Part A   General Information of the Respondent

All fields are m andatory, except the fields w ith an asterisk (*) if   you are an individual respondent.

Name/ Company Name*	:	SWIFT HK
Contact Person*	:	
Title*	:	
Phone Number	:	

If you **do not wish** to disclose the above information to the public, please check the box here:

☐   I do not wish to disclose the information above.

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, SWIFT supports this initiative by HKEX as it will align Hong Kong with international best practices and reduce the risk of failed trades.

Question 2. Do you envisage any problems or concern 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?

- Potential Issue: Time to ensure that there are sufficient funds by the broker could be difficult because most are not automated (600+ brokers with about only approximately 20 being large globals). This will mean more phone calls to the banks. In the paper it asks that the banks provide a solution however most banks will not be willing to provide a bespoke offering for the HK market.

- Solution: Paragraph 34 states that banks are required to provide participants with timely balance information:

    - As opposed to banks developing this in-house for single bank connectivity, the participants can use SWIFT tools that are already built with cash reporting graphical user interfaces and connectivity.

    - SWIFT Alliance Lite = 300+ global banks and Brokers already using the solution for cash reporting (see attached for more detail)

2. Estimated lead time to prepare for implementation of T+ 2?

- The estimated lead time to implement SWIFT Alliance Lite is on average around two weeks.

- Lite is a connectivity product, which supports the manual entry and display of messages through a standard internet browser, as well as the integration with business applications through the AutoClient, a lightweight integration software.

- Benefits of Lite are affordability, ease of implementation and the reliability and security of SWIFT. The requirements are minimal… a standard internet connection and a SWIFT-issued hardware security token.

- A partnership with CCASS could be considered to offer a Hong Kong a solution to enable all members access.

3. Any other comments in relation to the intro of T+2 finality?

- SWIFT plays a role as an industry facilitator for best practices. As such we would welcome the opportunity to assist in HKEX in supporting the T+2 initiative.

- Point 7. Files of money settlement sent from CCASS to HKICL, are they securely sent, is there a significant cost of maintaining this infrastructure?

  - o Solution: These can be sent as an ISO message payment instruction over SWIFT?

- Point 15. 80% by value of CNS settlements (money) are prepaid to HKSCC.

  - o Issue1 – Prepayment of moneys creates a risk at HKSCC in the event this entity defaults

  - o Issue 2 – Custodians are not allowed (normally) to pay away client moneys prior to receiving the securities into their holdings

- Point 16. Collection of money via RTGS is only around 2.30 (ie after the 3rd settlement batch at CCASS). Does this mean the securities are moved intra-day (ie for batch 1 & 2) and the money is only delivered after batch 3? If so then an intra-day risk remains.

- Point 19. With the majority of settlements occurring in CNS, and 80% of CNS settlements being pre-funded (money) then it

may not be accurate to say the 99.8% settlement success rate (for T+2) means the market is efficient. It may indicate that clients moving their funding earlier than they need or want to.

- Point 29. How efficient (and timely) is the use of terminal based processing?

  - Solution: Usage of standardised messaging such as ISO over a secure network like that provided by SWIFT could provide STP benefits.

- Point 29 & 30 (and 36). Banks will have less than 1 hour (4:20pm or 4:35pm notification from CCASS/HKICL till 5:20pm rejection cut-off) to process money settlement instructions to bank accounts, perform a credit assessment and then enter rejection notification into CCASS terminal. Is there enough time to complete this?

  - Solution: usage of standardised messaging such as ISO over the secure network like that provided by SWIFT could provide addition time and STP benefits to the banks and CCASS/HKICL in meeting this narrow window.

- Point 30. The notification from CCASS to HKICL of the rejected items has a 5 minute window. Can this be achieved?

  - Solution: Fincopy from SWIFT can be used to send rejected items from the banks directly to CCASS and HKICL at the same time?

- Point 31. If money settlement is only completed by 6:00pm will there be enough time / or ways to pass the money on to the end client? What are the options for money transfer after 6pm? RTGS closes at 6.30pm so will there be enough time (30min) after the interbank settlement run for Participants to review their accounts AND onward the money to their clients (which is a secondary issue and not related to the settlement risk issue)?

- Point 41. The use of overdraft facilities should not be necessary in true DvP markets if highest levels of market efficiency are desired. Without true DvP, either the securities settlement risk is increased to the benefit of the cash settlement risk (or vice versa)

- Point 44. What will be the cost to Banks (and the participants and investors) of banks having to maintain an additional money settlement process in the evening? Will this offset the

reduced cost of the current settlement risk (ie overnight on T+2)?

- Point 45. What will be the cost to Banks (and the participants and investors) of banks having to maintain additional capital/liquidity to cater for the new batch so late in the day? Will this offset the reduced cost of the current settlement risk (ie overnight on T+2)?