

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

Response: Yes, with reservations

We support the proposed trade amendment arrangements with certain reservations. The extension of the trade amendment window to T-day 5:00pm from the current 4:00pm is helpful and provides additional time for participants to finalize their positions. However, we have concerns about the removal of the T+1 day amendment window, which may create operational challenges for exception handling, particularly in complex or unusual circumstances.

Cross-border participants operating across multiple time zones may find the T-day 5:00pm deadline challenging to meet consistently, especially when dealing with trades that require coordination with counterparties in Western markets where the business day has not yet commenced. We understand that HKEX would like to finalize all the trades before publishing Final Clearing Statement on T+0. However, we recommend HKEX to provide flexible arrangement to handle contingency scenarios, with such requests reviewed on a case-by-case basis. This would provide a safety valve for genuine exceptions while maintaining the discipline of finalizing positions on T-day for the vast majority of trades.

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

Response: Yes, with comments

We support the proposed post trade arrangements while offering the following comments for HKEX's consideration.

Regarding settlement, the proposed four-batch settlement structure at 10:30am, 12:00pm, 2:00pm, and 3:45pm on T+1 is appropriate as it reduces the extent of changes to existing operational flows, allowing participants to maintain familiar processes. However, we suggest that increasing the number of settlement batches would help participants settle more efficiently, particularly for stock borrowing related trades where timing flexibility is important. We recommend HKEX consider additional settlement batches at times such as 9:00am and 3:00pm, which would provide more opportunities throughout the day for participants to complete settlement and manage their positions. We also strongly suggest HKEX should implement real time settlement batch to fully replace the batch settlement model. As we know HKEX has already planned to launch real time matching in Q1/Q2 2027, implementation of real time settlement will be the ultimate model to mitigate bottlenecks and reduce the risk of fail settlement. Otherwise, we will still foresee there are significant settlement risk especially for the stock borrowing and lending process.

Regarding to the buy-in exemption process, we suggest the HKEX to increase the quota. Currently, the quota is 3 times per 10 days. Due to the potential instability in the first few months when the T+1 program launched, we suggest HKEX allowing the Clearing Participant to be able to claim buy-in exemption every day in the first 3 months. And we can review the number of quota after the transition period.

Regarding SI input, we recommend HKEX consider further extensions to T-day 11:00pm for SI input and SI services hours to better accommodate time zone differences with European and US markets. Given that Hong Kong's trading day ends before these major markets open, the additional hour would provide valuable flexibility for international participants who need to coordinate settlement instructions across multiple time zones and with counterparties whose business day is just beginning when Hong Kong's day ends.

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

Response: Yes, with implementation concerns

We support the proposed risk management arrangements while noting important implementation concerns. The delayed daily risk payment obligation report, now scheduled for T-day 10:00pm instead of the current 8:30pm, creates funding estimation challenges for participants. This later timing, combined with the unchanged payment deadline of 9:30am on T+1 day, significantly compresses our internal funding approval and mobilization processes.

The window between receiving the risk payment obligation report at 10:00pm and the payment deadline at 9:30am the next morning is extremely tight, particularly considering that this overnight period is when many of our treasury and funding approval personnel are not working. While we understand the operational reasons for the delayed report timing, we recommend HKEX extend the payment deadline to 11:00am on T+1 day. This two-hour extension would provide participants with adequate time to review the report, obtain necessary internal approvals, and mobilize funding through appropriate channels, while still maintaining the discipline of same-day payment on T+1. For example, for high trading volume days, Treasury will need to source additional funding if the margin requirement is significantly. As the margin report is only available at T-day 10pm, Treasury will only be able to source the funding in T+1-day morning. Extending the deadline to 11:00am will provide more time for the Treasury to source the funding efficiently.

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

Response: Yes, with comments

We support the proposed arrangements for other processes with the following specific comments.

