

Submitted via Qualtrics

Societe Generale

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

We are broadly supportive of the proposed transition to a T+1 settlement cycle, aligning with global market developments. We support extending the trade amendment deadline to 5:00pm on T-day and removing T+1 amendments to enhance position finality.

To further strengthen the framework, we recommend introducing earlier intraday validation and enabling real-time trade capture validation and reconciliation outputs (e.g., via APIs) to allow timely identification of breaks, alongside a move toward continuous settlement rather than batch processing.

While earlier trade finality is beneficial, the inability to correct breaks may drive late-day spikes in SBL demand; a controlled exception mechanism would help mitigate this risk.

While Structured products are under Cash market, T+1 for daily trading activity should be followed, the expiry settlement is currently at T+3. Given the time required to calculate and publish the settlement amount on issuers' side, +2 would be more reasonable change to align with cash market

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

We are broadly supportive of the proposed changes; however, it is important to recognise the unique characteristics of the Hong Kong market. A standardised, one-size-fits-all implementation could introduce significant processing and operational risks if these nuances are not adequately addressed.

HKEX should thoroughly assess the interactions between timezone challenges with an international investor base, the ability to source and move adequate intra-day liquidity to support 'buy' settlements ahead of 'sells', the challenges which a multi-batch settlement cycle creates, together with the inherent manual interaction with CCASS and reliance on fax statements etc which are still a characteristic of the market infrastructure.

While earlier Final Clearing Statement (FCS) availability is beneficial for borrow sizing, effective tools to distinguish between stock shortages, cash shortfalls, and instruction breaks will be critical to manage volatility. Additionally, an 8:00 pm timeline is suboptimal for securing stock borrow and funding, and certain products like CBBC knock-out and warrant expiry settlements should be

excluded from T+1, given the necessary pre-settlement obligations and processing requirements on the issuer side needs to be preform in advance.

From an equities perspective, we support extending SI matching to 9:30 pm and SI input to 10:00 pm on T-day, as well as advancing clearing and FCS generation to T-day to improve visibility of settlement obligations. However, making the FCS available by 6:00 pm (instead of 8:00 pm) would better enable completion of critical post-trade operational processes on trade date (including reconciliation, investigation, and follow-up actions). Overall, the transition will require increased automation, enhanced straight-through processing, and timely delivery of back-office system upgrades, including API integration via the Orion platform.

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

Liquidity in HKD and cross-currency funding markets is limited, particularly late in the day, making it challenging to source liquidity at 10:00 pm. This places increased pressure on overnight liquidity mobilisation, underscoring the importance of high-quality estimates and robust simulation tools to ensure settlement readiness.

We support maintaining the existing clearing risk management framework, with appropriate adjustments to mark-to-market and margin coverage for the shorter settlement cycle. However, given that most bank funding and cash cut-off times are around 6:00 pm, delaying final marks and margin reports to 10:00 pm offers limited practical benefit. Timely, predictable, and earlier access to risk and margin data remains critical for effective liquidity planning across both securities and cash obligations.

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.

No, reasons and considerations as follows

Overall, the proposed T+1 framework presents several operational challenges. The continued reliance on cheque-based stamp duty processes is not viable under compressed timelines and should be replaced with digital solutions. do not allow enough time for delivery and clearance on sameday. Cheque based process needs to be removed for T+1.

Stamp Duty (SD1):

The proposed T+1 morning timeframe for SD1 submission is highly challenging, as trade allocations and bookings particularly for global clients are often not finalized until the U.S. time zone. This issue is further compounded by the late availability of the Final Clearing Statement on Trade Date.

To support timely processing, the Final Clearing Statement should be made available as soon as possible after market close. The shortened timeframe for SD1 submission and payment, combined

with late availability of clearing reports, may not be operationally feasible without further automation and clear guidance on electronic payment methods.

Additional Suggestion:

We propose that HKEX consider calculating SD1, SD4, and SD6 and auto-debiting stamp duty directly from participants. Notably, Hong Kong is currently the only market in Asia where participants are required to perform their own stamp duty calculation and reporting, and such centralization would materially improve efficiency and reduce operational risk.

Reporting:

The availability timings for both the Provisional and Final Clearing Statements are too late. We recommend a 6:00 pm availability to allow completion of operational processes on trade date.

USM:

We welcome the introduction of OTC stamp duty electronic payment via CCASS. However, we understand this feature is limited to participating securities only. As not all securities will become participating securities until 2031, this will result in a prolonged dual operational process, rendering the solution operationally unfeasible at this stage.

