

Submitted via Qualtrics

China Construction Bank (Asia)

Company / Organisation view

Consultation Question 1(a):

Do you support the proposed arrangements on trade amendment under the T+1 settlement cycle across the Cash Market trade lifecycle?

Please give reasons for your views.

Yes, comments (optional) as follows

CCBA appreciates the efforts that HKEX put in the design of the accelerated settlement for Hong Kong cash market following the Discussion Paper published in July 2025. CCBA has also completed the questionnaire of the Discussion Paper about our support on having T+1 Accelerated Settlement for Hong Kong Cash Market.

Understanding HKEX has been gone through different informal discussion with some market players and benchmarking with other countries planned/ implemented T+1, the final approach taken by HKEX is to extend the operating hours of major activities like clearing, SI, Settlement and report schedule, resulting that there is no change to the settlement schedule of securities and money. Below are our comments on each specific areas mentioned in the paper:

Trade Amendment:

There are intra-day files produced for General Clearing Participant until around 4:25pm each day, the intra-day trade files seem enrich with a API soon. While the initial phase of such API will be provided to GCP only (for the time being) and possibly extending to other Clearing Participants, HKEX can consider to include on more batch or have the API included the trade amendment details so that relevant participants are able to get the golden copy of the trades on T day.

Consultation Question 1(b):

Do you support the proposed arrangements on post trade under the T+1 settlement cycle across the Cash Market trade lifecycle?

Please give reasons for your views.

Yes, comments (optional) as follows

For clearing, the FCS schedule is now advanced to 8:00 pm on T day from T+1 day with the 2nd PCS generated at 7:45 pm. The original intent of having 2nd PCS to capture stock options trade and clearing agency transactions and the FCS is to capture trade amendment or having any trades being isolated by HKSCC as a final conclusion. If this assumption still valid, there should be no difference between 2nd PCS and FCS resulting from the proposed model, so it would be possible for HKSCC to consider suppressing the 2nd PCS and generating FCS in one go with a clear point of novation of Exchange Trades.

For settlement, the merit of the proposed model is to maintain the settlement schedule for securities and money while accelerating the settlement cycle from T+2 to T+1 and there is extension of schedules of SI activities for allowing sufficient time for participants to manage post trade activities. CCBA believes that it is a workable approach from HKEX perspective and undoubtedly having

operational challenge for participants, custodial flows are highly dependent on counterparty processes. It might be possible for HKEX to consider taking these opportunities having enrichments of certain areas relating to post trade management for teams:

1. Revoked SI functionalities: Given the shortening of settlement cycles, timely settlement of SI is the key to maintain the settlement efficiencies of Hong Kong market. While SI can be revoked on a unilateral basis, HKEX can consider to follow other markets with a bilateral arrangement of revoking SI to make the flow more manageable.

2. Types of Payment Instructions: In view of the money settlement schedule of SI, it would be relatively complicated for our clients to opt for RDvP for SI settlement in view of the tight schedule and coordination with the CCASS Designated Banks in the rather manual and legacy design. HKEX can consider to refine the money settlement method for RDvP SI to in line with the DvP settlement of custodians for our clients.

3. Settlement Finality: The settlement finality of a net sell participant is at the point of delivering shares to HKSCC in multiple batches a day while money can only be received at day-end. This will also result in pre-funding by participants to our clients given the trades are settled. HKSCC can consider to enrich this process as funding projection will be under tight window after T+1.

4. Partial settlement: Understanding that HKEX wishes to maintain the settlement batches and leaving post trade support activities in evening time for participants so that participants can support clients for other time zones while having a competitive cut-off. In view of the proposed model, HKEX can consider to allow partial settlement in each batch settlement run in addition to having this feature in last batch settlement run at 3:45 pm, failed trades issue resulting from shorter settlement cycle can be further minimized.

Consultation Question 1(c):

Do you support the proposed arrangements on risk management under the T+1 settlement cycle across the Cash Market trade lifecycle?

Please give reasons for your views.

Yes, comments (optional) as follows

Risk Management:

CCBA trusts that considerations have been provided on the changes to the risk model on initial margin, default fund and stress testing given the change of settlement cycles. Relevant simulator provided under VaR platform will be aligned with the acceleration of settlement cycles, if necessary. However, it would be good if HKEX can explain the rationale of having the Daily Payment Obligation Report to defer to 10:00 pm given there is no change to trading hours, securities settlement and money settlement schedule.

Consultation Question 1(d):

Do you support the proposed arrangements on other processes (including reporting, corporate actions, stock conversion arrangement and stamp duty arrangement) under the T+1 settlement cycle across the Cash Market trade lifecycle?

Please give reasons for your views.

