

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 support the transition to T+1 and view it as a strategic opportunity to modernise Hong Kong's post trade infrastructure, particularly through automation, API enablement, and real-time visibility across the settlement lifecycle.

To fully realise these benefits, we recommend simplifying the settlement design, enhancing intraday transparency, and revising key operational frameworks.

1. Settlement Cycle Design

Position

We recommend moving towards a single consolidated settlement cycle on T+1, scheduled later in the day.

Rationale

a. Improve operational clarity and reduce complexity

- The current proposal of multiple settlement batches introduces:
 - o Operational fragmentation
 - o Increased reconciliation and monitoring overhead
 - o Greater likelihood of breaks and exceptions
- A single cycle would create a clear, predictable settlement event, reducing operational risk

b. Better support intraday risk and liquidity management

- A later single settlement cycle provides participants with additional time to:
 - o Monitor settlement positions
 - o Resolve exceptions
 - o Mobilise funding and securities
- This is particularly important under T+1 where timelines are compressed and cross-border participants operate under effectively T+0 conditions

c. Reduce back-office burden and funding inefficiencies

- Multiple intraday cycles:
 - o Increase processing requirements
 - o Create fragmented liquidity demands

- A consolidated cycle allows for more efficient netting and funding optimisation

2. Alternative Model — Continuous Processing + Single Settlement

We propose the following model:

- Continuous SI matching and validation throughout T and T+1
- Real-time monitoring of settlement positions
- Single consolidated settlement batch on T+1

Benefits

- Progressive intraday matching reduces end of day operational pressure
- Early identification of issues improves settlement discipline
- Aligns with global best practice where automation and straight-through processing are key enablers of T+1

3. Real-Time Visibility and Infrastructure Modernisation

For this model to work effectively, real-time transparency is critical.

Recommendation

Implement capabilities that provide:

- Real-time visibility of projected settlement positions
- Early identification of:
 - o Securities shortfalls
 - o Funding gaps
 - o Instruction mismatches

Supporting enhancements

- Enhanced API connectivity for straight-through-processing
- Intraday dashboards for “settlement-at-risk” monitoring
- Automated exception management workflows

This aligns with the broader industry need for automation and streamlined processes 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

Post Trade — SI Activities and T-day Coordination

We support extending SI input to 22:00 and matching to 21:30 on T-day.

However, extended hours alone are unlikely to ensure settlement certainty.

Recommendation

HKEX should establish a clearly defined, market-wide T-day operating schedule covering key dependencies, including:

- Securities lending recalls
- FX execution and confirmation
- Priority SI submission
- SI matching cut-offs
- Final clearing outputs

This should be formally adopted as a market standard.

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 and Funding Timing

We support retaining the current risk management framework and recalibration of CNS exposure.

Concern

The proposed issuance of risk obligations at 22:00 on T-day leaves a compressed funding window before settlement on T+1.

This is particularly challenging for participants with offshore treasury operations.

Request

Clarification on:

- Reliability of intraday estimation outputs
- Stress testing of funding timelines under volatile conditions

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

Post-Trade Processing and Timeline Optimisation

We support HKEX's objective to shift post-trade processing to T-day.

We recommend a sequencing-led approach, reducing reliance on extended hours.

1. Earlier Availability of Key Reports

We recommend targeting issuance of the Final Clearing Statement by approximately 17:30 on T-day (earlier than the proposed 20:00).

This enables:

- Processing within core business hours
- Reduced operational strain
- Improved global coordination

2. Stamp Duty (SD1) Timeline Adjustment

We recommend extending the SD1 submission cut-off to at least 15:00 on T+1, reflecting dependencies on upstream workflows.

3. Operating Model Balance

The overall model should:

- Advance activity into T-day
 - Avoid excessive reliance on extended hours
 - Support operational sustainability across participants
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Management of Residual Settlement Failures

Residual fails will continue under any settlement cycle.

We suggest considering a tightly scoped contingency framework for exceptional cases, designed to:

- Be limited in scope
- Avoid creating structural reliance
- Support market stability in extreme conditions

Treasury aspects

1) Funding window compression (T+1 vs T+2)

T+1 materially shortens the funding timeline, shifting key funding and FX preparation to the evening of trade date (T) versus a full business day under T+2. This reduces the time window and increases exposure to late-day operational, liquidity, and market disruptions.

2) HKD/CNH liquidity constraints & reduced CLS efficiency

HKD and CNH liquidity drops significantly after ~17:00 HKT, unlike USD. Under T+1, more funding and FX must be executed in this thinner window, where:

- market depth is lower, and
- access to CLS settlement window for HKD is more limited due to the expected higher trading volume on settlement date (which settles bilaterally instead of CLS).

This drives greater reliance on bilateral settlement, increasing:

- counterparty credit exposure, and
- usage of bilateral credit lines (creating more potential constraints).

