

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

██████████ does not have objections to the proposed trade amendment arrangements under a T+1 settlement cycle. From an operational perspective, earlier finalisation of trade positions on T0 can be beneficial as it enables downstream clearing, funding, inventory management and settlement instruction workflows to commence earlier. ██████████ is open to discussion on extending the trade amendment window to T0 5:00pm and the removal of T+1 trade amendments.

However, the proposed changes significantly increase dependency on timely trade execution, done-for-day processes, and client confirmation within compressed timelines. The requirement to complete trade amendments within a significantly shortened window (e.g. within one hour after market close) will necessitate enhanced same-day exception monitoring and escalation frameworks to avoid downstream compression and settlement risk.

It was also highlighted that earlier trade amendment deadlines under T+1 materially reduce the time available to resolve execution-related trade breaks such as commission mismatches or discrepancies. This increases operational pressure and limits flexibility to correct legitimate errors within compressed timelines.

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

██████████ supports the proposed post-trade arrangements under T+1, including moving clearing activities and Final Clearing Statement (FCS) generation to T0 and advancing settlement to T+1. Earlier visibility of cleared positions on T0 materially improves operational preparedness for settlement, but significantly compresses timelines for allocation, confirmation, SI creation, validation, and repair. The extension of SI input and matching windows to T0 late evening is necessary, and ██████████ also recommends to add two more settlement batches, one more settlement batch on T+1 3pm HKT to have more flexibility to fill the gap between the current 2pm and 3:45pm batch, and one in early morning (e.g. 9am/9:30am) to help with SBL/OTC issue resolution. It is also noted that operational success under T+1 will be highly dependent on increased automation, earlier pre-settlement matching, and disciplined exception management on trade date, particularly for cross-border and institutional flows. As a longer-term strategic objective, ██████████ encourages HKEX to consider real-time settlement for OTC transactions, as this would materially reduce operational friction, reliance on batch timing, and downstream buy-in risk.

██████████ also highlights that delivery uncertainties around proposed areas of improvement, such as a centralised matching platform, centralised SSI repository, and real-time settlement instruction matching, pose challenges to readiness planning. The existing HKD/USD RTGS cut-off times (6pm) further constrain the ability to consistently meet the T+1 settlement cycle.

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

██████████ supports maintaining the existing clearing risk management framework under T+1, with timeline adjustments to reflect the shortened settlement cycle. The reduction in CNS exposure period is consistent with global T+1 practices and should reduce systemic settlement risk.

However, the later issuance of day-end risk and margin reports on T0 (around 10:00pm), combined with unchanged T+1 morning payment deadlines, will require enhanced intraday liquidity forecasting, closer coordination between operations and treasury functions, and reliance on estimation tools to manage funding readiness under compressed windows.

██████████ would welcome reduced margin exposure resulting from a shortened settlement cycle and recommends that HKEX provide indicative or simulated margin requirements as part of the T+1 proposal to support participant preparedness.

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

██████████ acknowledges and broadly supports the proposed adjustments to reporting timelines, corporate actions processing, stock conversion arrangements, and stamp duty processes to align with a T+1 framework.

While the shift of ex-dates, shortened conversion schedules for parallel trading, and compressed stamp duty reporting and payment timelines are logical, they increase operational complexity and time sensitivity. These changes will require system enhancements, process re-engineering, and clear industry guidance to avoid heightened operational risk, particularly during peak periods and corporate action events. Riding on that, ██████████ encourages HKEX to re-examine the continued necessity and risk-benefit balance of parallel trading arrangements in the Hong Kong market, particularly under a T+1 settlement cycle. Parallel trading is operationally demanding and has historically contributed to corporate action processing issues and settlement fails. Under T+1, these risks may be further amplified.

That said, there are two specific concerns ██████████ wishes to highlight:

1. From a corporate actions perspective, the number of days between a rights trading end date and the market deadline of a HK Rights Subscription should not be reduced (ie. currently T+3). In

particular, the existing buffer between the last trading date and the market deadline for rights subscriptions is critical to allow sufficient time for client decision and elections. [REDACTED] therefore recommends that rights subscription election deadlines remain unchanged notwithstanding the adoption of a T+1 settlement cycle.

2. Stamp duty obligations are challenging if off-exchange also follows a T+1 settlement cycle as OTC trades may have higher risk of trade amendment/rebooking. [REDACTED] would recommend the OTC stamp duty obligation should remain T+2 which is more flexible, and for SD-1 submission deadline to be 4pm on T+1 for more time to finish the calculation

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

The transition to a T+1 settlement cycle will significantly compress the post-trade timeframe, meaning that all steps from trade execution to settlement must be completed in a much shorter window. ETF NAV-based trades often rely on final pricing determined on T+1. Under a T+1 equity settlement cycle, this creates booking, matching and settlement challenges, particularly for offshore or overnight clients. This constraint should be considered when assessing primary and secondary market workflows for ETPs under T+1.

