

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

We recognise that the window for submitting trade amendments to HKEX for trade finalisation is very limited. To support timely processing and reduce operational pressure, could HKEX consider enhancing its functionality to allow trade amendments to be submitted via ECP (Client Connect) or other electronic platforms?

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 settlement processing, could HKEX consider introducing additional settlement batches, for example a 9:00–9:30 am morning batch, an ATI morning batch, and an additional afternoon batch (e.g., 3:00 pm)? An additional late-afternoon batch after 3:45 pm would be challenging for most participants due to dependencies on HKD RTGS clearing and HKD interbank settlement. However, HKEX could undertake a feasibility study to assess whether this is achievable, including any required coordination across the wider payment ecosystem. We also expect strong market interest, with many participants likely to request additional late-afternoon settlement batch runs.

Over the longer term, we see real-time settlement as the target operating model, and we believe market participants would be supportive of moving in that direction.

These additional windows would provide clearing participants with greater time buffers to manage turnaround settlement more effectively, while also offering improved operational support for European and US institutional investors operating across different time zones.

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

From a risk management perspective, we understand that HKEX will cover a shorter period of CNS stock positions, which should reduce intraday daily marks and margin requirements. However, the daily risk payment obligation report is currently not available until 10:00 pm, meaning most participants must rely on estimation reports to manage funding and liquidity needs. As the payment deadline remains 9:30 am on T+1, any material variance between the estimation report and the actual payment obligation report can create intraday overdraft risk for participants. Could HKEX consider bringing forward the release time of the daily risk payment obligation report to 8:30 pm on T-day to support more accurate liquidity planning and reduce funding risk?

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

We would prefer the FCS (Final Clearing Statement) report to be generated on T-day by 7:00 pm (or earlier). This would enable participants to complete trade reconciliation and prepare for T+1 settlement in a timely manner. To support this, we suggest bringing forward the options exercise and assignment deadline, which we believe would help HKEX finalise and issue the FCS report earlier.

As an options market maker, [REDACTED] settles stamp duty on jobbing transactions on T+1 and submits the SD-1 form by 11:00 am on T+1. We would therefore appreciate it if HKEX could release the TP009 (Exercise and Assignment Summary) and TP014 (Boundary File) reports earlier, rather than around 10:00 pm, to enable participants to update internal stamp duty booking records promptly.

In addition, could HKEX consider extending the SD-1 stamp duty submission deadline from 11:00 am on T+1 to 3:00 pm or later on T+1 to better support timely and accurate submission?

Parallel trading involves the use of temporary trading codes, yet issuers are not currently required to apply for ISIN codes for these temporary codes. Most institutional investors and global custodians, however, will only accept ISINs when submitting settlement instructions.

As a result, parallel trading without an associated ISIN is likely to increase settlement risk for all parties under the T+1 settlement cycle. We therefore request that HKEX establish clear guidelines requiring issuers to complete ISIN applications for corporate actions and parallel trading in a consistent and standardised manner.

Our Equity Derivatives Operations team is concerned about the OTC trade validation/confirmation process, which requires a client response. With a shorter turnaround, timely completion would

depend on faster client responses, which is outside the bank's control. In addition, late bookings or amended tickets may not be captured in the final end-of-day batch. As a result, our Middle Office may not be aware of these trades and could miss same-day validation. This increases settlement risk where OTC trades are booked on T+1.

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 currently no centralised platform for ETF creation/redemption that connects participating dealers, fund managers, trustees and share registrars. At present, some ETFs are processed via CCASS, while others are handled through fund managers' proprietary platforms, with parts of the workflow still reliant on fax-based communication.

We request that HKEX standardise the end-to-end creation/redemption process and migrate all related operations to a single, unified electronic platform. This would allow all parties to view the latest processing status, the resultant underlying stock positions and quantities, and any overdue ETF payment amounts in a consistent manner.

A shared platform would also improve transparency and accountability by enabling participants to identify which counterparty has not made payment or submitted required documentation. In addition, it would be helpful for the platform to include escalation points of contact for each party to support timely issue resolution.

If HKEX extends the matching run cut-off time, we request that the deadline for submitting buy-in exemption applications also be extended to late afternoon/evening, for example 9:30 pm.

We also recommend maintaining a resilience buffer to manage the impact of extreme weather and market-wide events (for example, Typhoon Signal No. 10, flooding, power outages, or an industry-wide technology platform outage) that could lead to widespread settlement failures.

Buy-in exemption applications are typically driven by client-side issues or delayed instructions from global custodians, rather than matters attributable to the executing broker. In light of this, we request that HKEX consider a six-month or longer grace period following the implementation of Hong Kong's T+1 settlement cycle, during which T+1 settlement fails would not trigger mandatory buy-in and related penalties, unless the fail persists and escalates to T+2. HKEX should introduce more automated buy in exemption related to ETF creation/redemption.

This grace period would be important to support a smooth market transition to T+1 and allow participants and investors sufficient time to stabilise end-to-end processes, including trade confirmation and matching, FX processing, securities borrowing and lending, and funding arrangements.

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?

Amendments to the Listing Rules should be developed and implemented by the HKEX Listing Division to ensure the rules are fully aligned with the settlement cycle transition from T+2 to T+1.

