

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

- [REDACTED] supports extending the T-day trade amendment window to 5:00pm and removing the T+1 trade amendment window, provided downstream participants receive timely and reliable trade/position information early enough to trigger stock loan recalls and/or alternative sourcing to avoid fails.
- [REDACTED] requests HKEX enhance functionality to enable electronic submission of trade amendments (e.g., via ECP/Client Connect or equivalent), to reduce manual processing risk under 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

[REDACTED] supports the direction of travel to T+1, but believes further improvements to the operational model should be made prior to implementation to reduce avoidable fails and operational risk.

Post Trade (matching / SI processing)

- [REDACTED] supports the proposed extension of SI service hours (T-day input to 10:00pm and matching to 9:30pm) as a necessary baseline.
- [REDACTED] recommends extending SI input/matching further (e.g., closer to 11:00pm or midnight Hong Kong time) to better accommodate cross-time-zone processing and reduce avoidable fails.
- While HKEX may view OCP as separate from T+1, [REDACTED] considers real-time matching and real-time status transparency (whether delivered via OCP or an equivalent solution) to be a critical enabler for a resilient T+1 model. Planned timelines (real-time matching via OCP in Q1 2027; optional real-time API status updates in Q3 2027) may not provide sufficient time for participants to embed these capabilities. Any real-time API should support high volumes and provide actionable data (including mismatch reason codes).
- [REDACTED] recommends cancellation of matched trades should be bilateral, such that if one side cancels, only that side's SI is cancelled/deleted in the CSD rather than both sides.

Post Trade (settlement)

- [REDACTED] supports moving clearing to T-day and earlier issuance of the Final Clearing Statement (FCS).
- Maintaining a batch-based settlement model (currently 10:30am, 12:00pm, 2:00pm, 3:45pm) under T+1 will materially compress exception management, particularly for EMEA/US clients.
- [REDACTED] requests an indicative go-live date/roadmap for real-time settlement and strongly encourages real-time settlement (or materially enhanced batch design) to be delivered ahead of or alongside T+1. If continuous real-time settlement is not feasible, [REDACTED] recommends adjusting the timing and/or number of settlement batches (e.g., start later such as 11:30am, and/or consider adding a Settlement batch later than 3.45 pm assuming no changes to the settlement of money timelines). Any change to settlement batch that will impact settlement of money would require further analysis by the industry.
- PCS/FCS issuance timing should be aligned to provide sufficient processing time under the compressed cycle.
- Under T+1, curing securities shortfall becomes more dependent on stock loan recall responsiveness and CCASS cut-offs for movements and SI matching; these dependencies should be explicitly addressed.
- In addition, HKEX should consider introducing an explicit provisional/exceptional handling settlement process (e.g., a defined late-day window and/or provisional batch) to manage operational breaks and urgent exceptions under the compressed cycle. This should be supported by clear governance, eligibility criteria, and escalation paths to reduce avoidable fails and buy-ins arising from system or manual errors.

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

- [REDACTED] recommends the buy-in process and exemption framework be revisited to relax requirements, timelines, and penalties under T+1.
- With the day-end risk obligation report expected at 10:00pm T-day and payment deadline unchanged at 9:30am T+1, compressed windows may reduce borrowing demand and lending supply due to funding/collateral time pressure. Market testing should include liquidity stress scenarios where borrowing demand rises alongside tighter funding windows.
- [REDACTED] requests HKEX consider bringing forward the daily risk payment obligation report (e.g., to 8:30pm T-day) to reduce reliance on estimates and mitigate intraday overdraft risk.
- [REDACTED] also highlights the need to address FX execution timing and FX failure risk, particularly for overseas investors operating across time zones and misaligned holiday calendars. HKEX should ensure the end-to-end model provides sufficient transparency and time buffers to complete FX funding and resolve exceptions without introducing structural pre-funding requirements.