Corporate Action:

Currently there are limited CA notifications via CAMS, covering only a narrow range of events (e.g. dividends), while most actions such as splits, mergers and rights issues are not systematically disseminated. Under a T+1 settlement cycle, the absence of timely and complete CA information leaves no operational buffer, increasing the risk that firms cannot adjust bookings, allocations or settlements in time.

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

ETF Creation / Redemption --> The transition to a T+1 settlement cycle will require comprehensive re-engineering of processes, infrastructure, and procedures, particularly for ETF creation and redemption, to support increased volumes and compressed timelines. Without such enhancements, there is a heightened risk of settlement failures, increased market friction, latency, cost pressures and slippage in the market which will impact investors, brokers, issuers and market makers alike including greater reliance on securities borrowing and lending (SBL).

The batch settlement process, with misalignment of the ETF Creation Redemption settlements will cause significant challenge to prevent failure and increase costs through requiring SBL borrow to be available to support the settlement cycles.

The existing manual order entry into CCASS and Fax confirmations will not allow the efficient introduction of automation across the industry which is prescribed in the consultation document.

The HKEX could look to other regional markets which are implementing an integrated API based platform mandated to Issuers, brokers and market makers alike. This is an opportunity to align to best practices and maintain HK as a leading market for ETF by providing all participants in the primary flow the opportunity to fully automate.

Structured Products--> Structured products (CBBC/Warrant) are under Cash market, daily trading activity should follow T+1. However, the expiry settlement is currently at T+3. Given the time required to calculate and publish the settlement amount on issuers' side, +2 would be more reasonable change

Single Stock Option --> : Additional risks arise from T+1 settlement of stock option exercise and assignment, where late trade confirmation significantly constrains inventory management and increases the likelihood of short positions, late borrowing, and settlement fails. Assignment is only known after market close on T day. T+1 settlement of the security, puts high pressure on the compressed timelines to be able to source stock and submit the SI before the evening cutoff. Assignment needs to be received asap.

Key challenges include:

- Late availability of option exercise results, which leaves an extremely tight window to complete trade-date processing.
- Unlike on-exchange equity executions, clients do not receive trade feeds directly from the exchange for option exercise and assignment. Clients rely heavily on confirmation from the clearer for booking details and subsequent settlement instructions.

Suggestions

To mitigate the above risks, we propose the following:

- Advance the availability of option exercise results to around 4:00 pm, in line with equity market close.
- Consider allowing cash settlement of option exercise instead of mandatory physical settlement.
- Introduce a one-day grace period for buy-in exemption specifically for option exercise and assignment under T+1.

Exchange Traded Products (ETPs):

We support the guiding principle that ETP primary market settlement should align with the T+1 cycle where feasible, to ensure consistency between primary and secondary market activities. As noted in paragraph 92 of the consultation paper, the current ETP primary market workflow remains highly manual across the ecosystem. In this regard, we welcome the introduction of the ETP LINK platform, which helps streamline certain manual processes.

To maximize efficiency gains across the market, we encourage HKEX to onboard as many ETFs as possible onto the ETP LINK platform. In addition, we suggest further enhancements to ETP LINK to:

- Enable ETF and basket booking, and

- Provide real-time settlement status via API connectivity into participants' back-office systems.

Please note that the settlement status of ETF creation and redemption orders is outside the scope of the Orion Platform API. As a result, we do not have an accurate view of inventory positions without real-time settlement status updates from ETP Link. Such enhancements would materially improve straight-through processing and operational readiness under T+1.

The electronification of the chain with the rollout of ETP Link is needed to facilitate the T+1. Electronification should also be considered for the service agent model. For creation in cash this means some ETF need to be funded on T - deadline can be hard for Treasury desks.

Buy-in Exemption :

Buy-in exemption framework remains important and should be reviewed to allow more flexibility

Settlement of equity transactions from exercise/assignment will move to T+1, and assignment instructions arrive after market close on T-day which will impact significantly the positions monitoring, inventory management resulting in an increase probability of Short stock, late borrows and fails.

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 recommend aligning the current T+3 listing cycle for CBBCs and warrants to T+1, in line with the shorter clearing cycle. We have no objection in principle to aligning ex-entitlement trading and record date conventions with the revised settlement timeline.