In parallel, corresponding updates should also be made to the CCASS/DCASS operating guidelines to ensure they are consistent with, and fully support, the revised T+1 settlement arrangements.

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

Will HKEX coordinate with the Inland Revenue Department to amend the Stamp Duty Ordinance (Cap. 117) to align with the move to T+1 settlement, specifically by revising the relevant requirement from “not later than 2 days” to “not later than 1 day”?

Alternatively, could HKEX consider whether the change should be segregated between on-exchange and off-exchange Hong Kong trades, so that any revised timelines are applied appropriately by trade type?

As noted in Question 1, OTC trades may be booked late due to pending client responses. This can make it difficult to determine which buyer/seller is liable for stamp duty by T+1.

If the stamp duty payment deadline for OTC transactions remains unchanged (i.e., continues to follow the current T+2 timeline), it would help reduce the risk of late stamp duty payment for Hong Kong OTC equity derivative products and support Hong Kong’s position as an international financial centre for OTC product development.

For trades not executed in Hong Kong, we expect there should be no change to the existing stamp duty payment requirement of within 30 days.

For cross-border transactions, Euroclear and Clearstream play a critical role in settlement for European clients. We urge HKEX to maintain close engagement with both ICSDs (International central securities depository) and encourage them to extend their current instruction cut-off deadlines, in order to minimise settlement failures for European clients’ cross-border transactions.

Currently, most US clients and global and local custodians have adopted single-sided settlement instructions for the Stock Connect market. Could HKEX promote this approach and encourage broader client adoption, particularly for investors that may be unable to fully support the T+1 settlement model due to time zone difference?

Following the introduction of real-time matching, we expect an increase in unmatched reports. It will be important for participants to follow up promptly with clients and send MT548 messages to explain the reason for the mismatch, enabling clients to take the appropriate action in a timely manner.

For Southbound trading, HKEX should work closely with ChinaClear to provide clear and comprehensive explanations of the T+1 settlement changes to mainland investors and China execution brokers, to support readiness and minimise operational and settlement risks.

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.

No, reasons and considerations as follows

The go-live of OCP should be treated as a key prerequisite for the implementation of the T+1 settlement cycle.

In addition, all market participants will need to complete the transition to API (Application Programming Interface) connectivity to support real-time processing, in light of the planned PG (Participant Gateway) demise in 2027.

Market participants and custodians will need to upgrade their internal systems ahead of the Participant Gateway (PG) decommissioning. This should enable end-to-end processing without the need for manual upload/download of SI/STI/ATI files.

In addition, it is important that RAP (Report Asset Platform) is compatible with participants' internal systems to support efficient integration and straight-through processing.

Client SSI automation is critical to deliver ahead of the T+1 implementation. We are targeting rollout by Q3 2027 (or earlier).

As the introduction of additional settlement batches may delay money ledger settlement, we request that HKEX engage with the Hong Kong Monetary Authority (HKMA) on the HKD RTGS system, specifically to explore extending HKD settlement operating hours to ensure alignment with the future T+1 settlement model.

In parallel, all Hong Kong licensed banks should upgrade and enhance their internal payment systems to ensure they can support any extended HKD RTGS operating hours.

Due to the boundary limit, jobbing trades will need to be rebooked on T+1. This will require a review and update of several internal procedures and reconciliation processes, including cross-system trade reconciliations for activities such as ETF creation/redemption, OTC trades, and options exercises. As a result, completion timelines will need to be adjusted, and the firm should anticipate additional operational effort and resourcing to manage the increased workload.

Given that we have allocated the majority of our development capacity to the UK/Europe T+1 programme for the October 2027 go-live, many institutional investors, global custodians and overseas brokers are currently prioritising UK/Europe T+1 development and internal system enhancements.

In light of these competing industry-wide commitments and resource constraints, we would prefer the implementation of Hong Kong T+1 to be postponed to Q3–Q4 2028.

Liquidity and Funding Risks Under a Shortened Settlement Cycle (T+1)

- Limited secured funding options for NBFIs: There is no liquid secured funding market, nor a daily/intraday HKMA secured funding liquidity facility available to non-bank financial institutions (NBFIs). A shortened settlement cycle could therefore exacerbate an HKD funding squeeze, most visibly through spikes in FX swap implied rates, particularly outside APAC hours.
- Higher intraday liquidity buffers for banks: Banks may need to set aside a larger HKD reserve buffer to manage increased intraday outflows, which could constrain balance sheet capacity and raise funding costs.
- Greater HKD short-term rate volatility and hedging gaps: Increased volatility in HKD short-term interest rates could drive higher costs unless the market develops more liquid hedging instruments (e.g., OIS or listed futures) for overnight to 1-month tenors.
- Additional operational burden from buy-in mechanics: As Hong Kong is a buy-in market, a shorter settlement cycle may increase the frequency and operational impact of settlement fails and buy-in processes.
- Potential impact on Southbound Stock Connect flows: T+1 could affect Southbound flows, with CNH liquidity also becoming more challenging—particularly if CNH settlement demand increases and CNH becomes more widely used for these transactions.