

Submitted via Qualtrics

(Anonymous)

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

From operations, our perspective is operational rather than directional, we do not take a position on whether the market should adopt T+1 but we assess the feasibility, risks, and infrastructure implications of supporting an accelerated settlement cycle.

From operations standpoint, the move to T+1 significantly compresses the full trade-to-settlement lifecycle. The most material impacts relate to trade amendment, post-trade processing (trade enrichment matching / confirmation, allocation and give-in submission), ops-owner risk controls, and downstream processes (such as corporate actions, stamp duty) that depend on accurate, timely trade data.

Trade Amendments & post-trade concerns: Trade amendments, allocations, and SSI updates often arrive after HK hours and may be received via manual channels (SWIFT/emails) and offshore custodians. Operations lose the overnight window to resolve breaks implying a higher volume of unmatched trades and manual exceptions. A compressed T day window leaves insufficient time to correct mismatched leading to structural settlement failures. Overlapping cut-offs with Stock Connect and cross-border flows will require operational organisation changes. Need clarity/guidelines on offshore custodian settlement, ADR conversions.

What would help: standardised electronic amendment channels (reduced reliance on email/SWIFT) , real-time enrichment and SSI validation to reduce late day breaks - earlier availability of trade fails from HKEX to allow faster internal processing ,considering real-time CCASS status updates, intraday DI Matching transparency, standardised messaging formats for allocations and confirmations (or promoted unique tool) and more particularly standardisation and automation flow for ETP creation & redemption.

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

See above

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 concerns: Funding coordination with Treasury becomes more difficult, Treasury Operation will face materially tighter windows for funding under T+1 directly translate into settlement fails (cash projection and management). There is uncertainty on the securities T+1 change management dependencies on the current cash settlement cut-offs. Similarly on the SBL and cover management.

What would help : Earlier availability settlement status, enhancement inventory transparency across CCASS and custodians

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 concerns :

Stamp duty processing uncertainty on adjustment possible and concerns on the SD1 form submission timeline kept unchanged while the process is shorten.

Currently, for ETF market making stamp duty claims, Forms SD-1, SD-6 and SD-6A are submitted to HKEX on a daily basis. However, the consultation paper refers only to SD-1 and SD-6, and does not specify whether SD-6A will continue to be available under a T+1 settlement arrangement. This may have implications for client trading. Currently some clients do T+1 ETF creation and include in the SD-6 report, and subsequently amend it via SD-6A after creation is done on T+1. In the absence of SD-6A under a T+1 settlement, it would be challenging to support such T+1 ETF creation for SD-6. We would like to seek clarification from HKEX on this under the T+1 settlement arrangement.

Corporate action entitlements, reporting and reconciliations depend on accurate finalised position. Seeking further details and clear guideline / cut-offs.

Overall , we believe there are infrastructure limitations and batch dependencies : Current post-trade systems across the industry heavily rely on batch processing, which restricts real-time visibility and intraday exception management. Dependencies between trading, booking, settlement and funding systems limit the ability to accelerate the workflows without significant technology uplift & operating model changes. It would help to reduce some risk of failure by having real-time status updates, DI matching and exception alerts are consistently available (which is not the case today).

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

There is need to highlight the operational considerations :

ETF creation / Redemption : Successful support for T+1 requires end-to-end automation across issuers, agents, custodians, fund administrators, and APs/market makers. Today many steps rely on manual instructions, email-based confirmations and non-standardised formats. Under T+1, these manual touchpoints create : high settlement fail risk + increased buy-in exposure + operational bottlenecks. Promoting standardisation and having support of unique tool platform for all participants to use would help significantly [HKEX announced some time ago the ETF primary market creation and redemption processes enhancement project through a web-based platform ETPLink]. An industry wide standardisation to support T+1 would be beneficial from standardises CR/RE messaging, automated instruction routing, real-time status updates and aligned cut-offs across issuers and agents.

We recommend HKEX consider buy-in exemptions or extended windows for CR/RE flows or grace period. Need some clarity as well since there is no mention for the current buy-in exemptions process timeline.

Stock Options (assignment/Exercise): assignment and exercise instructions are generated after market close leaving very limited time for : allocations, borrow sourcing, funding, settlement instruction processing (similar to overall main feedbacks). Under T+1 this window becomes extremely compressed, increase the risk of mismatches and settlement failures. Considering trade amendment cut-offs it implies the assignment/Exercise flow would have to be right the first time.

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 do not have an operations-specific view on this question.

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

Even though the consultation paper provides high-level key topics through exhibit 1, the appendix A that supplement exhibit 1 have several operationally critical areas that remain unclear. These gaps

directly affect how Operations teams design workflows, automate processes and plan for T+1 readiness. For example, some areas where further clarity is required to assess operational readiness :

- buy-in process under T+1 : the consultation does not specify whether buy-ins will move from T+3 to T+2, how the buy-in window will be adjusted and how give-ins will be handled under compressed timelines.

- The give-in submission process is a crucial part of post-execution flow, but it hasn't been addressed in the current consultation. At present, this process depends heavily on notifications and manual checks, and not all market participants—such as smaller brokers or regional firms—are connected to a single platform like Triana. This fragmentation results in inconsistent matching across counterparties. Given the current state of the market, it's challenging to complete this process within a T day window. It's also unclear whether HKEX plans to resolve these existing issues to support T+1 settlement, as there's no indication that a unified matching platform or a consistent standard will be mandated. So we are seeking explicit guidance and clarification regarding which platforms should be used.