Reporting: We appreciate that HKEX will launch the Orion Cash Platform (OCP) to offer API and report download functionalities, which will facilitate end-to-end straight-through-processing. These enhanced capabilities are essential for supporting the compressed timelines under T+1 and will enable participants to automate report retrieval and processing.

Corporate Actions: The shift of the ex-date to align with the last registration date (or record date where there is no book closure) is logical under T+1 and represents a straightforward adjustment. However, clear communication to investors will be essential to ensure they understand the implications for their entitlements and trading strategies around corporate action dates.

Stock Conversion for Parallel Trading: We acknowledge the need to adjust conversion schedules to accommodate the shortened settlement cycle. We request that HKEX provide detailed specifications well in advance of implementation to allow participants adequate time to update their systems and processes.

Stamp Duty Arrangements: We have significant concerns about the proposed stamp duty arrangements. The acceleration of Form SD-1 submission and payment to T+1 from the current T+2 creates substantial operational challenges. The T+1 11:00am deadline for Form SD-1 submission is extremely tight given that the risk money report is only available at T-day 10:00pm. This leaves very limited time for participants to calculate stamp duty obligations, prepare submissions, and arrange payment.

We recommend two specific enhancements to address these challenges. First, we request an extension of the Form SD-1 submission deadline to T+1 4:00pm, which would provide participants with adequate time to complete the necessary calculations and submissions. Second, we recommend enhanced automation capabilities for stamp duty reporting and payment, including support for Real-Time Gross Settlement (RTGS) payment methods, which would enable faster and more reliable payment processing.

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

Response: Yes, with comments

We support the principle that ETP primary market settlement should align with T+1 where feasible, but we have operational concerns that need to be addressed.

Key Challenges

Creation/Redemption Timeline Compression: Current creation and redemption processes involve multiple parties including issuers, participating dealers, custodians, trustees, and registrars. Each of these parties has their own processing requirements and timelines, and coordinating across all of them becomes significantly more challenging under the compressed T+1 timeline. The multi-party nature of these processes means that delays or issues at any single point in the chain can cascade and impact the entire creation or redemption process.

Batch Settlement Dependencies: A particular concern arises where ETP creation requires all underlying securities to settle by an earlier settlement batch. Under the T+1 timeline, there is an increased risk that underlying securities will only settle later in the day, potentially after the cut-off time for ETP creation and redemption to be completed. This timing mismatch could lead to higher creation and redemption settlement failure rates, which would in turn impact the ability of market makers to manage their inventory and provide liquidity in the secondary market.

Our Recommendations

To address these challenges, we recommend that HKEX implement a netting process between primary and secondary markets to reduce settlement failure rates. Such a mechanism would allow market makers to net their primary market creation and redemption obligations against their secondary market trading positions, reducing the gross settlement obligations and the associated operational complexity.

We strongly support maintaining and potentially enhancing the existing buy-in exemption framework for ETPs under T+1. The buy-in exemption framework has been essential for supporting market making activities and ensuring adequate liquidity in the ETP market. Under the compressed T+1 timeline, where the risk of temporary settlement shortfalls increases due to timing mismatches between primary and secondary market processes, this framework becomes even more critical. We encourage HKEX to engage with regulatory authorities to ensure the framework remains fit-for-purpose under T+1.

Additionally, system enhancement for end-to-end ETP creation and redemption processes will be needed to reduce manual work. The current processes involve significant manual intervention and coordination, which is not sustainable under compressed timelines. Automation of key steps in the creation and redemption workflow, standardization of communication protocols between parties, and enhanced exception handling capabilities will all be necessary to support reliable ETP primary market operations under T+1. The system should handle all the documents and instructions to be processed electronically instead of manual paperwork. And all related parties will have the transparency to review the status of the ETP creation and redemption processes directly in the system.

