



NORGES BANK
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via email: projectfini@hkex.com.hk

Re: Concept Paper – Modernising Hong Kong’s IPO Settlement Process

We refer to your Concept Paper on Modernising Hong Kong’s Initial Public Offerings (IPO) Settlement Process, dated 16 November 2020, and we welcome the opportunity to contribute our perspective.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank (Norges Bank) and is responsible for investing the Government Pension Fund Global. We work to safeguard and build financial wealth for future generations and have a vested interest in the well-functioning of asset markets. NBIM is a globally diversified investor with nearly NOK 82 billion (HKD 72.5 billion) invested in Hong Kong equities at the end of 2019. We are active participants in global IPO markets, with participation in 182 IPOs during 2019.

We welcome and support the overall proposal on the modernization of Hong Kong’s IPO Settlement process. From the perspective of a global investor, shortening the settlement period from an average of 5 days to 1 day brings considerable benefits. These include a reduction in market risk exposure and, where applicable, a reduced duration of capital lock up.

We particularly applaud the design of the new Fast Interface for New Issuance (FINI) infrastructure, replacing a large number of bilateral, often manual processes with a streamlined interaction model with a central data repository. We believe this is an example of technology helping to improve the efficiency of the marketplace, to the benefit of all market participants.

The Concept Paper distinguishes between access to FINI via web interface, file-based transmission and API-based interaction (paragraph 128). The paper proposes initial API access that is more limited than that available via web interface and file-based transmissions. We would recommend HKEX to specify a set of API for the full access functionality to FINI. This would encourage efforts towards even greater efficiency by market participants through

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straight-through integration. While interaction with FINI via web interface is still a significant efficiency improvement compared to the status quo, it is still a manual process.

Finally, the proposed FINI is designed to be compatible with the current regulatory regime governing Hong Kong equity listings (paragraphs 47-50). While we agree with paragraph 105 that there currently appears to be little appetite for changing existing IPO market practice on book building and pricing, we would suggest designing FINI with sufficient flexibility to allow for alternative market practices in future.

We appreciate the effort of HKEX to modernise this critical part of market infrastructure. We support the concept proposal, believing it to contribute meaningfully to the well-functioning of the Hong Kong equity markets. We remain at your disposal should you wish to discuss the matters raised.

Yours sincerely

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