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

- Banking and payment systems should be reviewed to support extended hours and any additional settlement batches (if any).
- Corporate actions: [REDACTED] requests early, detailed guidance on revised ex-date mechanics and entitlement handling
- Parallel trading / temporary codes: [REDACTED] requests guidelines requiring issuers to obtain ISINs for temporary trading codes, as many institutional investors and global custodians require ISINs to instruct settlement.
- Stock conversion for parallel trading under T+1: shortened and adjusted conversion schedules increase operational risk for custodians and investors due to reduced time to ensure settlement instructions reference the correct counter, increased likelihood of unmatched instructions/fails, and greater dependency on timely identifier mapping (including ISIN availability for temporary codes). We anticipate challenges arising from parallel trading during corporate actions such as share consolidations or subdivisions, where multiple instrument codes may trade concurrently (e.g., old code, temporary code, and new code). In a shortened T+1 settlement cycle, this parallel trading is likely to increase the volume of breaks and create additional reconciliation complexities, given the reduced time available to identify, investigate, and resolve exceptions.
- Stamp duty: electronic stamp duty payment to IRD via CCASS is essential if deadlines move with settlement. [REDACTED] supports aligning on-exchange stamp duty with T+1 only if electronic payment via CCASS is implemented; off-exchange stamp duty deadlines should remain at T+2. [REDACTED] also requests earlier provision of relevant reports (e.g., TP009/TP014) and consideration of extending SD-1 submission deadlines (e.g., from 11:00am to 3:00pm on T+1).
- OTC equity derivatives: shorter timelines increase dependency on client confirmation responsiveness (outside the bank's control). Late bookings/modified tickets may miss end-of-day processing, increasing settlement risk for OTC trades booked on T+1.

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

[REDACTED] supports the direction of travel to T+1 but notes ETPs and stock options have specific operational dependencies that may increase settlement risk under a compressed cycle.

██████████ encourages HKEX to publish clear, end-to-end workflows and cut-offs for ETP primary market creation/redemption (including related funding and asset movements) and stock options exercise/assignment, together with scalable exception handling aligned to the shortened cycle.

Guiding principles for the ETP primary market

- Current ETF creation/redemption processes are fragmented (CCASS for some products; fund manager platforms and manual/fax-based processes for others). Under T+1, this fragmentation increases operational risk and reduces transparency.
- ██████████ encourages HKEX to standardise and digitise ETP primary market workflows via a unified electronic platform enabling all parties to view status, resultant baskets/quantities, overdue payments, missing documents, and escalation contacts.

Buy-in considerations for ETPs

- ETFs and similar vehicles often rebalance near market close; under T+1, timely sale notifications to agent lenders and recalls to borrowers may be challenging, increasing fails where sold securities are on loan and increasing borrowing demand.
- If settlement cut-offs are extended, buy-in exemption application deadlines should be aligned (e.g., extend to at least late evening such as 9:30pm).
- ██████████ requests consideration of a time-limited grace period (e.g., six months) post-implementation where T+1 fails do not trigger mandatory buy-in/penalties unless persisting to T+2, while maintaining settlement discipline through monitoring, escalation, and transparent reporting during the transition.

Stock options (including exercise and assignment)

- Physical settlement of equities arising from exercise/assignment moving to T+1 compresses the window materially, as assignment instructions are received after market close on T-day.
- This may increase late-day/overnight borrowing demand and tighten liquidity of the stock.
- Earlier and more actionable exercise/assignment reporting should be provided to support timely mobilisation of securities and funding.

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?

██████████ agrees consequential amendments should be made to the Listing Rules to ensure full alignment with the transition from T+2 to T+1. These amendments should be coordinated with corresponding updates to CCASS/DCASS operating rules and guidelines to ensure legal/regulatory requirements and operational processes remain consistent under T+1.

In particular, ██████████ recommends ensuring consistent alignment across cash equities, securities lending activity, and buy-in regimes, to avoid legal, documentation, or operational misalignment under T+1.

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

Settlement fails and buy-in mechanics

- The consultation paper does not sufficiently detail how buy-in and fail management will operate under T+1. Hong Kong's automatic buy-in on SD+1 is a significant concern under a shortened cycle, particularly for SBL participants.
- [REDACTED] recommends a thorough review of buy-in process/timeline under T+1, and exemptions/deferrals especially for offshore sellers and low-liquidity/low-float securities.
- Increased buy-in risk may cause offshore lenders and those with outsourced operations to reduce lendable inventory or exit lending programmes, reducing supply and market liquidity.
- [REDACTED] recommends HKEX explicitly consult on fail/buy-in design under T+1, as it materially impacts SBL supply, borrower behaviour, settlement discipline, and market liquidity.

Participant types

- Tri-party collateral agents / collateral management service providers supporting HK stock loan collateral workflows.
- Large global beneficial owners and outsourced operations providers (outsourced middle-office/settlements), whose responsiveness is critical under T+1.

