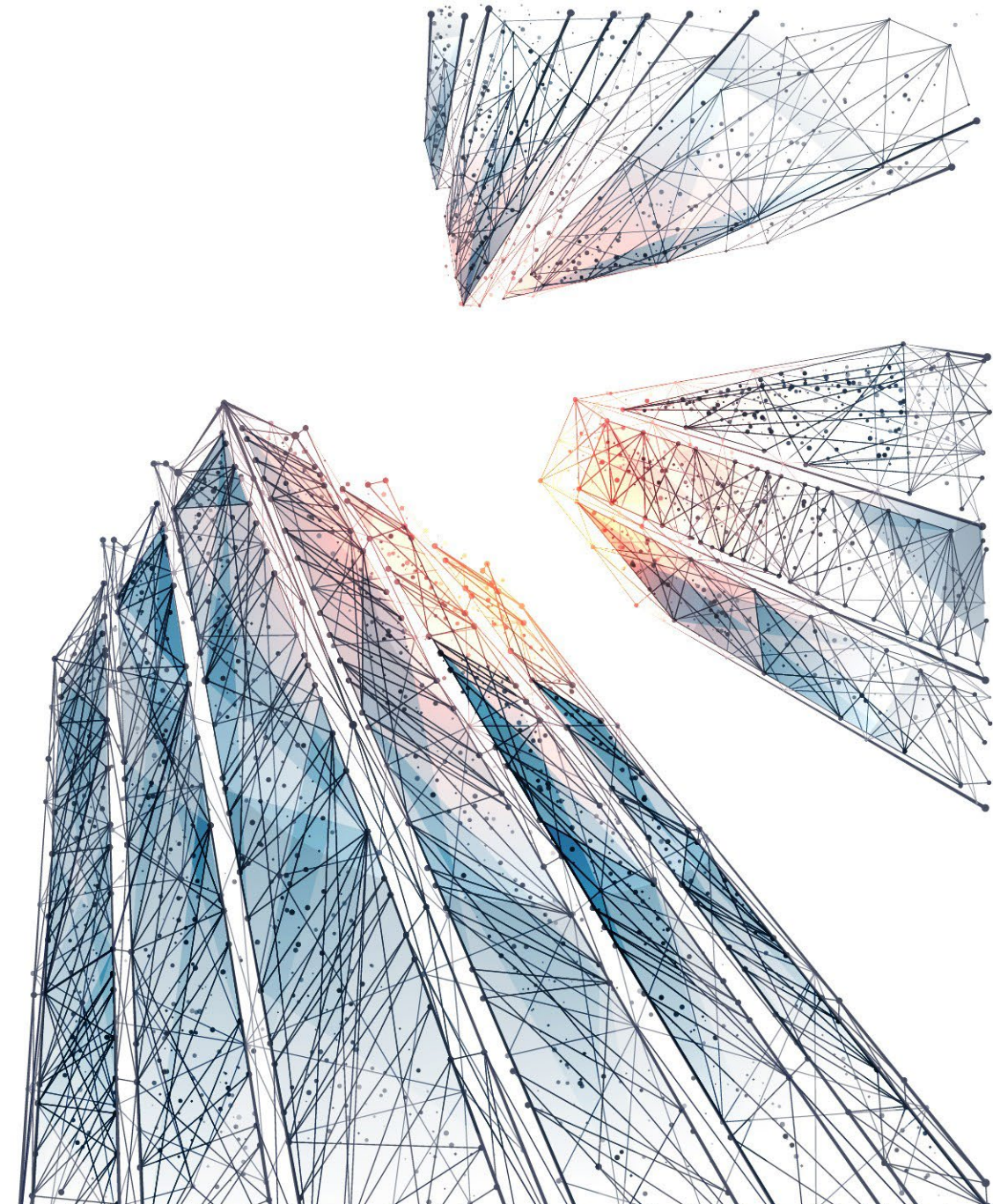
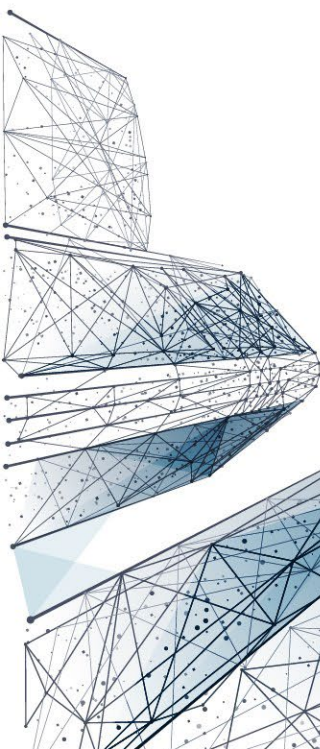


FSDC Industry Exchange Series

Enhancing market liquidity and efficiency: Optimising stock trading mechanism and operations in Hong Kong

June 2024



Hong Kong's Competitive Landscape in Boosting Market Efficiency

Stamp duty is a tax on dutiable instruments under the four heads of charge as per the first schedule of the SDO:

1. Immovable property situated in Hong Kong
2. Hong Kong stock
3. Hong Kong bearer instruments
4. Duplicates and counterparts of instruments chargeable for the above three heads of charge

Cost of a trade on HKEX:

Fee item	% of the Application Money
Stamp duty	0.2% of the transaction value (0.1% on both buyer and seller)
The Exchange trading fee	0.00565%
SFC transaction levy	0.0027%
AFRC transaction levy	0.00015%

Market capitalisation of top exchanges and their stamp duty rates*

	Names of Stock Exchanges	Market Capitalisation USD (in billions)	Stamp duty rates
1	NYSE	25,565	Nil
2	Nasdaq	23,415	Nil
3	Euronext	6,889	Nil
4	Shanghai Stock Exchange	6,525	0.05% (seller only)
5	Japan Exchange Group	6,149	Nil
6	National Stock Exchange	4,340	0.00001% - 0.015%
7	Shenzhen Stock Exchange	4,286	0.05% (seller only)
8	Hong Kong Stock Exchange	3,975	0.2% (0.1% buyer, 0.1% seller)
9	London Stock Exchange	3,423	0.5% (buyer only)
10	Toronto Stock Exchange	3,088	Nil

*As of the end of December 2023

- As compared with other explicit costs, the stamp duty forms a significant part of the cost of a trade.
- Hong Kong remains **one of the only three major international stock markets** that impose a stamp duty for the sale or purchase of stocks that are traded at the Stock Exchanges. The other markets are India and the United Kingdom.



Proposed policy recommendations

1	<p>Update the qualifying conditions for stock borrowing transactions to remove and simplify non-substantive administrative requirements, and expand the exemption scope to cater for genuine funding transactions commonly adopted in the market</p>
2	<p>Enhance utilisation of Hong Kong stocks as collateral in diverse financial transactions</p> <ul style="list-style-type: none"> • <i>Extend the stamp duty exemption for collateral arrangement to cover financial transactions beyond loan arrangements, including derivative transactions</i>
3	<p>Creating a level playing field for intermediary facilitation activities</p> <ul style="list-style-type: none"> • <i>Stamp duty relief for intermediary facilitation activities</i>
4	<p>Elevating the pivotal role of the jobbing business in stimulating the trading activities in Hong Kong and providing clear guidance on the practical requirements for options market makers</p>
5	<p>Electronic stamp duty payment by institutions (e.g. bank transfer) for contract notes and instrument of transfers for off-market transactions</p>





Thank you