Stock Options (Exercise and Assignment)

Regarding stock options, we note the key operational challenge that assignment instructions are not received until after market close on T-day, yet participants must have securities available for settlement on T+1. This creates an extremely tight window for securities sourcing, particularly when assignment volumes are high or when the assigned securities are difficult to source in the market. Participants will need to enhance their securities inventory management, strengthen their securities borrowing and lending arrangements, and potentially maintain larger buffer inventories to manage this risk effectively.

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 have several comments on consequential amendments that should be made to the Listing Rules.

1. Ex-Date Provisions

The proposed amendments to replace references to "T+2 settlement system" with "T+1 settlement system" and adjust ex-date references are appropriate and necessary. However, clear transitional provisions should be included for corporate actions that are announced before T+1 implementation but have ex-dates that fall after implementation. These transitional provisions should specify how

such corporate actions will be handled to avoid confusion and ensure investors understand their entitlements.

2. Book Closure Periods

The Listing Rules should provide clear guidance on minimum notice periods for book closures under T+1. HKEX should consider whether current notice periods remain adequate given the accelerated settlement cycle. With one less day between trade execution and settlement, investors and market participants have less time to position themselves for corporate actions, which may warrant longer notice periods to ensure fair and orderly markets.

3. Rights Issues and Other Corporate Actions

Detailed guidance should be provided on how various corporate action types will be handled during the T+2 to T+1 transition period. This is particularly important for complex corporate actions such as rights issues, open offers, and schemes of arrangement, where the timing of various steps in the process may need to be adjusted. Clear examples and timelines should be included in the Listing Rules or accompanying guidance notes to help listed companies, their advisors, and market participants understand the requirements.

4. Transitional Arrangements

The Listing Rules should include clear transitional provisions for the period immediately before and after T+1 implementation. This should include guidance on handling corporate actions that span the implementation date—for example, a rights issue where the ex-date falls before implementation but the settlement date falls after implementation. Clear rules will help avoid confusion and disputes.

Recommendation

We suggest HKEX publish draft Listing Rule amendments for industry review before finalization to ensure all implications are properly addressed. This consultation process would allow market participants, listed companies, and their advisors to identify any unintended consequences or areas requiring clarification before the rules are finalized.

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

We identify the following additional considerations that are relevant to the T+1 transition.

Client Communication and Education

Retail and institutional investors need to understand the implications of T+1 for funding requirements, settlement timelines, and corporate action participation. The change from T+2 to T+1 may seem simple, but it has practical implications for how investors manage their cash, when they receive proceeds from sales, and when they need to fund purchases. Client agreements and terms of service may need updating to reflect the new settlement cycle and associated obligations.

Different investor types have different educational needs. Retail investors need simple, clear explanations of what T+1 means for their trading and settlement. Institutional investors need detailed operational guidance on allocation, confirmation, funding, and settlement instruction processes. Margin clients need to understand how the shortened settlement cycle affects their margin requirements and funding obligations.

We recommend that HKEX develop comprehensive investor education materials that can be used across the industry. HKEX should provide template communications for market participants to use with their clients, ensuring consistent and accurate messaging across the market. A market-wide education campaign should be conducted well in advance of implementation, using multiple channels including websites, seminars, webinars, and printed materials to reach all investor segments.

Disaster Recovery and Business Continuity

Current business continuity planning (BCP) and disaster recovery (DR) arrangements are designed around the T+2 timeline, with recovery time objectives and contingency procedures that assume a certain amount of time is available to resolve issues. The compressed timeline under T+1 reduces tolerance for system outages or operational disruptions, as there is simply less time available to implement contingency procedures and recover from incidents.

Recovery time objectives (RTOs) may need to be shortened to ensure that systems can be restored quickly enough to meet T+1 settlement deadlines. This may require investment in enhanced DR infrastructure, more frequent DR testing, and potentially changes to DR strategies.