Automation and controls around partial settlement

- Guidance is needed on automatic partial settlement of sales and loan recalls where only part of the quantity is available on T+1, and controls to prevent misallocation of securities intended for recall/return versus other obligations.
- [REDACTED] also recommends enhancing depository functionality to support automatic partial settlement for both DVP and FOP transactions, including securities financing-related flows, to reduce manual intervention and improve settlement outcomes under compressed timelines—supported by robust controls to prevent misallocation across client accounts.

CCASS feature enhancements (critical for smooth T+1 implementation)

[REDACTED] considers the following CCASS enhancements critical to reduce manual risk, accelerate exception management, and support compressed T+1 timelines:

- Maker-checker controls: implement maker-checker for all critical activities (e.g., change CCASS account numbers, hold/release hold on SIs), given increased risk of manual errors under T+1.
- Advanced linkage services: provide linkage functionality requested by active trading clients, including one-to-many, many-to-one, many-to-many, and partial linkage (e.g., available stock + incoming receipt linked to a delivery trade).
- Tolerance at sub-account level: enable settlement amount adjustment tolerance at CCASS sub-account level (rather than a single tolerance at counterparty level), reflecting differing client tolerances.

- Standing instructions for settlement mode: allow standing instructions at CCASS sub-account level for default settlement mode and/or “match as per counterparty” features.
- Bulk amendments: support bulk amendments for relevant fields (e.g., settlement mode), including a bulk file upload facility using a key (CCASS SI ID or participant internal reference) to request field amendments.
- Expanded selection criteria: include CCASS sub-account number as a selection criterion across all relevant inquiry and amendment screens (and expand criteria more broadly where feasible).
- Increase enquiry result lines: increase the number of lines displayed per enquiry result page (e.g., unmatched pairs), beyond the current 25-line limitation, to improve operational efficiency.
- Simplified unmatched enquiry: add unmatched reason codes directly to the on-screen unmatched enquiry view to speed investigation.
- Visibility of counterparty allegations: provide on-screen enquiry for counterparty allegations (currently only available via unmatched SI reports), to enable timely follow-up for urgent transactions (including lending/borrowing/recalls).
- Ad hoc on-screen export: provide ad hoc download/export for key datasets (especially unmatched trades and current stock holdings) without waiting for periodic/end-of-day reports.
- Multiple-criteria enquiry/amendments: allow multiple inputs in a single field (e.g., query multiple counterparties in one enquiry) to speed mismatch resolution.
- DI input upgrades (filters): enhance DI input with additional filters (e.g., CCASS sub-account, counterparty, internal reference, settlement date, link reference number) to better service client needs.
- DI input upgrades (CNS DI efficiency): make ISIN/stock code non-mandatory for CNS DI selections to improve efficiency.
- DI input upgrades (bulk DI): enable bulk DI processing and/or selection-based DI actions (rather than one-by-one DI input).
- DI input upgrades (linked trade alert): for linked trades, display a pop-up alert if an SI linkage reference exists and require reconfirmation before DI.
- SI settlement priority: introduce a priority field on each SI to allow participants to set settlement priority (either overriding or applied after CCASS's existing logic).
- CCASS on-demand UAT access: provide participants on-demand access to a CCASS UAT environment to practise and streamline on-screen operations, supporting smoother T+1 implementation.

Interbank cash settlement (interbank ecosystem)

- Following clarification from HKEX, there is understanding that the intraday batch arrangements relating to interbank cash settlement are not expected to change. However, further detailed analysis is deemed relevant to thoroughly assess the end-to-end implications of the move to T+1, particularly on its relationship with cash settlement at the interbank level.
- In the event of any change in direction of flight—especially relating to changes to timelines of cash settlement batches and cut-off times for interbank cash settlement—early engagement from HKEX with the wider industry is highly appreciated. The sustainable success of T+1, as well as any

changes to timelines and cut-offs, could benefit from the readiness, resource and co-ordination of the whole interbank ecosystem.

Corporate actions mechanics under T+1 (custodian/investor impact)

- For corporate actions commencing after T+1 implementation, ex-date for dividends/bonus issues/rights issues shifts from one settlement day prior to record date (under T+2) to the same day as record date (under T+1).
- This compresses the operational window for custodians and investors to reconcile positions, resolve breaks, and manage entitlement processing, increasing the risk of entitlement disputes and claims, particularly for offshore investors across time zones.
- [REDACTED] requests early, detailed guidance on entitlement determination, claims processing timelines, and SBL-specific handling around record dates.
- [REDACTED] also requests HKEX publish a standardised claims and entitlement dispute framework under T+1, including timelines, eligibility snapshots, and treatment of unsettled trades/fails around record date.

