

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

Yes, we support the proposed arrangements under T+1 settlement cycle, please find our comments as below:

Trade amendment:

To meet T+1 deadlines, trade amendments must occur almost immediately after execution. This requires high levels of STP and real-time reconciliation to prevent failed 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

Post Trade:

From custodian capacity perspective to perform market trade settlement for client with their brokers, settlement instruction to be reaching to custodian in settlement of the trade is the most critical part. In case if there is any discrepancy, suggested there is an arrangement between their brokers and the client with certain of Power of Attorney to amend the trade instruction per the request from custodian. Any difference can be settled later since custodian is based on client's instructions to action.

CCASS Batch Run on T+1

To cope with the shorten timeline for settlement, we would suggest if HKEX an offer additional batch runs or HKEX can develop new real-time Settlement Instruction (SI) matching tools and automated workflow systems as earlier as possible for the implementation of T+1.

To ensure ecosystem is operational ready for T+1 change:

- If the ecosystem continues to rely on legacy manual workflows then the compressed T+1 timeframe will inevitably trigger operational bottlenecks and a spike in costly settlement failures.
- We suggest HKEX can take the survey with all clearing participants and custodian participants by Q3 2026 to ensure if all certain high level, e.g. over 85% of participants are ready for the market change of T+1

Robust API Solution Development and Integration Support:

While HKEX is rolling out API solutions, [REDACTED] would require clear and timely technical specifications. Support during the integration process, including detailed documentation, technical assistance, and a clear migration path for existing Participant Gateway users, is essential.

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:

Shorter settlement cycles reduce the volume of unsettled trades at any given time. But there will have challenge for investors, especially the cross-border investors to arrange the FX for pre-fund their settlements and it will increase investors' funding costs. We would suggest HKEX to arrange more communication with investors, fund managers and participants to understand the importance of pre-funding arrangement, i.e. on T- day once the T+1 is effective.

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

Corporate Actions:

Shortened Election Windows: Suggest HKEX to issue more circulars to all investors and fund managers that trading close to market expiration on voluntary corporate actions results in a much shorter window to make participation elections.

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

We support the proposed change to ETP Primary Market, as it need to align with the T+1 secondary market.

Stock Options (Exercise and Assignment)

The compression of T+1 dramatically affects the post-trade lifecycle of equity options. For the arrangement for Physical Settlement Timeline: The physical settlement of equities arising from options exercise/assignment must be aligned with the T+1 cycle. We would like HKEX to share the details for the arrangement of the physical settlement timeline

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 suggest the real-time Straight-Through Processing (STP) and API-driven messaging protocols between CCASS and the Share Registrars need to be implemented before the T+1 market change. The manual data processing will be reduced, and corporate action instructions to be instantly verified on T-day.

HKEX can release detailed technical specifications and roadmap as earlier as possible to allow custodians have sufficient time to prepare the upgrade their internal infrastructure

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

In our previous comments to HKEX's consultation paper in Q3 2026, we have mentioned that the Q4 2027 timeline will overlap with the UK and EU T+1 transitions. This creates a "resource bottleneck" where global firms must simultaneously upgrade systems across multiple major regions, potentially increasing operational risk during the go-live window.

We suggest that if HKEX can coordinate the transition date with these major markets to avoid a fragmented global transition that overwhelms firm resources.

Collaboration and Industry-Wide Coordination:

We would like to emphasize the need for continued and intensified collaboration among all industry stakeholders (custodians, brokers, buy-side firms, technology providers), facilitated by HKEX. This includes developing a consensus around industry operating timelines and best practices for managing securities inventory in a compressed environment.

Grace Period for Settlement Fail Penalties:

Can HKEX consider having a 6-month waiver or mitigation period on buy-in penalties and default fees for settlement fails post-launch.

During the initial transition, friction in cross-border FX and international funding will inevitably trigger technical fails. A grace period allows the ecosystem to stabilize its workflows without facing immediate financial penalties.

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

The timeline to have T+1 for HK market in Q4 2027 that will directly coincides with the UK and European transition to T+1 (scheduled for October 2027). This creates a "resource challenge" as global firms may lack the operational capacity to support two massive, concurrent implementations.

Consideration of Operational Capacity for Concurrent Transitions:

We would like to highlight the challenges posed by overlapping T+1 implementations, particularly with Europe and the UK. HKEX could provide support by coordinating its timeline to avoid excessive strain on global operational capacity or by offering specific resources to assist with concurrent transitions.

We concerned about T+1 success depends on the readiness of the entire financial ecosystem, apart from custodian banks, it should include the ecosystem of the HK market, i.e. financial institutions, brokers, investors and service providers.

There will have pressure for insufficient preparation window for many local brokers in HK which still rely on manual trade matching or legacy systems. Without significant tech upgrades, they may struggle to meet the overnight affirmation requirements.

We suggest HKEX can consider implementing the T+1 settlement cycle after the Q4 2027.

More Time for Requirements Building and Robust Testing:

- We would request a more realistic and potentially extended implementation window given the ambitious timeline and overlap with other global T+1 transitions.
- Adequate time for developing, testing, and implementing new systems and processes, including thorough market-wide testing, is crucial to prevent operational disruptions and higher settlement risks.
- A minimum of 12 months of industry-wide, end-to-end dress rehearsals, including mandatory scripts for cross-border funding, failure handling.

