



25 March 2025

To: The Securities and Futures Commission
54/F One Island East
18 Westlands Road
Quarry Bay, Hong Kong
Email: position-limit@sfc.hk

Dear Sirs/Madams

Consultation On Proposed Increase Of Position Limits For Exchange-Traded Derivatives Based On Hang Seng Index, Hang Seng China Enterprises Index And Hang Seng TECH Index

FIA¹ appreciates the opportunity to respond to the proposals set out in the “Consultation on proposed increase of position limits for exchange-traded derivatives based on Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng TECH Index” consultation paper (the **Consultation**) issued by the SFC in February 2025.

We strongly support the proposals, which represent a highly welcome and positive development for the market. We believe they will significantly enhance market liquidity, hedging efficiency, and overall trading activity in Hong Kong. Higher position limits will facilitate further market expansion, enable the provision of additional liquidity, and ultimately benefit end investors—further reinforcing Hong Kong’s competitiveness as a financial hub.

Additionally, we agree with the Consultation’s assessment that these changes are not expected to increase systemic risk. In fact, higher position limits and a more open framework could actively encourage a shift in trading volumes from bilateral arrangements to the cleared space, thereby strengthening risk mitigation through the involvement of a central counterparty.

We are also highly supportive of the SFC’s approach to align position limits with market growth while carefully considering the needs of market participants. Looking ahead, we welcome the SFC’s continued review of position limits to ensure they remain appropriate in light of market

¹ FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA’s membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA’s mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct. As the principal members of derivatives clearinghouses worldwide, FIA’s member firms play a critical role in the reduction of systemic risk in global financial markets. Further information is available at www.fia.org.



developments and evolving participant needs. While such reviews may not always lead to changes, regular assessments would provide the flexibility for gradual adjustments when necessary. This would help maintain alignment with market growth, ensure position limits remain proportionate to market size, and better reflect the broader market landscape.

At an appropriate juncture, the SFC may wish to explore leveraging the existing comprehensive market monitoring framework to consider the use of accountability limits. This would offer greater flexibility and help future-proof the position limits regime as markets continue to evolve. Coupled with the ability of the SFC and HKFE to request additional details on any significant or unusual position build-up, this approach would provide market participants with the ability to hedge effectively during exceptional market events. Most importantly, this can be achieved while maintaining full transparency for both the SFC and HKFE.

To support a smooth and orderly implementation of the new framework, we also encourage the SFC to clarify that existing authorisations to hold or control position limits above the proposed thresholds will continue to apply. This would provide participants with much-needed certainty and help ensure continuity of trading and hedging activities during the transition.

Please feel free to contact me at bherder@fia.org, or TzeMin Yeo, Head of Legal & Policy, Asia Pacific at tmyeo@fia.org should you wish to further discuss.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bill Herder', written in a cursive style.

Bill Herder
Head of Asia-Pacific