

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

██████████ is supportive of the proposed arrangement for trade amendment. However, the trade amendment time window may not be sufficient at T day 5pm, and we suggest extending it to T day 11:59:59pm.

Recommendation: HKEX may consider easing the punitive measures for settlement failures, similar to other T+1 markets. For example, the US market typically allows until T+5 or beyond before imposing buy-ins. A less stringent penalty framework would help mitigate the impact of the increased operational risk during and after the transition.

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

Position: ██████████ is supportive of the T+1 settlement initiative. To ensure a smooth and successful transition, particularly for post-trade processes, we offer the following recommendations.

Rationale and Recommendations: The primary challenge of a T+1 cycle is the compressed timeframe for resolving trade discrepancies. This is a significant concern for international investors, especially those operating in different time zones such as the U.S., who face operational constraints.

We refer you to our response to Q5 for further reasoning and recommendation.

To mitigate these challenges, we propose the following enhancements to the post-trade process:

Earlier Start for SI Matching: We strongly recommend that the CCASS Settlement Instruction (SI) matching window begin earlier on the settlement date, ideally between 7:00 AM and 7:30 AM HKT. This, in conjunction with the proposed extension of the SI matching window to 9:30 PM HKT on T, would provide a crucial window for U.S.-based participants to identify and resolve any last-minute discrepancies.

Investor Education: We recommend that HKEX conduct educational workshops and seminars for international investors. These sessions should focus on introducing the new settlement timelines and the associated workflow tools to facilitate a smoother adoption process and minimize the risk of settlement failures.

HKEx Final Clearing Statement Availability : An additional concern is the timing of the HKEx Final Clearing Statement. For firm-level reconciliation to be completed within the T+1 window, HKEx will need to make this report available earlier — ideally advanced to T+0.

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.

No, reasons and considerations as follows

The concentration of SBL-related activity into a narrow T+1 window creates compounding operational risk that the Middle Office team is not currently equipped to absorb. The inability to recall securities from US and EMEA lenders within the settlement window all represent live risk exposures that will land directly on the Middle Office team to manage and escalate. Without safeguards, the risk of a sustained elevation in settlement failure rates is material and the operational burden on the Securities Lending Middle Office will be unmanageable at current staffing and automation levels.

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.

No comment

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

HKEX may consider easing the punitive measures for settlement failures, similar to other T+1 markets. For example, the US market typically allows until T+5 or beyond before imposing buy-ins. A less stringent penalty framework would help mitigate the impact of the increased operational risk during and after the transition.

For Stock Options

Position: [REDACTED] supports the transition to a T+1 settlement cycle for Stock Options. However, an adjustment to the reporting timeline is necessary to accommodate our post-trade processing requirements.

Recommendation: The current exchange report for exercise and assignment (TP009) is delivered at 7:00 PM on T-day. To facilitate timely and efficient post-trade processing within a T+1 framework, we recommend advancing the delivery time of this report to 5:00 PM on T-day.

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?

Request for Clarification: In relation to the stock conversion arrangement for parallel trading, as detailed in Sections 79 and 80 of the consultation paper, our Asset Servicing team requires further information to accurately assess the impact on corporate actions and determine the necessary system modifications.

To facilitate this analysis, we request that HKEX provide illustrative examples that clearly outline the timeline differences for corporate actions between the existing T+2 model and the proposed T+1 model. A format similar to the example provided in Section 78 of the paper would be highly beneficial.

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

A key theme of the US transition to T+1 that has been carried into the UK/EU program is the emphasis on the necessity of automation. This is currently referenced in the consultation paper exhibit 1, but we suggest emphasizing this point more. Further details have been provided in the response to the Supplemental Questions.

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

Position: [REDACTED] supports the T+1 initiative but finds the proposed Q4 2027 implementation timeline for HKEX to be unachievable due to insufficient lead time.

Rationale and Recommendation: The transition to T+1 requires significant technology investment and automation. Our resources are already substantially committed to other mandatory regulatory initiatives in 2027, including T+1 transitions in the EU/UK and for US Treasury clearing. A comprehensive analysis of global upstream and downstream dependencies, especially regarding time-zone differences, is critical and needs dedicated resources that are currently constrained.

Drawing a comparison with the UK, their Accelerated Settlement Taskforce undertook a lengthy consultation process to develop an implementation plan, published in February 2025. This plan allocated 2025 for analysis and budget securing, 2026 for technology development, and 2027 for implementation. This phased approach highlights the extensive lead time required.

We recommend HKEX adopt a more prudent and phased approach, similar to models used in other major markets. Our proposed revised timeline is:

- 2026: Planning and Budgeting
- 2027: System Development and Testing
- Q3 2028: Implementation

This extended timeline would allow for adequate preparation, reduce implementation risks, and align better with the industry's capacity to manage concurrent, large-scale changes. We strongly advocate for a Q3 2028 implementation.