Yes, comments (optional) as follows

Other Processes

The other processes mentioned in the consultation paper (reporting, corporate actions, stock conversion, stamp duty), it would be desirable if there are subsequent specifications address time-critical operational dependencies and confirm that end-to-end timelines remain feasible for both local and international participants. In particular, CCBA has below feedback:

1. Report availability and format: The reports provided seems remain to be text format and data file for clearing and settlement reports. To assist in participants' automation and streamlining of back office operations, HKEX can consider to provide key reports in a flexible format like csv to allow participants to have straight through capturing of the relevant data to the back office system.
2. Entitlement calculation: HKEX encouraged participants to have automation as far as possible to adapt to accelerating settlement cycle. It would also be good if HKEX can consider to provide a report or data of the entitlement breakdown of each segregated account in addition to at omnibus level to reduce participants' efforts to reallocate the entitlement to clients while having golden source from HKSCC.
3. Corporate actions: Consideration can be provided on enhancing the corporate action announcement data files given market participants rely on these 3 batches of files to prepare corporate action announcement for clients. CAMS's coverage can be enriched with CCASS receivable information to assist custodian to have timely support on corporate actions adjustments, bookings and allocations.
4. Stock Conversion: parallel trading is a unique feature in Hong Kong and it would be difficult for global clients to adapt to the parallel trading. With different initiatives coming along and implementation of USM, HKEX can consider to abolish parallel trading in one go to in line with other international markets.

It would be good for HKEX to provide a few examples of the value chain on securities and money settlement from the market participants' perspective in in Exhibit 1 and paragraphs 110-113.

Consultation Question 2:

Do you have any comments on the assessment of the implications for Exchange Traded Products (ETPs) and Stock Options under the proposed T+1 settlement cycle? In particular, please comment on:

- Guiding principles for the ETP primary market;
- Buy-in considerations for ETPs; and
- Stock options (including exercise and assignment).

Please give reasons for your views.

Yes, comments (optional) as follows

For ETP, the transition to T+1 settlement cycles will significantly heighten operational risks for ETP, primarily due to the compressed timeframe for processing creation and redemption orders. Currently, Hong Kong lacks a centralized electronic platform under HKEX to automate these critical ETP processes. This fragmentation creates inefficiencies that become acutely problematic under T+1, as market participants must coordinate multiple manual steps—including collateral management, custodian verifications, and issuer approvals—within a shortened window. A unified ETP platform developed by HKEX could integrate trustees, participant dealers, market makers, custodians, and issuers onto a single digital workflow. Such a solution would align with the broader market automation imperative driven by T+1, reducing fails and optimizing collateral usage. While HKEX has introduced preliminary solutions, their coverage remains limited to specific ETP products, and full standardization across the ecosystem will require additional development time and industry coordination.

For stock options, the post-trading hours conversion window may emerge as a critical bottleneck under T+1. This period currently determines whether 2nd PCS or FCS can be generated — a process directly impacting margin calculations and risk management. Although HKEX's Orion Derivatives Platform (ODP) is under development to modernize derivatives processing, we are not certain the stock option conversion will be proposed with changes. One potential measure would involve HKEX redesigning the exercise/assignment workflow to enable earlier FCS release, with flexibility to opt for settlement day or advancing the batch processing of ODP.

Consultation Question 3:

Do you have any comments that consequential amendments should be made to the Listing Rules to reflect the arrangements proposed under the T+1 operating model?

We believe the intent of this question is to leverage this consultation as part of consultation process of amending the Listing Rules as consequential amendments.

From a custodian bank perspective, consequential Listing Rules amendments are important to ensure market participants can operate consistently with legal and regulatory references that change due to the new settlement system timeline. While we understand HKEX intends to update references from "T+2 settlement system" to "T+1 settlement system" and align ex-entitlement sequencing, we would recommend HKEX treat this as more than a textual update.

Given the proposed implementation date is Q4 2027, factoring in a lead time of about 15 months, it would be sensible to prepare the consequential amendments to be made to the Listing Rules from investor' protection perspective.

In particular, CCBA suggests HKEX ensure that Listing Rules consequential amendments are in line with the post-trade timelines that listed issuers, custodians and their counterparties can follow through and can consider to issue any related guidance should explicitly remove ambiguity.

Noting that there is Chinese Wall between Listing and clearing house matter, CCBA also recommend HKEX consider the timing of relevant rule changes to be aligned with similar time frame so that the market can have a thorough picture of related rules changes. This would help custodians incorporate the changes into operational procedures and downstream system validations timely well ahead of Q4 2027.

Consultation Question 4:

In assessing your circumstances for a T+1 transition, are there any other key topics, perspectives or types of market participants which you believe are relevant to highlight, that have not been covered in Exhibit 1 and paragraphs 110-113?

Please share your views.

Yes, suggestions and considerations as follows

The approach for T+1 operating model is to extend the operating hours of major activities like clearing, SI, Settlement and report schedule while keeping the securities and money settlement batches unchanged. It would be good if HKEX can share the possible options explored for

consideration with the focus on extending operational flow of market participants in the conclusion paper.