We recommend that HKEX provide guidance on BCP/DR considerations for T+1, helping participants understand what level of resilience is expected and what constitutes adequate contingency arrangements. Industry-wide DR testing should be conducted before implementation to validate that the market as a whole can recover from various disruption scenarios within the compressed T+1 timeline. Clear escalation and contingency procedures should be established for the T+1 go-live period, recognizing that this will be a time of heightened operational risk.

Technology Vendor Readiness

The readiness and capacity of technology vendors and service providers is a critical dependency that has not been fully addressed. Many market participants rely on third-party vendors for their trading, clearing, and settlement systems. These vendors must develop, test, and deliver T+1-capable versions of their systems to support the market transition.

System development and testing cycles may be lengthy, particularly for complex custody and settlement platforms. There are also resource constraints if multiple markets implement T+1 simultaneously, as vendors must allocate their development resources across multiple client implementations.

We recommend that HKEX publish detailed technical specifications at least 24 months before implementation to provide vendors with adequate time for budgeting, planning, development and testing. HKEX should coordinate with participants and vendors to ensure adequate development and testing resources are available, and should consider whether any vendor capacity constraints could delay the overall market implementation.

Market Participant Types Not Fully Addressed

We believe several additional participant types warrant specific consideration and guidance:

Prime Brokers have complex multi-party settlement arrangements and margin financing processes that are significantly impacted by T+1. Their role in facilitating institutional trading and providing financing involves intricate workflows that span multiple time zones and counterparties.

Securities Lending Agents play a central role in SBL market infrastructure and recall processes. As intermediaries between lenders and borrowers, they must coordinate recall and return processes across multiple parties, and the compressed timeline under T+1 creates significant operational challenges for them. We suggest HKEX publishing guidelines to market participants to ensure effective recall management within the T+1 timeframe. We reiterate our request for HKEX to provide supplementary guidance and illustrative materials on the specific implications for securities lending, buy-in exemptions, and settlement mechanisms under T+1. This guidance would be invaluable for market participants in developing robust internal processes and coordinating with their

counterparties. We advocate for dedicated working groups or forums focused on SBL to foster industry-wide collaboration and solution development.

Transfer Agents and Registrars have important roles in corporate actions and share registry management. The changes to ex-dates and corporate action timelines under T+1 affect their processes for updating share registers and managing entitlements.

Retail Trading Platforms, including fintech platforms and digital brokers, have different operating models from traditional brokers and may face unique challenges in adapting their systems and client interfaces for T+1.

Mainland Connect Participants face specific implications for Southbound trading that may differ from general Hong Kong market trading, particularly around coordination with Mainland market processes and timelines.

We recommend that HKEX develop specific guidance for each of these participant types, addressing their unique operational considerations and challenges. Conducting targeted engagement sessions with each group would help ensure their specific needs are understood and addressed in the implementation 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.

No, reasons and considerations as follows

We appreciate the opportunity to provide feedback on the T+1 implementation initiative. While we appreciate the advance visibility HKEX has provided through this consultation process, we wish to respectfully articulate some considerations regarding the proposed Q4 2027 timeframe, as we believe it may present challenges for a successful and low-risk implementation.

Reasons for Requesting Timeline Extension

1. Prerequisite System Enhancements Required

Our organization requires several major system enhancements before we can support T+1 settlement. These enhancements are substantial in scope which require careful planning and execution and completing them within the proposed timeline presents a challenge..

Core settlement system enhancement is the first critical requirement. Our current custody platform requires significant architectural changes to support the compressed settlement timelines under T+1. Additionally, investors will send settlement instructions on T-Day evening which overlap with Stock Connect, system design which needs review to ensure enough capacity and throughput to prioritize the T+0 settlement for Stock Connect trades. These changes affect fundamental aspects of how our system processes trades, manages positions, generates settlement instructions, and handles exceptions. It is important to note that initiating this development work is contingent upon the publication of detailed HKEX specifications, as we need to understand the precise technical requirements and interface specifications to design our system changes appropriately.