- ETP buy-in exemption framework : the consultation does not specify whether there will be any changes in timeline (since currently it happens one day before VD hence in T+1 it would mean to be done on T0?)

- Currently for ETF MM stamp duty claim, we got SD-1/SD-6/SD-6A to submit to HKEX daily, however the consultation paper only mentioned SD-1 & SD-6, and didn't mention would there still be a SD-6A under T+1 and what will be the timeline, will SD6A merged into SD6 with no further amendments to align with the SD1 timeline. With the SD1 on T+1, the 11am cut-offs is very tight and does not allow sufficient time for internal processing, validation and control checks prior submission, hence seeking to move the SD-1 submission time further later in the afternoon.

- No clarity on SBL recall timing under T+1 specially any recalls cut-offs, settlement expectations, whether SBL fails will be treated differently

- There are high dependencies on the Cash/Banking cut-offs system to support T+1 securities settlement but there is no details or overall view on integration between securities funding and cash management

- No details on corporation action settlement under T+1 such as Right issues, tender offers and management of mandatory events with options. Stock conversion arrangement for parallel trading is mentioned but there is known Isin availability delay in this flow today and also there is no details about the ADR conversion that has cross border dependencies on offshore custodian settlement cycles, and ADR conversion timing

- The enhancements to CCASS are mentioned as "concurrent enhancement" and not required for T+1 preparation. However those enhancements are consider key support elements such as real-time settlement status, real-time DI matching, real-time exception alert.

Regarding SBL processes: we suggest:

1. Abolish Mandatory Buy In Mechanism; Replace with Extended Cut off + Penalty Framework
 - Under a T+1 environment, mandatory buy ins risk becoming more frequent and disruptive, given the compressed timeline and operational dependencies.
 - We suggest abolishing compulsory buy ins and replacing them with:
 - o Extended settlement cut off times (beyond current batch deadlines), allowing market participants additional time to resolve operational or funding issues.

- o A clear, escalating penalty regime (cash penalties / fines) for late settlement, calibrated to incentivise timely delivery without forcing immediate market buy-ins.

2. Establish an HKEX-Facilitated Centralised Lending Pool for Fail Coverage

- We propose HKEX consider setting up a centralised lending facility or fail coverage pool, accessible for settlement fails under defined conditions.

- Key features could include:

- o Participation by approved lenders (custodians, beneficial owners, lending agents).
- o Use strictly for settlement fail coverage, not for trading or directional shorting.
- o Transparent pricing, priority rules, and return obligations.

3. Enable Early (or compulsory) Pre-Matching of Both DVP and FOP Instructions on Trade Date (T) up to 9:00pm

- We strongly support early, extended hour pre-matching for both:

- o DVP (Delivery versus Payment) instructions
- o FOP (Free of Payment) instructions

- Recommendation:

- o Allow instruction input, validation, and pre-matching on trade date until at least 9pm HKT.

4. Transition from Batch-Based Settlement to Continuous / Near-Real-Time Settlement Processing

- While we recognise the robustness of the current batch settlement model, T+1 materially increases the value of continuous processing.

- We suggest HKEX consider a phased transition to:

- o Continuous or intra day rolling settlement processing, or
- o More frequent settlement cycles with near-real-time status updates.

5. Real-Time Settlement Status Visibility for Custodians and Participants

- We recommend enabling real time settlement dashboards accessible by:

- o Custodian banks
- o Clearing participants
- o Exchange participants (as appropriate)

- Key functionality:

- o Live view of settlement status, matched/unmatched instructions, and projected fails.
- o Ability to monitor securities and cash readiness across accounts intraday.

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 appreciate the advance visibility of a Q4 2027 target, from market operations perspective the timeline remains challenging. With the benefit of our recent experience navigating similar changes in the US and EU/UK, we know that proper preparation involves completing a thorough impact assessment, establishing robust program governance, efficiently allocating resources, actively engaging with clients, implementing operational and technological adaptations, and conducting comprehensive testing. Attempting to compress all these essential activities into a timeframe of less than 18 months does not provide sufficient opportunity for an orderly and safe transition

The transition to T+1 requires significant infrastructure and operational organisation model changes. It would also require integration to proposed workflow automation and infrastructure enhancement - particularly for ETP cr/re or Give-Ins process, settlement system upgrades, and real-time messaging transparency should be considered first. These capabilities are prerequisites for T+1 implementation success, not parallel workstreams, and cannot realistically be delivered at the same time as the T+1 implementation effort.

In addition the proposed timeline coincides with other major regulatory and market changes in EU/UK and globally in Q4 2027, creating competing demands on technology and operations resources and increasing overall implementation risk, which can cause potential market disruption. The timeline adds significant risk to the EU/UK implementation which has been subject to meticulous and ongoing planning.

When it comes actual transition date, if HK decides to stick with Q4 2027:

- Option 1 – October – UK/EU/Swiss markets are transitioning on the 11th October 2027. There are already concerns on volume of data updates. If another region is introduced on the same date, being able to process the necessary updates and have applications ready by start of day will be extremely challenging.
- Option 2 – after EU/UK but still within Q4 2027 – potential fallout from the EU transition, does not give time for the market to settle.

Given these factors, we believe additional time is needed to ensure the industry can complete the required automation uplift, conduct meaningful end-to-end testing, and transition to T+1 in a safe and orderly manner (globally)