Given Southbound Stock Connect is part of T+1 eligible securities, we believe that ChinaClear and Mainland Stock Exchanges are also key stakeholders to be engaged in the process. We trust that feedback relating to Southbound Stock Connect arrangement has been considered in this consultation paper. We believe that there are other documentation that covering South Bound requiring relevant documentation change and their readiness to meet Q4 2027 is also critical in subsequent discussion.

In addition to above holistic view, below are specific areas for consideration from other areas in the custody value chain:

1. Stock Borrowing and Lending: Hong Kong being buy-in market potential issue with shortened recall timeframes for stock already on loan might lead to increased fail rates. This may conversely may lead to increased opportunity to cover failed trades,
2. Foreign Exchange: While it is a simple approach, limited discussions have been considered on the end of end flow with banking services e.g. banking hours and currency cut-off with the consequential adaption across the Cash Market trade life cycle. The increased risk of FX failures where global bank failure are not aligned with Hong Kong trading days. If pre-funding is expected, there might be even better for positioning as T+0 settlement like Stock Connect program.
3. Cross-border/working hours dependencies: Hong Kong settlement interacts with global counterparties and time-zone handovers. We recommend HKEX highlight operational arrangements for time-critical flows when one party's operational window closes earlier, including contingency paths and communications standards.
4. Testing scope and documentation: Beyond "system readiness," custodians need clarity on what testing should include (scenario-based simulations, stress testing of break resolution, and confirmation that external dependencies — payment rails and FX windows — can be supported in T+1 timelines).

These topics reflect real custody constraints and should help ensure the market transitions safely while capturing T+1 benefits.

Consultation Question 5:

Do you consider the timeframe to be sufficient for you to prepare for T+1 to become effective in Q4 2027, given the advance visibility and lead time provided? Do you have any comments on the discussion and implementation approach?

Please share your views on the proposed approach and timeline.

Yes, comments (optional) as follows

According to the consultation paper, the proposed implementation date is Q4 2027, factoring in a lead time of about 15 months from the publication of detailed specifications. Given there is a series of activities that getting to implementation, the actual time for market to prepare will possibly less than a year.

Referencing the preparation of the implementation of different initiatives in Hong Kong market, Stock Connect Program can be regarded as quickest delivery time which is around 4 to 6 months. Given

this initiative is considered as new business products from Hong Kong, with the market readiness programs and roadshows arranged during the time, market participants are developing their products to get new business. This quick time to market is also optional for market players.

From a custodian bank standpoint, T+1 requires changes across multiple layers: operational procedures (cut-offs, exception handling), client communication processes, risk monitoring/controls, and technology/system enhancements to accelerate validation, matching and settlement instruction workflows – which are mandatory change and no fallback. In order to fulfil the implementation timeline (Q4 2027) from market wide perspective, there are conditions to fulfil as suggested below.

1. The proposed rollout of T+1 schedule in Europe is on 11 October 2027 which is almost similar time as the proposed schedule of T+1 in Hong Kong. For European side, the detailed planning has already been kicked off in an earlier stage. Given CCBA clients are Asian base, if HKEX suggests that our push for T+1 is to have automation as far as possible, market players might take time to get those automation ready, given the timeframe provided to get prepared, it would be difficult to have the automation planned and ready within short time frame. Besides, resources have to be allocated to support the change in Europe and Hong Kong which might be a challenge.

2. Despite there are enhancements not required for T+1 preparation, taking place in parallel, e.g. enhancement of SI matching. We see these changes are correlated in the system architecture design of our back office system to support our operations, setting aside the bank will have different types of clients from retail and institutional investors. It would be good if HKEX can provide a holistic plan on the system roadmap. We do see that implementation of Orion Cash Platform is part of the journey of T+1 settlement. Besides, stock options handling is managed by Orion Derivatives Platform, we are not sure whether the roadmap of ODP will have impact on T+1 journey.

3. CCBA recommends HKEX publish a practical milestone plan that distinguishes: (i) policy/specification changes, (ii) interface/message standard changes, (iii) CCASS or related system dependency changes, and (iv) expected market testing windows with success criteria.

4. CCBA further request that HKEX facilitate: (a) early engagement with custodians on operational cut-offs and data requirements; (b) clearer expectations for exception escalation pathways; and (c) guidance on external dependency constraints (payment rails, FX processing, and counterparty operating windows).

5. In order to meet the budget cycle of market players, CCBA suggests to have the operational model confirmed with consultation conclusions ready by Q3 in 2026 so that we can start communicating with our system team, vendor for system readiness and assess relevant documentation change for our clients e.g. cut off, SSI and SLM update.

It would be ideal if HKEX can share the possible plan for market participants to follow in order to achieve this mandatory change.