

Submitted via Qualtrics

ASIFMA

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 comment

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

Participants generally support earlier finalisation of trades on T+0, but anticipate significant operational strain if processes are extended to 10:00pm T+0, driving higher staffing costs. Additionally, for some custodians without Asia operations, finalization of trades on T+0 may introduce heightened settlement risk.

Market participants provide the below suggestions:

- PCS & FCS:

Market participants suggest removing the 2nd PCS and moving the FCS forward to around 5:30pm T+0. An earlier FCS will:

- 1) Provide sufficient time for settlement instructions amendment
 - 2) Enable stamp duty validation to be completed in T+0 without pushing the reconciliation to T+1
 - 3) Mitigate conflicts/overlaps with Stock Connect post-trade activities.
- Evening SI matching and input:

It is suggested that the evening batch of settlement instructions matching cutoff be set to 7:30pm T+0 and the settlement instructions input cutoff set to 8:00pm T+0.

- Night SI matching:

Some participants suggest adding another night batch of settlement instructions matching at 10:00pm T+0 to facilitate cross-regional alignment between investors, global brokers and custodians, especially from EMEA region. It should be noted that the enhancement of workflow tools and procedures is essential to achieve a matched settlement instruction as promptly as possible after trade execution. The night SI matching batch may not be necessary when a robust pre-matching solution is in place.

- Morning settlement batch run:

It is suggested to add one more early morning CCASS batch run at around 9:15am T+1 to identify failed settlement instances at the beginning of the day and resolve issues early on.

- ATI batch:

To support a 9:15am settlement batch on T+1, an additional ATI (Account transfer instruction) batch is suggested on T+0 to enable participants to submit ATI prior to that timing.

- Provisional settlement batch run:

It is suggested to add a provisional batch, which operates similarly to what Stock Connect requires today, after the money settlement batch between 5:45pm and 10:00pm T+0 to ensure provisions for handling exceptional cases, potentially on a bilateral settlement basis, to:

- 1) Mitigate risk of late settlements and buy ins arising from system or manual errors
- 2) Deal with misalignment between fund subscription/redemption cycle (T+2/3) and equity cycle (T+1)
- 3) Facilitate better coordination with EMEA custodians.

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

Concerns are raised regarding the time to handle margin payment and collateral types:

- Margin report cutoff:

It is suggested to move forward the day end marks and margin report receiving time from T+0 10pm to T+0 8pm, to allow more intra-day buffer for arranging margin payment before the margin payment cutoff at T+1 9:30am.

- Expansion of collateral types:

It is suggested that greater flexibility be permitted in the range of eligible collateral, including the acceptance of non-cash collateral and non-HKD cash. This would help address potential collateral availability constraints arising from differing liquidity cycles across collateral types, particularly in light of the anticipating liquidity tightness following FCS at T+0 evening.

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

Corporate actions

- CA notification:

It is suggested to expand the CA types covered by HKEX tool to allow market participants adjusting settlements in time if they receive incomplete/untimely CA data. Participants suggest HKEX providing detailed processes of right issues, tender offers and management of mandatory events with options under T+1 cycle.

Context: Currently HKEX provides limited CA notifications covering a small subset of event types via its tool, while most corporate actions are not communicated systematically. In a T+1 cycle, there is no buffer for delayed CA information.

- ISIN in parallel trading:

It is suggested that valid ISIN issuance during parallel trading should be mandated to ensure settlement processing without delay in ISIN availability.

Context: Currently for corporate actions under parallel trading, HKEX does not require issuer to issue a valid ISIN. However, global custodians and investors require the ISIN to send settlement instructions in CCASS. Without it, cross-border clients cannot confirm local codes or amend instructions under T+1 pressure and might result in more buy-in.

- Voluntary event deadline:

The current CCASS market deadline on voluntary event is 11am. Some market participants suggest extending the deadline to the mid to late afternoon to allow participants with more time to complete the settlement process and finalize the eligible inventory for the event.

- Fail trade claim:

Some market participants suggest that CCASS should centralize and automate the claim process for fail trade related asset servicing claim.

Stamp duty

- SD-1 form submission:

The deadline to submit SD-1 form is suggested to extend from 11:00am to 4:00pm T+1 to allow sufficient time for stamp duty adjustments and accurate reporting.

- SD-6A form availability:

The CP refers only to SD-1 and SD-6 but does not specify whether SD-6A will continue to be available under a T+1 settlement arrangement. Market participants suggest clarification should be provided by HKEX regarding the availability of form SD-6A under the compressed cycle.

Context: Currently some clients do T+1 ETF creation and report in form SD-6 and subsequently amend it via SD-6A after creation is done on T+1.

- Off market stamp duty:

Market participants suggest clarification should be provided by HKEX whether off market stamp payment cycle will also be changed to T+1 from the current T+2 cycle and whether off market stamp duty can be submitted via CCASS. Participants have suggested that HKEX clarify whether it plans to coordinate with the Stamp Duty Office to streamline the current process of physical documents submission.