Parallel trading / stock conversion under T+1 (custodian/investor impact)

- Parallel trading involves concurrent trading under a temporary stock code and the original stock code following certain corporate actions (e.g., consolidation, subdivision, re-organisation).
- Under T+1, conversion schedules will be adjusted and the overall conversion duration shortened, increasing risk of wrong-counter instructions, unmatched SIs/fails, and dependency on timely identifier mapping (including ISIN availability for temporary codes).
- [REDACTED] recommends timely ISIN issuance (or equivalent globally accepted identifier) for temporary codes, early publication of conversion schedules and code mappings, enhanced reporting, and inclusion of parallel trading conversion scenarios in market testing.

Stamp duty legal alignment and OTC considerations

- Clarify whether HKEX will coordinate with IRD on any required amendments to the Stamp Duty Ordinance (Cap. 117), and whether changes would be segregated between on-exchange and off-exchange trades.
- Retaining OTC stamp duty timelines at T+2 (if feasible) would reduce late payment risk for OTC equity derivative products and support Hong Kong's development as an international centre for OTC products.

Cross-border and Southbound considerations

- Engage Euroclear/Clearstream to seek extensions to instruction cut-offs to reduce fails for European cross-border flows.
- Collaborate with ChinaClear to provide comprehensive explanations of T+1 changes to mainland investors and China execution brokers for Southbound trading readiness.

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

Consultation period

- A four-week consultation window is challenging for an industry-wide change. [REDACTED] recommends extending the response window and/or enabling structured supplemental submissions.

Implementation target and cross-market alignment

- The proposed Q4 2027 go-live is ambitious. [REDACTED] recommends extended industry testing and phased readiness checklists.
- The timeline overlaps with UK/EU/Swiss T+1 programmes, creating competition for change capacity (technology build, testing, operations, vendor delivery). [REDACTED] requests HKEX to coordinate sequencing and key milestones with other major market infrastructures and industry bodies where feasible to reduce global systemic change risk.
- [REDACTED] also recommends allowing a buffer period after the EU/UK T+1 transition to absorb market learnings and reduce operational risk before Hong Kong go-live.
- Overlapping Hong Kong initiatives (e.g., OCP, USM) may further constrain resourcing.
- [REDACTED] recommends moving the implementation target to Q3–Q4 2028 (ideally Q4 2028) to reduce execution risk and support a stable transition.

Dependencies (OCP, API transition, PG demise, reporting)

- OCP go-live and industry adoption of API-based real-time processing are critical dependencies.
- PG demise in 2027 will require system upgrades and transition away from manual SI/STI file processes; reporting platform compatibility (e.g., RAP) must align with internal integrations.
- These dependencies should be explicitly sequenced with minimum adoption thresholds and contingency planning.

Testing and rehearsal

- [REDACTED] supports market testing and simulation and recommends HKEX to publish testing phases, entry criteria, participant coverage, and success metrics.
- Testing should include SBL-specific and liquidity stress scenarios, including high recall volumes near close, hard-to-borrow names, cross-time-zone recall chains, settlement batch interactions, settlement fails, and buy-in exemption workflows.

Transition and contingency design

- [REDACTED] recommends a defined post-go-live stabilisation period (e.g., six months) during which settlement discipline is maintained but mandatory buy-in and penalties are not triggered until fails persist beyond T+2.
- Consider phased onboarding by participant type and/or controlled parallel runs for selected workflows prior to full enforcement, with objective readiness gates.

- Establish market-wide fallback playbooks for outages or late-day breaks (cut-off extensions, escalation paths, temporary operational measures, communication protocols, and criteria for invoking/exiting contingency mode) and include these scenarios in resilience testing.

Funding considerations Shortened settlement may accelerate HKD funding demand (including outside APAC hours), increase intraday liquidity needs, with potential implications to short-term rate volatility/costs given absence of pure interest-rate risk hedging instrument such as OIS and listed interest rate future in HK market.

Other concerns

- Consider implications for Southbound Stock Connect flows and CNH liquidity.
- Ensure smaller participants, NBFIs and offshore investor segments are explicitly included in testing coverage and readiness assessments, supported by targeted guidance and education.