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

Several key areas require resolution to support a successful transition to T+1:

1. Multiple Settlement Batches (preference to remove this concept)
2. Requirement / challenge of providing intraday liquidity into the market to support the settlement process
3. Manual entry, faxes and lack of API connections
4. Lack of real time settlement status on trades
5. Absence of a standardised / mandated market platform to create automation around the ETF C&R process
6. Sufficient time for the Cash Funding, FX and SBL models to be considered and implemented to support the transition
7. Consideration of the incremental cost for Banks, Brokers and Market participants to fund the liquidity requirement for T+1 during T+0 when the HK market has closed - this cost will be considerable in largely illiquid market due to timing, costs which will be passed on to market participants and increasing the cost of trading in the HK market.

8. SBL market conventions & cut-off alignment. DVP market versus FOP settlement for SBL will trigger a higher risk of fails. Mobilising collateral to borrow stocks on same day will be a challenge. Inventory available from lenders for Stock Loan desks will probably decrease and will impact capacities to cover Short Sell. Funding readiness depends on external cash rails and cut-offs.

9. Severe weather trading - there is no legal requirement for liquidity and stock support activities e.g. Treasury, stock borrow and lending activities. In a T+1 environment, where settlement buffers are significantly reduced, the absence of guaranteed funding or borrowing support during SWT days could materially increase settlement risk. Consideration could be given to industry guidance on contingency funding and inventory arrangements specifically addressing T+1 settlement during severe weather conditions.

10. Operational resilience during peak or stress periods:

Month-end, index rebalancing, corporate action peaks and severe weather scenarios may amplify risks under T+1 without robust contingency planning.

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

While we support the strategic transition to a T+1 settlement cycle, we believe the scale and complexity of changes required across market participants make the proposed timeline of Q4 2027 highly challenging (it took more than 2 years in the US from the consultation to inception).

A more measured implementation, allowing additional time for coordination, system development, testing, and deployment, would help mitigate operational risks, reduce market disruption, and avoid unintended cost impacts. Additionally, sufficient time for stabilisation post-implementation is essential to minimize risks such as settlement failures, funding breaks, and reconciliation issues. Overall, a phased and carefully managed transition would better support a resilient, efficient, and globally competitive Hong Kong market.

Alignment to the European efforts is beneficial in some respects, global consistency would create a simplified global operating model, however, to do so at the expense of market disruption for the sake of a short interim period would potentially outweigh the benefit in the short term. Allowing HKEX, banks, brokers and market participants to plan, invest, develop, test and deploy new technology and market structure in a more considered approach without incremental time pressure would create a better outcome and more sustainable / efficient future operating model which will benefit the Hong Kong market and it's international competitiveness in the longer term.

We would propose a revised target implementation timeframe in 2H 2028 to allow for a safer and more sustainable transition to T+1. Our view is based on the following considerations:

1. Workflow Optimisation and Operating Model Redesign

The current post-trade operating model has been designed and optimised for a T+2 settlement cycle. End-to-end workflows involve multiple processes, systems, and teams across different regions and time zones.

Moving to T+1 requires:

- Redefining the target operating model across each post-trade process (e.g. trade processing, settlement, funding, reconciliation, corporate actions)
- Extensive internal coordination across functions and regions
- External alignment with custodians, clients, vendors, and market infrastructure providers
- Identification, prioritisation, and delivery of process changes and system enhancements

Given this complexity, additional time is required to fully design, agree, and implement a robust target-state model.

2. Infrastructure and Technology Readiness

The proposed Orion API functionality—specifically for sending and receiving CCASS settlement instructions and trade status updates—is critical to improving settlement efficiency and reducing manual intervention under T+1.

However:

- This represents a large-scale system build and upgrade to our back-office infrastructure
- Significant development, testing, and integration effort is required across downstream systems
- Based on current assessments, we do not expect to complete this enhancement by 2027

Infrastructure readiness is a key dependency for T+1 success, and insufficient build and testing time would materially increase operational risk.

3. Stabilisation Period Requirement

In addition to implementation, there must be adequate time for stabilisation following:

- The introduction of a new T+1 operating model
- Delivery of major system upgrades, including Orion API integration

A compressed timeline without a sufficient stabilisation window would increase the risk of:

- Settlement failures
- Funding breaks
- Reconciliation issues
- Client service impacts during the initial post-go-live period

A 2H 2028 target would allow the market to implement, test, and stabilise changes in a controlled manner.

While we support the strategic direction toward T+1 settlement, we believe that:

- Q4 2027 poses significant execution risk
- A 2H 2028 implementation would provide more realistic time for workflow redesign, infrastructure delivery, and operational stabilisation

This would better support a resilient, and industry-wide transition to T+1