14 August 2026

To: Constitutional and Mainland Affairs Bureau
Email: hk5yplan@cmab.gov.hk

Dear Sirs/Madams

The First Five-Year Plan for Economic and Social Development of the Hong Kong Special Administrative Region (2026 - 2030)

FIA[1] welcomes the opportunity to comment on Hong Kong's First Five-Year Plan for 2026–2030 (**The Plan**). The Plan identifies Hong Kong's role as an international financial centre, offshore Renminbi hub, asset management centre and international risk management centre as key strategic priorities.

Further development of Hong Kong's listed derivatives markets should form an important part of that strategy. We recommend prioritising:

- refinements to the position limit framework;
- greater capital and margin efficiency;
- stronger market liquidity and product development including a broader listed derivatives offering; and
- enhanced Mainland and international market access.

[1] FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. 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 clearing firm members play a critical role in the reduction of systemic risk in global financial markets. Further information is available at www.fia.org.

Position Limits

We see scope to further refine Hong Kong's derivatives position limits framework to better support market development and international competitiveness.

Currently, product-specific limits and reportable position levels are prescribed under subsidiary legislation. We support allowing limits and reporting thresholds to be set and adjusted through SFC-approved HKEX rules, while retaining the statutory framework and appropriate SFC oversight. This would allow the framework to respond more efficiently to changes in market liquidity, open interest and product development while preserving regulatory control. Similar mechanisms are used in a number of other major derivatives markets, where exchanges generally have greater flexibility to adjust product-level limits and thresholds under regulatory oversight.

Limits should also be reviewed regularly and provide appropriate flexibility to accommodate legitimate hedging, market making, liquidity provision and other risk-reducing activity.

More fundamentally, the position limit framework should increasingly recognise net economic risk and genuinely offsetting exposures across related contracts, rather than relying principally on individual product and contract level limits. The policy objective of managing concentration and risks to market stability can still be achieved while avoiding unnecessary constraints on genuine market making, liquidity provision, hedging and risk-reducing activities.

Covered-call and other derivatives-based ETFs illustrate the issue. As these funds grow, position limits can constrain the use of listed derivatives efficiently, potentially increasing reliance on OTC alternatives rather than listed and centrally cleared derivatives.

Greater flexibility in the position limit regime would support more activity in transparent, centrally cleared derivatives markets.

Capital and Margin Efficiency

A key capital efficiency reform would be to recognise genuine economic offsets across the clearing houses of Hong Kong Exchanges and Clearing Limited (HKEX). HKFE Clearing Corporation Limited (HKCC) clears futures and index options, while The SEHK Options Clearing House Limited (SEOCH) clears single stock options. Economically related positions are therefore currently margined separately because they are held in different clearing entities. This leads to higher costs for clearing and risk management, even where the combined portfolio has materially lower net risk.

We support initiatives involving:

- cross-margining between HKCC and SEOCH;
- more coordinated collateral management; and
- over time, mechanisms to recognise appropriate offsets, interoperability and improve collateral efficiencies including where relevant across HKSCC, HKCC and SEOCH.

Any cross-margining arrangements should remain appropriately risk-based, recognise genuine economic offsets, and supported by robust risk controls. Such reforms could reduce unnecessary capital and margin duplication and support deeper liquidity, particularly during periods of market volatility and stress.

Market Liquidity and Product Development

We suggest that HKEX's market maker programmes evolve from a predominantly quoting obligation-based model towards greater use of performance-linked metrics. Incentives could include lower exchange and clearing fees, appropriate position limit exemptions or other treatment, including targeted stamp-duty relief, reflecting bona fide market making activity. This could strengthen competition and support deeper and more resilient liquidity.

We also encourage Hong Kong to continue broadening its listed derivatives offering, including through more responsive and objective criteria for single stock and ETF options on sufficiently liquid underlying securities and ETFs, as well as FLEX-style single-stock and ETF options. A more responsive listing framework would allow HKEX to react more quickly to changing investor demand and emerging market themes.

Building on the growth of weekly options, HKEX could also broaden short-dated expiries across appropriate products and, over time, consider daily expiries where appropriate. A short and predictable closing-settlement window would further support the development of this segment and Hong Kong's competitiveness by expanding the range of hedging tools available.

Market Access and Connectivity

There remain limited direct channels through which eligible Mainland investors can access Hong Kong listed derivatives. As a longer-term strategic objective, we recommend that Hong Kong consider developing a controlled pathway for eligible Mainland investors to access derivatives for risk management purposes. This could potentially be achieved through an extension of Connect schemes or other dedicated derivatives arrangement or a program focused on institutional investors and appropriate hedging use cases.

In the nearer term, Connect could be extended to include exchange-traded derivatives for hedging and Hong Kong could continue broadening the products accessible through Connect, for example RMB-counter securities through Southbound Connect, which would help bring more Mainland capital to Hong Kong.

At the same time, international investors need effective offshore tools to manage Mainland exposures. Hong Kong should continue developing A-share index derivatives, Connect-related products and RMB risk management products accessible to international investors. Building on the recently launched China Government Bond futures, further listed and centrally cleared Mainland risk products, for example options on the MSCI China A50 Connect Index, could channel global demand for Mainland exposure through Hong Kong and reinforce The Plan's offshore Renminbi hub priority.

These initiatives would reinforce Hong Kong's role as the bridge between Mainland and international markets.

Conclusion

Taken together, these recommendations could support the Plan's objectives of consolidating and enhancing Hong Kong's status as an international financial centre, strengthening its functions as an international risk management centre, and deepening connectivity with Mainland and international markets. We therefore encourage the Government to recognise the continued development of Hong Kong's listed derivatives markets as an important component of the Plan's vision and roadmap for high-quality development.

We welcome the opportunity to work with the HKSAR Government, the SFC and HKEX as these recommendations are further developed. 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 Sincerely

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