

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.

No, reasons and considerations as follows

We support the objective of moving toward a shorter settlement cycle, but we do not support the proposed trade amendment arrangements in their current form without further clarification and safeguards.

Late trade reporting and post close activity introduce booking finality risk on trade date under T+1, particularly where exchange approvals occur after normal processing windows. In addition, late amendments can disrupt reconciliation and inventory certainty at a point where settlement preparation is already underway, impacting downstream settlement readiness.

Cancellation handling should also provide operational finality, including clear acknowledgement flows and supporting cancellation messaging to enable downstream controls and reconciliation.

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.

No, reasons and considerations as follows

We support the objective of enhancing post trade efficiency, but the proposed arrangements do not fully address the structural timing constraints created by T+1 for globally intermediated activity.

The feasibility of T+1 is critically dependent on earlier completion of allocation, confirmation, FX funding and securities coverage because the operational timeline is materially compressed. Where trade and position breaks remain unresolved within trade date, this may directly constrain securities borrowing, returns and recall activity, increasing the likelihood of settlement fails and buy-ins.

Under T+1, reconciliation becomes more closely aligned with settlement outcomes, as it depends on the timely alignment of allocations, inventory and counterparty actions across participants and time zones, which may not consistently occur within trade date.

For international institutional flows, including give-up and prime brokerage models, allocation and confirmation activities are often completed outside Hong Kong trade date due to time-zone handovers. Under T+1, this becomes a structural mismatch that increases settlement disruption risk and expected fails.

Timetable enhancements such as later cut-offs, additional matching cycles and extended processing windows are necessary and directionally helpful, but they do not resolve the underlying structural constraints described above.

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

We support the objective of reducing settlement risk, but the proposed arrangements do not yet provide sufficient clarity on how key risk management dependencies will be addressed under a compressed settlement cycle.

The T+1 model concentrates multiple interdependent processes, including reconciliation, inventory determination and securities borrowing, into trade date. In a globally intermediated market, these processes depend on participants operating across time zones and cannot be consistently synchronized within the same window, creating uncertainty over final deliverable positions.

Securities borrowing, returns and recall activity are subject to external counterparty and time zone dependencies. Where issues are identified late in the process, there may be limited ability to complete recall and confirm stock availability within trade date. These constraints are further amplified

Under T+1, securities borrowing and lending becomes a critical dependency for settlement completion, particularly where reconciliation and inventory determination identify coverage requirements late in the trade date cycle

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, reasons and considerations as follows

We support the objective of aligning other market processes to a T+1 settlement cycle, but further clarity is required on reporting, corporate actions and stock conversion arrangements before the proposed model can be supported in its current form.

For reporting, late trade reporting and post close activity require a deterministic operating model to protect trade date booking finality and downstream settlement certainty.

Treatment of in-flight corporate actions under T+1 remains a key operational gap, particularly during peak event periods. A defined framework is required, covering event processing, market claims expectations and transition management.

Current corporate action data coverage is not sufficient to support a compressed T+1 cycle. Many event types are not consistently communicated in a standardized and structured format aligned with global practices. Under T+1, this creates a dependency risk as participants may not receive complete and timely corporate action data in a format that supports straight-through processing. This limits the ability to update bookings, allocations and settlement instructions within the required timeframe, increasing the likelihood of settlement disruption and buy-ins.

Clear guidance is also required for stock conversion activities, including assimilation and consolidation schedules, under a shortened settlement cycle.

We have no specific additional comments on stamp duty arrangements at this stage, but any consequential changes should be aligned with the final operating model and market

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

- A key constraint is the absence of centralised infrastructure and standardised CCP-level processes for ETF primary market creation and redemption, which become more acute under T+1 compression due to reliance on manual steps.
- Workflow harmonization and modernization for ETFs and ETPs would materially reduce operational risk under compressed timelines, including broader onboarding to a centralised processing model and improved automation. The proposed model assumes that ETP creation and redemption processes, including validation and adjustments, can be completed within the same settlement window. These processes currently rely on sequencing that extends beyond trade date and may not be consistently compressible