In practical terms, a tighter settlement cycle allows only one business day after trade execution for trade confirmation, settlement instruction matching, issue resolution. This accelerated timeline leaves limited opportunity for manual intervention or corrections – any trade breaks, mismatches, or exceptions must be identified and resolved almost immediately (ideally on T0) to ensure timely settlement on T+1. As a result, market participants will need to rely heavily on earlier trade finality, robust straight-through processing, and automation to achieve settlement readiness within the shortened cycle. A T+1 environment thus heightens the emphasis on early confirmation and pro-active issue resolution, as well as FX management, given that cash must be in place one day sooner. It is important to note that certain primary market and issuance-related activities will inherently follow different timelines even under a T+1 framework. Processes such as new security issuance and ETF creation/redemption in the primary market, which involve extensive documentation, coordination with multiple parties, and regulatory steps, are expected to operate on a distinct or extended schedule compared to secondary-market trades. These activities naturally require more time for completion, and while the goal is to streamline and shorten their timelines wherever possible, they may still need to run on an adjusted schedule to accommodate their extra operational and legal requirements. This consideration ensures that while the secondary market moves to T+1 for improved efficiency and reduced risk exposure, associated primary market processes can continue safely under appropriate timelines until they too can be optimized, thereby preserving orderly market functioning during the transition to a shorter settlement cycle.

For ETF creation and redemption, a T+1 settlement cycle needs further review with the ETF issuer, as timelines are rushed to complete all documentation and corresponding steps in T+1.

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?

No specific comment on consequential amendments to the Listing Rules

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

██████████ highlights the importance of further industry focus on cross-border operational resilience under T+1, particularly for international institutional flows operating across time zones. Additional emphasis on funding and FX cut-off alignment, securities borrowing and lending recalls, and end-to-end exception management across multiple intermediaries would be beneficial.

Clear industry-wide best practices, standard cut-off times, exception handling frameworks (including late trades and corporate action processing), and coordinated testing plans will be critical to reducing settlement fail risk under compressed timelines.

In particular on funding and FX settlement risk, ██████████ notes a potential structural misalignment whereby securities settlement moves to T+1 while HKD FX settlement remains on a T+2 cycle. This mismatch may introduce funding and liquidity risks for market participants and clients. ██████████ encourages HKEX to engage with relevant authorities and market bodies to explore whether greater alignment of FX settlement cycles could be achieved over time.

It is also noted that existing HKEX buy-in requirements, when combined with a T+1 settlement cycle, may materially increase settlement failure risk. In other major markets such as the US and Europe, greater flexibility is typically available in failed settlement scenarios. Consideration of settlement extensions or alternative flexibility mechanisms would help balance risk reduction objectives with practical execution realities

From Technology perspective, ██████████ welcomes the intent to provide guidance but notes that high-level guidance alone will not be sufficient under T+1. Additional clarity on standard cut-offs, exception handling, expectations around levels of automation, and industry testing would materially assist in assessing feasibility and designing sustainable solutions.

From a SBL perspective, the move to a T+1 settlement cycle places greater importance on recall timing. Recalls issued very late on trade date, including close to T0 day end, may face operational difficulty to be completed in time for T+1 settlement given compressed post trade timelines. Trade confirmations and position certainty are typically available materially earlier on T date, and having recalls cutoff until end of day put pressure on processing timelines under T+1. As such, there may be merit in considering an earlier, market standard recall cut off time ahead of T0 day end (e.g. 3pm), to better support orderly settlement. Global practices could be of reference under this context. In the US, recalls issued while DTC is open are eligible for T+1 settlement, while in EMEA markets transitioning to T+1, consensus is forming around recalls received at least one hour prior to relevant

market close being eligible for T+1 and associated buy in exposure. As such for HK, establishing clearer expectations around SBL recall timing, would help improve certainty across the SBL chain.

On OTC derivatives, [REDACTED] recommends standardizing the settlement cycle of securities transaction arising from the exercise and assignment of the OTC derivative transaction (Option, Accumulator, Decumulator) to T+1.

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

[REDACTED] considers the indicative Q4 2027 implementation timeline ambitious. The market remains in consultation, with key details, rule changes, and tool solutions yet to be fully defined.

While the proposed phased approach involving industry engagement and testing is directionally appropriate, the timeline is condensed given the scale of operational, technology, and process change required. Earlier publication of detailed technical specifications, implementation milestones, and coordinated industry testing schedules would have been more accommodating, particularly given dependencies on internal resource and funding approvals.

The timeline is also challenging given uncertainties around proposed improvements such as centralised matching, centralised SSI repositories, and real-time settlement instruction matching. Relative to other markets (e.g. US and Europe), the proposed timeframe is shorter despite similar complexity.

In addition, the indicative Q4 2027 timeline would place Hong Kong's transition very close to the Europe T+1 go-live date (October 2027). For global firms, this creates a significant resourcing and delivery challenge, as multiple mandatory regulatory transitions of comparable complexity would need to be delivered in parallel across regions. Competing implementation timelines will place pressure on shared technology, operations, and SMEs capacity, increasing delivery risk and limiting the ability to sequence, re-use learnings, and stabilise post-implementation outcomes between jurisdictions. A more staggered regional timeline would better support risk management and execution certainty.