

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

In general, yes [REDACTED] supports moving to T+1.

Trade amendment: changing the trade amendment deadline to T+0 PM is fine for Asia & EMEA based clients. It may pose a problem to global clients based in the US, etc. especially around US holidays.

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

With regards to post trade, HKEX has not changed any of the current processes here, with four batch settlement runs at 1030am, 1200pm, 200pm, and 345pm.

If HKEX continues with multiple batch process, then can we get more structure into the prioritization of batches? The current system is very opaque and random. Participants don't know if a trade won't settle until the last batch of the day.

Ideally there is a more robust batch framework, with all trades due for matching in an initial batch process. Then have one or two secondary batch processes for late instructions, etc. (You mentioned a proposed 'Dashboard for MIS' in the Supplementary Questions. This would be beneficial and could be used to give participants color on settlement and batch processes).

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

Margin report receiving time should be brought forward from T+0 10pm to T+0 8pm, to allow more time to manage margin before margin payment cutoff at T+1 930am.

Collateral should be expanded to include non-cash collateral and non-HKD cash. This would help alleviate potential collateral availability constraints.

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

The deadline for SD-1 form submission should be extended from 11am on T+1 to end of day T+1. Propose 5pm.

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

Given the fact that ETPs are a wrapper on other securities, and ETPs can be quite complex, the shift to T+1 for ETPs requires careful consideration.

ETP's face heightened risk through compression of settlement processes by one day, along with time zone challenges for global products. There are many ETPs listed on HKEX with underlying securities outside the Asia timezone.

For UCITs products & other global products (cross-listed, wrappers, etc.), there should be generous buy-in consideration given. The timelines can be very tight for creations and realignments. If we need to convert a product from Europe to Hong Kong, we might first need to create the product in Europe, then submit a conversion request, and if there are holidays in one of the European markets, the whole process can be slow. For this reason, buy-in exemptions should be extended. (Note that other developed markets in APAC offer a longer buy-in exemption window than HKEX).

For buy-in exemption:

- Under a T+1 regime, there should be consideration to make this at least S+2 (T+3). This would be the same as the current S+1 (T+3) under the existing T+2 regime. Three days post trade date is a fair request for global products. (To be honest, even this is a stretch and tighter than other APAC developed markets, but it is the current framework).
- The buy-in exemption process should be shifted from the clearing participant, to the SMM/DS. This gives the SMM/DS more control over the process and the SMM/DS would be fully responsible for submitting the application request, and justifying rationale, etc.

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 comment

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.

No, comments (optional) as follows

No other categories come to mind.

However one point I would make is, that HKEX mentioned 'ETP issuers and market makers' together.

These are two separate categories of participants, should be thought of separately. ETP issuers have their own concerns and market makers have their own concerns, primarily on meeting exchange obligations and settlement. Market makers are ultimately responsible for quoting and settling trades on T+1, and market makers will suffer the buy-in consequences (both cost and regulatory) if trades are not settled on time.

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 proposed timeline for implementation is Q4 2027.

This timeline is ambitious but possible. Q1 2028 would be better.

As an ETP market maker, we request careful consideration of the points we made in Question 2, specifically on maintaining the current buy-in exemption window. i.e. an exemption to T+3 under both the current T+2 framework and a future T+1 framework.

The initiatives mentioned in Supplementary Questions below - workflow automation, centralized SSI repository, SI automation, Dashboard for MIS - would help the transition to T+1 and should be implemented PRIOR to the move to T+1.