Context: USM documents suggest that stamp duty will be submitted via CCASS instead of the current physical cheques, however it remains unclear whether trades that are pure OTC (e.g., internal movements between two clients of the Clearing Participant) can also be submitted via CCASS.

Uncertificated Securities Market (USM)

- While the majority of physical scrips are expected to migrate to USM in the near term, the residual population of securities are expected to be dematerialized soon. For those not subject to USM, market participants seek clarification from HKEX on whether any changes are envisaged to the existing deposit process for physical scrips.

Context: Under the current arrangement, shares are only registered in the name of the CCASS Nominee by end-of-day on T+1.

Other

- Unilateral unmatching:

It is suggested that under a refined workflow tool for pre-settlement matching, a current deficiency in CCASS, where one party can unilaterally un-match a matched settlement instruction without notification to/mutual consent with the other party, should be resolved. A possible solution is that when a CCASS participant initiates a unilateral unmatched, the corresponding counterparty instruction should remain in CCASS as an open and valid instruction available for matching. The system could then allow the trade to be automatically re-matched when the counterparty resubmits the corresponding instruction.

- Global bank holiday:

It is suggested that HKEX to provide guidance on how misaligned bank holidays will be managed under the T+1 framework, e.g., 1 day extension for special cases. Market participants note the increased risk of FX failures and failed trades where global bank holidays are not aligned with Hong Kong trading days. Difficulty in settlement due to holidays in overseas market in the next day may trigger pre-funding requirements for such trades

- Scope of T+1 transition:

Some market participants suggest the scope of product and business in T+1 transition to be clarified by HKEX, including:

- 1) Whether direct business reported to HKEX will also follow T+1 settlement from the time it is reported to HKEX
- 2) Whether for off-market transaction but settled in CCASS by way of settlement instruction, the settlement will continue to be subject the parties to the transaction
- 3) Whether T+1 settlement and reporting arrangements will be applied to products that are HKEX-listed but not traded on HKEX, as they should continue to be governed by the OTC norm.

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

Participants agree that ETPs and stock options require special care under T+1 due to their structural and liquidity characteristics.

ETF/ETP

ETFs face heightened risk through the compression of settlement processes by one day, compounded by time zone challenges for global products. Specific operational challenges facing ETFs should be considered:

- Centralized ETP platform:

It is suggested to have a centralized ETP platform to automate the redemption and creation across issuers, agents, custodians, fund administrators, and APs/market makers, while currently many steps rely on manual instructions, email-based confirmations and non-standardized formats. Despite the existence of ETP Link, the platform does not cover all ETP products and as such, may be inadequate to provide standardized processing. The platform is suggested to enable:

- 1) Standardized CR/RE messaging
- 2) Automated instruction routing
- 3) Real-time status updates
- 4) Aligned cut-offs across issuers and agents

- CCP-level netting for primary market:

It is suggested to have a mandatory CCP-level netting for ETF primary market creations/redemptions before T+1 goes live. It should be noted that this platform is designed solely for netting in the primary market, but not for netting across primary and secondary markets.

Context: For physically settled ETFs, the current workflow is lack of CCP-level netting for ETF creations and redemptions, i.e., market maker creating 100 units and redeeming 50 units must process gross positions. Such workflow might tie up capital and increase failure risk.

- Automated exception process and change in buy-in exemption:

It is suggested to have an automated exception processes for ETF market makers to avoid manual buy-in requests or penalties. Market participants also suggest clarification should be provided by HKEX regarding the change in buy-in exemptions process (e.g., extended windows or grace period) for creation and redemption flows.

Context: Currently, market makers can sell ETF shares first with no inventory, then create new units via primary market to settle the trade. Under T+1, if creation units are not delivered on time, market makers face mandatory buy-ins and penalties.

- Future-dated trades:

Some market participants suggest HKEX to clarify the operating model and workflow tool design regarding settlement of future-dated cash equity trades arising from the ETF creation and redemption process.

Context: ETF creation and redemption arrangements may create future-dated trades with different effective trade dates. Under T+1, this requires day-by-day exposure, settlement and fail-risk management.

- Cross-listed ETF

Market participants call for clarification about the change in settlement process regarding UCITS ETFs or cross-listed ETFs, where the ETF is listed outside of Hong Kong, but the underlying is listed in Hong Kong. Currently the realignment process from Europe-to-Hong Kong / US-to-Hong Kong can take several days, especially if there are holidays. Provisions should be offered to ETF market makers on these products (e.g., SGX offers a buy-in exemption to T+6).

