

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 are supportive of HKEX's vision to move to an accelerated settlement cycle for the cash market which is expected to result in enhanced capital efficiency, lower margin requirements and global harmonization. In our view, this will result in a benefit to all market participants and further add to the vibrancy of the HK cash market.

From our perspective, there a handful of implications with respect to the ETF market that need to be considered in closer detail and we outline these further in Q2.

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 supportive of HKEX's vision to move to an accelerated settlement cycle for the cash market which is expected to result in enhanced capital efficiency, lower margin requirements and global harmonization. In our view, this will result in a benefit to all market participants and further add to the vibrancy of the HK cash market.

From our perspective, there a handful of implications with respect to the ETF market that need to be considered in closer detail and we outline these further in Q2.

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

We are supportive of HKEX's vision to move to an accelerated settlement cycle for the cash market which is expected to result in enhanced capital efficiency, lower margin requirements and global harmonization. In our view, this will result in a benefit to all market participants and further add to the vibrancy of the HK cash market.

From our perspective, there a handful of implications with respect to the ETF market that need to be considered in closer detail and we outline these further in Q2.

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 are supportive of HKEX's vision to move to an accelerated settlement cycle for the cash market which is expected to result in enhanced capital efficiency, lower margin requirements and global harmonization. In our view, this will result in a benefit to all market participants and further add to the vibrancy of the HK cash market.

From our perspective, there are a handful of implications with respect to the ETF market that need to be considered in closer detail and we outline these further in Q2.

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

As a leading market maker and liquidity provider in the ETF market, we believe it is important to maintain a number of current workflows with nuances with respect to settlement cycles, specifically:

For ETFs with cash-creation option, same day settlement for creations will allow market makers to maintain status quo, where they submit and settle a creation order on the day after selling. Retaining this structure, allows MM to provide liquidity to the very end of the trading day on T and results in market efficiency (ETF's trading close to their NAV, particularly in the last 1-2hrs of the trading day).

Meanwhile, redemptions for in-kind ETFs would benefit from retaining a T+2 settlement cycle which would allow various stakeholders sufficient time to ensure underlying securities are in place for delivery.

In our view, retaining these nuances will be important to ensure the market remains robust and continues to grow.

Further, in order to support the above, the order processing system for the ETF primary market needs to be a field/option that will specify the exact settlement period for each order.

From the SSO perspective, we support the changes proposed and think HKEX has already captured all the necessary considerations and adjustments. We do note however that given the unpredictable

timing of call option assignments combined with only one day to source stock we do anticipate there may increased need to rely on the buy-in exemption for call option assignments provided in HKSCC rules 10.8.3 (vi) and 10.8.4. However this is not a barrier to move ahead to an accelerated settlement for the cash market, but rather a consideration and flexibility to be provided by the exchange to market makers.

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 comment

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

██████████ anticipates that use of buy-in exemptions will increase. The current buy-in exemption process is manual - we suggest that HKEX works with Clearing Participants to make this process efficient and remove manual processes where possible.

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

Assuming the market as a whole is able to be sufficiently prepared, including Clearing Participants and ETF Asset Managers - from our individual firm's perspective, we are fine with the timeline.