Real-time instruction matching represents another major enhancement. We need to implement new capabilities for real-time SI matching to replace or supplement our current batch-based processes. This requires significant development work to enable our systems to receive, process, and respond to matching confirmations in real-time rather than waiting for batch processing windows.

Participant Gateway replacement with Orion Cash Platform is a mandatory system change that HKEX has already required. We need to review and replace all existing system logic for settlement and clearing to work with the new OCP interface. This requires extensive development and testing to ensure all our settlement workflows function correctly with the new platform. The OCP implementation itself is a major undertaking that must be completed before we can fully focus on T+1-specific enhancements.

These enhancements cannot be fully parallelized due to existing system dependencies and resource considerations. Our development teams may face constraints in working on all these initiatives simultaneously at full capacity, and certain enhancements may need to precede others, potentially influencing the overall timeline.

2. Concurrent European/UK T+1 Implementation

A major concern is that Europe, UK, and Switzerland are implementing T+1 on 11 October 2027, which falls in Q3 2027. This creates significant implications for our organization and for the broader market.

Resource allocation is the primary concern. Our organization operates globally and is committed to supporting both Hong Kong and European T+1 implementations. Technology, operations, and project management resources are finite, and managing two major implementations concurrently in Q3 and Q4 2027 could potentially strain our resources and impact the quality and reliability of both implementations.

Operational stabilization is another critical consideration. Post-implementation stabilization for the European T+1 will require significant operational focus in Q4 2027. Our operations teams will be managing the European go-live, monitoring for issues, implementing fixes for any problems that arise, and supporting our European clients through the transition. Running parallel stabilization efforts for Europe in Q4 2027 and Hong Kong in Q4 2027 or Q1 2028 is operationally risky and could result in inadequate support for both markets if issues arise simultaneously.

We believe that allowing for at least a 3-6 month buffer between major market implementations would be beneficial to ensure proper stabilization. This buffer period allows us to fully stabilize one implementation, incorporate lessons learned, and redeploy resources to the next implementation with full focus and attention.

3. Industry Readiness Concerns

Beyond our own firm's readiness, we also note observations regarding broader industry readiness, which is essential for successful T+1 implementation.

Multi-party dependencies are inherent in the settlement process. T+1 requires coordination across brokers, custodians, investment managers, banks, and FX providers. Each of these parties must be ready for their role in the settlement chain, and the overall market can only move as fast as the least-prepared participant. Our observation is that many counterparties are not yet engaged in T+1 preparation, and industry-wide readiness requires more time than individual firm readiness.

Securities borrowing and lending market infrastructure and practices need significant evolution to support T+1. Industry consensus on recall cut-off times and automation standards is still evolving. The SBL market in Hong Kong is largely bilateral and manual, and transforming it to support T+1 timelines may require an estimated 12-18 months for industry-wide readiness, including time for developing standards, implementing automation, and testing new processes.

End-to-End System Testing represents a critical phase of T+1 implementation that requires careful planning and adequate time allocation. Multiple participants, including brokers, FX providers, SBL agents, custodians, and investors, need to be involved in this comprehensive testing. The settlement process is inherently multi-party, and testing must validate not just individual systems, but the entire settlement chain working together under realistic conditions.

We respectfully propose revising the timeline as below:

Consultation conclusions	Q3 2026	As currently planned
Detailed specifications published	Q4 2026	As currently planned
Industry guidance development	Q1-Q2 2027	Allow time for industry working groups
System development period	Q4 2026 – Q1 2028	18 months for development and Testing
Industry testing and simulation	Q1 2028 – Q2 2028	Multiple test cycles, learning from European go-live
Regulatory approvals	Q4 2027 - Q1 2028	Adequate time for review
T+1 Implementation	Q2 2028	6 months after European stabilization
Post-implementation stabilization	Q2-Q3 2028	Adequate stabilization period