Markets”

We are writing in response to your Consultation Paper “Proposal on Severe Weather Trading of Hong Kong Securities and Derivatives Markets” (the “CP”).

We fully realize it is important to minimize the number of days of market closures induced by external factors, such as Severe Weather (SW), especially when other stock markets are in operation, in order for Hong Kong to fulfil its trading and risk management functions as an integral part of the international financial markets system.

The CP stipulates that Severe Weather Days will be regarded as normal trading days, for the above objective. While listed issuers are to a large extent accustomed to an electronic environment for communication with the Exchange and shareholders and would not encounter grave hindrance from the proposed arrangements, the Chamber however would like to pinpoint a number of areas that could be problematic to other market participants.

1. Although securities market and Exchange operations are already highly electronic, small retail investors are not necessarily equipped with electronic access. Smaller brokerages that serve these investors also have not the sophisticated computer system in place to provide full electronic trading and settlement on Severe Weather Trading (SWT) days. To implement SWT may hinder these group of

investors and market participants from full participation, making trading on SWT days exclusively for large institutions and their investors. This is particularly so when the first trading day of a newly-listed security fall onto a SWT day, smaller investors might feel they are being left out from the potential share price gain that could happen on the first-day trading.

2. On SW days, general citizens are advised to stay home and not going out. Although work-from-home is the norm, on SWT days there may be incidents at home that need to be tended to depending on where they live, such as water seepage, flooding, and they may not be able to dedicate to work 100%. The liability will be very high if trades cannot be executed because of that. In severe circumstances, the home internet network and signals may be interrupted. Cyber security in the home environment may also not be reliable.

3. As aforesaid, although our market operations are highly electronic, our infrastructural set up is still in a hybrid mode, meaning some parts of the work flow are still being done manually, such as cheque payment and deposits and the signing of cheques, money transfers and the authorisation of them. These cannot be done efficiently outside the office environment and where team members are not located together. Although electronic banking is widely available and used, many banking operations need verification with the use of security tokens. Many companies do not allow such tokens be taken away from the office. If under SWT arrangements, employees are required to carry the token around, there may be the risk of it being lost or mishandled. For electronic banking, companies, or the banks themselves for that matter, has set daily limit of transfer with a lower amount than bank counter transactions. SWT arrangements may require companies to raise their online transfer limit, increasing risk exposure. The CP states that banks have agreed to review their existing transfer limits and consider adjustment as needed to allow higher flexibility of money transfers through electronic means to support SWT, concrete arrangements for such needed to be made known to companies asap.

4. In situations where an investment house or brokerage firm deal in multiple markets, such as OTC and Hong Kong shares at the same time, unless the OTC



desks in Hong Kong also operate on SWT days, intermarket operations would be disrupted, for example, when completion of certain HK shares deals are pending settlement from another OTC sale.

5. Much has been said about trading and settlement, from an issuer's angle, if a SWT day coincides a shareholder event, such as EGM which requires independent shareholders voting, the arrangements will be complicated, or a board meeting for approving financial results and declaring dividends, publishing of the announcements on the following day would also be affected as it involves other working parties, such as financial printer, and not all of them may continue to work on a SWT day depending on the situation. Additionally, in accordance with the current regulatory framework, trading suspensions may occur during SWT days due to issuers' potential inability to conduct scheduled meetings for reviewing and approving results announcements or executing documents and agreements related to price-sensitive matters. All these situations, although highly co-incidental, need to be considered under the SWT arrangements.

While supporting initiatives that would improve market efficiency, the Chamber would like to bring the above points to the attention of the Exchange in the hope that no interests of any market participants would be compromised. Further guidance that caters to the above circumstances is imperative.

Yours sincerely

For and on behalf of

The Chamber of Hong Kong Listed Companies

Mike Wong

Chief Executive Officer