

February 26, 2010

Corporate Communication Department
Hong Kong Exchanges and Clearing Limited
12th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Dear Sirs,

Consultation Paper on Introduction of a T+2 finality arrangement for CCASS money settlement

The Hong Kong Association of Online Brokers (“HKAOB”) would like to submit our comments on the captioned consultation paper by replying to the following consultation questions:

Question 1:

Do you support the implementation of the proposed T+2 Finality arrangement? If not, what are the reasons?

HKAOB does not support the implementation of the proposed T+2 Finality arrangement. We consider that the existing CCASS settlement system is already a very efficient system and there is no need to implement unnecessary changes for the time being. Also, we consider that this relatively minor improvement on the settlement efficiency may have severe impact on the operation of small size brokerage houses. As we are aware, the small brokers are facing stiff competition nowadays and they are making their best effort to maintain market shares so as to strive for survival. Imposing further settlement requirement on them or in turn on their clients may have strong impact on their business.

Moreover, the implementation of T+2 finality in effect shortens the settlement cycle and would require clients to remit funds or deposit cheques into their brokers' accounts at an earlier time. This may not create that much inconvenience for those clients who trade through a bank as most of the money transfers are within the same bank. However, for clients who trade through brokers, special arrangement may have to be made in order to fulfill the T+2 finality requirement. This will just amplify the unlevelled playing field issue between banks and brokerage houses.

Question 2:

Do you envisage any problems or concerns for you or your company to operate under the proposed T+2 Finality arrangement? If yes, what are the problems and how can the arrangement be refined to help address your problems?

All our members have sufficient banking arrangements as well as operational support. We do not envisage any problems or concerns for our members to operate under the proposed T+2 Finality arrangement. However, we would like to stress that although we are capable of handling the proposed changes, we still do not think the changes can bring in a lot of additional benefit to the industry.

Question 3:

What is the estimated lead time required by you or your company to prepare for the implementation of the proposed T+2 Finality arrangement? What are the major preparations required?

Our members are well equipped to handle the implementation of the proposed arrangement.

Question 4:

Do you have any other comments in relation to the introduction of a T+2 Finality arrangement for CCASS money settlement?

With the prevailing market development, we can see that there is a continued expansion on the business generated by Mainland Chinese clients. Implementation of the T+2 finality will shorten the settlement cycle and will create more stringent requirements on the remittance of Mainland Chinese clients. This will be more a hindrance than a help for the overall market development.

Thank you for your kind attention.

Steve Chan
Chairman
The Hong Kong Association of Online Brokers Limited