Net effect: higher credit risk + liquidity risk, with less access to optimal funding windows and settlement efficiency

3) Impact on client limits & market liquidity

To manage tighter timelines, lower liquidity, and higher bilateral exposure, banks may need to consider reducing client trading/credit limits to control funding volatility and settlement risk. While prudent, this could constrain trading capacity, and reduce market liquidity on HKEX, especially in stressed conditions.

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 direction for ETPs and stock options under a T+1 settlement cycle, subject to end to end alignment across the post trade ecosystem and targeted operational enhancements to ensure market stability, liquidity, and efficiency.

1. ETP Primary Market — Guiding Principles

Key considerations

a. Full lifecycle alignment (ETF units and underlying basket)

- Creation/redemption (CRRD) should be fully aligned to T+1, including both:
 - o ETF units
 - o Underlying securities (particularly for in kind flows)
- Settlement should be processed within the same consolidated settlement batch to reduce fragmentation and timing risk

c. Importance of strict cut off discipline

- Clear and harmonised cut off times across issuers, custodians, and dealers are essential to operate within compressed timelines

Risks if not addressed

Misalignment between ETF units and underlying securities would:

- Increase operational complexity
- Drive reliance on buy-ins or exemptions

- Create intra-day funding gaps and liquidity strain (especially for cross-border ETPs)

This is consistent with HKEX's observation that multi-party coordination and compressed timelines are key challenges in the ETP ecosystem.

2. Buy-in Considerations for ETPs

We recognise the continued importance of the buy-in exemption framework for ETPs, particularly for market makers supporting liquidity.

Position

Buy-in exemptions should remain in place but be refined rather than expanded

Rationale

- Under T+1, market makers face:
 - o Higher inventory risk
 - o Greater dependency on timely creation/redemption
- Short-term settlement gaps may arise due to:
 - o Cross-border settlement constraints

Recommendation

- Maintain the exemption framework, with:
 - o Clear eligibility and governance standards
 - o Focus on temporary, liquidity-driven fails only
- Avoid structural reliance on exemptions as a substitute for operational alignment

4. Operational Efficiency Enhancements

To support the above, we recommend targeted enhancements:

a. Netting for ETF creation/redemption flows

This would:

- Reduce settlement volume
- Improve operational efficiency
- Lower funding requirements

b. Industry coordination

Consistent with HKEX's emphasis on end-to-end readiness and industry-wide engagement

Recommendation:

- Establish a dedicated ETF working group, including:
 - o Issuers
 - o Participating dealers
 - o Custodians
 - o Market makers
 - o Infrastructure providers

Purpose:

- Address cross-border constraints
- Align operational cut-offs
- Test end-to-end workflows ahead of implementation

Stock Options

The compressed timeline under T+1 creates challenges for physical delivery.

Recommendations:

- Confirm assignment notification timing
- Provide earlier indicative assignment visibility
- Issue joint HKEX/SEIOCH guidance on operational interaction
- Consider advancing exercise cut-off from 18:45 to approximately 17:30

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?

Position

We agree with the proposed amendments and have no substantive objection.

Recommendations

1. Early Publication

Publish a consolidated draft of Listing Rule amendments by Q3 2026, aligned with detailed specifications.

2. Worked Examples

Provide worked examples covering:

- Common corporate actions
- Ex-date / record date calculations
- Holiday and half-day scenarios

3. Transition Clarity

Confirm treatment of corporate actions declared under T+2 where record dates fall after T+1 go-live.

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

Position

The following points complement existing guidance based on practical T+1 experience.

Key Areas

- Trade Date Affirmation: critical to settlement reliability
- Funding & FX: structural constraints due to liquidity and settlement cycle differences
- GCP–NCP Dependencies: need for transparency across participant readiness
- Market Stress: importance of defined escalation and recovery frameworks
- Settlement Mismatches: need guidance for cross-cycle products
- Average Price Processing: requires early clarity
- Testing: must include funding, FX, SBL, and stress scenarios
- Client Behaviour: coordinated responses may amplify stress conditions

Technology and Infrastructure

ETF Digitalisation

Clarify:

- Scope of ETP Link
- Coverage across models
- Integration for STP

OCP (Orion Cash Platform)

Provide greater transparency on:

- Functionality
- Role in timeline compression
- System integration

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

Position

The proposed timeline to Q4 2027 is broadly sufficient, subject to early clarity and coordination.

Key Conditions

- Early definition of core processes (funding, ETF, exception handling)
- Comprehensive end-to-end testing
- Market-wide alignment and escalation framework
- Clear visibility of post-trade workflows, systems, and dependencies

Final Position

We support the overall direction of HKEX's T+1 proposal and recognise its importance for Hong Kong's global competitiveness.

To ensure successful implementation, it will be critical to focus on:

- Early operational certainty
- Market-wide coordination
- Practical enhancements to reduce execution risk