

Part B Consultation Questions

Please indicate your preference by providing comments as appropriate. Where there is insufficient space, please attach additional pages as necessary.

Question 1: Do you support the implementation of the proposed T+2 Finality arrangement? If not, what are the reasons?
Yes. XXXX is supportive of the implementation of the proposed T+2 Finality arrangement.

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?
Yes, XXXX would envisage problems when operating under the proposed T+2 Finality arrangement.

The proposed model suggests that only CNS, IT, SI and Cash Collateral will be processed during the newly introduced 5:30pm interbank bulk settlement run on T+2, leaving ISI, EIPO and Nominees monies (for IPs) to be processed during the existing 2:30pm interbank bulk settlement run on T+3. This will pose extra challenge to technology and system development, as custodians and participants will now need to distinguish between SI monies (to be processed on T+2) and Nominees monies (to be processed on T+3) on various payment / securities processing systems. Therefore, XXXX would suggest Nominees monies be processed also during the new 5:30pm interbank bulk settlement run on T+2 to avoid additional burden on custodians and participants.

Moreover, Nominees monies are mainly corporate action-related entitlements to be distributed and, to a lesser extent, corporate action-related payments. Therefore, market participants and brokers will not likely object to receiving corporate action incomes earlier on T+2, which will no doubt help their liquidity, rather than on T+3. Companies would also be indifferent because they are obligated to distribute entitlements to HKSCC by T+2 in any case. So a clear-cut transition would benefit the entire market. In connection to this, we would also like to ask - what is the rationale behind separating the processing of Nominees monies from SI transactions?

Under the "T+2 Finality" model, Designated Banks will receive the final batch of payments from CCASS at 16:20 and should report any rejected items to CCASS by 17:20. This timeline is very tight for Designated Banks to handle the payments. Therefore, we would suggest extending the cut-off time for Designated Banks to report rejected items to CCASS till 18:20.

Furthermore, we would like to explore the availability of RTGS after 17.30. Under the existing practice, there is no RTGS for brokers to arrange for funding with banks after 17.30. This limits the funding source of brokers for CCASS settlements and thus, increasing the default risk of CCASS brokers going forward.

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?

We would need to enhance our system to adopt the proposed T+2 Finality arrangement. We expect it will take at least 10 months to complete such enhancements.

Question 4: Do you have any other comments in relation to the introduction of a T+2 Finality arrangement for CCASS money settlement?

XXXX would also suggest implementing a three to six month trial period, during which HKSCC and HKICL shall monitor and collect statistics regarding the settlement fail rate and broker default rate in the market. Such statistics shall be reviewed afterwards to evaluate the effectiveness and viability of the proposed T+2 Finality arrangement and to work on further improvement, if deemed necessary.

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