- Under T+1, the current buy-in framework risks penalising structural timing mismatches rather than controllable fails. This may reduce market-making capacity and increase the cost of liquidity provision.
- A concrete market structure is required. Deferral of buy-ins to T+2 or later under a T+1 settlement cycle is the most effective measure identified to reduce cliff effects and preserve liquidity. Consideration should also be given to transition flexibility, including a calibration period with moderated buy-in enforcement and penalties, to allow market participants to adjust to the compressed cycle without unintended disruption.
- Mixed settlement cycles where constituents move to T+1 while ETFs remain on T+2 create practical issues for frameworks such as SD6 exemptions. These criteria should be reviewed for practicality under compressed timelines. Dependencies between primary market processes and secondary market settlement become more tightly coupled under T+1, increasing the sensitivity of ETP workflows to timing mismatches and operational breaks
- For stock options, exercise and assignment timelines may need to be brought forward to avoid downstream impacts to key clearing outputs and margin processes.
- The compression of settlement timelines increases operational risk for ETF market makers, particularly where primary market creation and redemption processes remain manual and are not supported by CCP-level netting. This may reduce the ability of market makers to manage inventory efficiently and support secondary market liquidity.
- Experience from other markets indicates that the introduction of centralized clearing and operational changes in ETF primary markets can require an extended adjustment period and may initially impact trading volumes and liquidity provision. This should be considered in the design and sequencing of T+1 implementation.

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 specific comments at this stage.
- Priority should be given to finalising the operating model and market practice changes before determining consequential rule amendments.

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

- Reconciliation plays an expanded role under T+1, as completion depends on timely alignment of multiple upstream processes across participants and time zones, which may not consistently occur within the same trading day
- Give-up processing presents increased risk under T+1. A standardised or recommended market deadline would reduce mismatches and late breaks, particularly for clients without APAC operational coverage. Certain market processes such as IPO allocation, placee list finalization and

settlement readiness may become more tightly coupled under T+1, reducing sequencing flexibility and increasing dependency on timely completion across multiple parties

- Manual allocation and non-electronic confirmation flows represent a materially higher failure risk under compressed timelines because breaks may not be addressed in time, increasing buy-in risk. The Hong Kong market's reliance on globally distributed investors means allocation and instruction flows often occur across time zones. These flows may not align consistently within trade date under a compressed model without further standardization
- Securities borrowing and lending becomes a binding critical path under T+1. Borrow determination and recall and return decision timing are often intrinsically T+1 due to globally distributed beneficial-owner governance and time zones, and are not practically compressible into Hong Kong trade date. This can limit the ability to consistently align inventory availability with trade date settlement requirements
- Absent mitigants, behavioral outcomes are likely, including reduced willingness to support certain liquidity-providing activity, reduced borrow availability and a shift away from give-up models to reduce settlement risk. As more activities are required to complete within trade date, participants may adopt more conservative inventory and risk management approaches, which could affect market liquidity and depth
- FX and funding timelines represent a key constraint under T+1. The shorter settlement window increases exposure to misaligned FX cycles, global holidays and liquidity availability. Reliance on T+0 or T+1 FX execution outside established netting cycles may increase cost, liquidity risk and the likelihood of settlement failure, especially where CLS and funding cut-offs remain aligned to longer cycles.

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

- While the proposed Q4 2027 timeline provides direction, it appears compressed relative to the scale of change required. Compared with global precedents where similar transitions have typically extended over multiple years, readiness depends on both infrastructure delivery and coordinated behavioral change across a global ecosystem.
- Readiness depends not only on system delivery but also on behavioural changes across a globally distributed ecosystem, including clients, asset managers and beneficial owners. These dependencies are not fully within the control of individual firms.
- Several elements of the proposed model rely on new or enhanced infrastructure capabilities, including workflow tools and real-time processing improvements, where detailed specifications, scope, sequencing, and industry adoption expectations are not yet defined. This creates execution risk and limits the ability of market participants to plan and deliver implementation with certainty.
- The T+1 model requires completion of reconciliation, inventory determination and settlement preparation within trade date, which may not align consistently across globally distributed participants and external dependencies. A phased and test-led approach with defined market-wide milestones, end-to-end testing, operational dress rehearsals and contingency planning will be critical to manage compression risk.

- A defined transition and calibration period would also support a more orderly adjustment to T+1 and reduce systemic risk during early implementation.