

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, we fully support the implementation aiming at reducing the credit risks in the money settlement.

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?

- No from the operational perspective, but it may have concern from liquidity impact to the Bank.
- And from operation side, existing practice is to settle all CCASS related items in one batch on T+3 morning.
- The proposed change is to split the current flow into 3 different batches: T+2 5:30pm, T+3 9:30am and T+3 2:15pm.
- The unit handling reconciliation must be aware of the change in order to monitor.

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?

- Internally, it depends on implementation of any system enhancement from Clearing Ops to support the special batch run of CCASS cash settlement with HKICL, or from other units.
- From operation side, estimated lead time should be > 9 months for system changes, testing and implementation.
- This also needs to cope with the testing schedule to be arranged by HKICL.
- Major uncertainty is the implementation date. It is not specified in the consultation paper by HKEx.
- If HKEx decided to launch the change in 2010, there is no budget from business unit on this mandatory system enhancement.

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

- It is recommended to include the distribution of nominee, corporate action entitlement/money.

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