Stock options:

- Exercise deadlines:

It is suggested to set earlier stock option exercise deadlines, as late option processing directly delays FCS issuance and margin calculation in T+0, as well as allocations, borrow sourcing, funding,

settlement instruction processing. In HK, the current window between market close and option exercise cutoff is considered to be longer than most other global markets. A late cutoff of stock option exercise is considered a major blocker to earlier FCS, and this inefficiency needs to be addressed by HKEX before clearing participants can consider a move to T+1.

- Warrant process:

For warrant instruments, market participants suggest there is a need for an improved process for instrument creation in the CCASS portal and subsequent settlement.

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?

Participants see no immediate major impact on listing rules but highlight the need to align IPO stock delivery and allocation timelines with T+1 to ensure first-day trading accessibility.

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

Market participants endorse the key topic, perspectives and types of market participants proposed by HKEX, while participants suggest a few supplementary perspectives on top of Exhibit 1 and paragraphs 110-113:

Leveraging automation and straight-through-processing (General)

- Clarity of OCP/ODP:

For all industry participants, clarity on the OCP/ODP platform is marked as a pre-requisite to the move to T+1. Feedback is noted that OCP/ODP and T+1 should not be implemented as separate projects by HKEX. Further clarity is required regarding the detailed functionality, implementation scope, and long-term roadmap of OCP/ODP, which should be fully delivered, tested and market ready. In the absence of such clarity, the settlement matching model (real time vs batch) could diverge significantly, creating operational uncertainty.

- Optional adoption of workflow tools:

The strategy to provide infrastructure technology should be sensitive to those already using global solutions as well as those that are not.

For market participants already in the global solution suite/stack, feedback has been noted that the adoption of workflow tools to support the transition to T+1 settlement best avoid duplication of effort and the risk of operational inconsistencies. The industry has indicated that any additional solutions supporting centralized matching and settlement instruction automation should remain optional, so as not to impose unnecessary system changes on participants whose existing operational processes are already well-aligned with T+1 settlement requirements.

- Clarity of integration of workflow tools and clearing entities:

HKEX is suggested to clarify whether there is any consolidation plan across multiple platforms and clearing entities (e.g., HKSCC, HKCC, SEOCH and query OTC Clear), and whether the proposed workflow tools are new build or additional plug in through existing tools. In particular, participants respectfully request timely publication of technical specifications, environment availability, and a structured market rehearsal plan to support industry readiness.

Handling exception management and settlement fails promptly (General)

- Buy-in process:

It is suggested to review and potentially revise the existing buy-in and give-in process and the exemption criteria, including the consideration of automated buy-in exemption application, relaxed buy-in requirements, timings, and penalties to allow market participants to adjust to the compressed settlement cycle.

Some market participants suggest abolishing mandatory buy-in mechanism and replacing it with a clear and escalating penalty framework for late settlement, in consideration that under the T+1 cycle, mandatory buy-in risk will become more frequent and disruptive given the compressed timeline and operational dependencies.

Context: Currently, the give-in process depends heavily on notifications and manual checks, and not all market participants—such as smaller brokers or regional firms—are connected to a single platform like Triana. This fragmentation results in inconsistent matching across counterparties.

- Grace period:

Market participants suggest a 6–12 months grace period for T+1 adaptation with relaxed settlement fail penalties or even no penalties, given the prevailing uncertainties and increased fail rate from the US experience.

During the grace period, market participants suggest that HKEX extending settlement instruction and funding cut-off times on T+1, coupled with a phased tightening of deadlines. This approach would help mitigate time-zone misalignment challenges, where EMEA and US-based custodians and middle-office teams are unable to resolve settlement breaks within APAC hours.

Arranging for adequate and timely funding and FX management (Money)

The transition to T+1 raises concerns around access to liquidity and the sufficiency of funding for settlement. Pre-funding—widely regarded as a “red line” by major asset managers—must be avoided. Market participants have raised the following concerns and identified areas where further clarification from HKEX is required.

- CLS settlement:

An accelerated settlement cycle in Hong Kong, under the current proposal, will inevitably divert HKD liquidity (related to equities settlement) away from CLS, representing a deviation from the framework and standards set by the Global Foreign Exchange Committee (GFXC), which includes 20 central banks globally, including the HKMA. Increased reliance on bilateral settlement would introduce greater operational complexity and exception management, potentially driving higher levels of manual intervention. It may also elevate credit risk, prompting banks to impose more stringent bilateral credit limits. This could have a cascading impact—such as increased FX settlement volumes and wider pricing—on brokers and investors. Market participants strongly believe that bilateral FX settlement should be minimised to reduce inherent risks. Active engagement with the HKMA is

therefore strongly recommended to explore alternatives, including (but not limited to) extending the HKD RTGS operating window to better align with CLS timelines.

- Liquidity impact:

Under the current proposal, liquidity is likely to be highly sought after by foreign investors and intermediaries at similar points in time. While this may support price discovery, there is a risk that demand will be concentrated among a limited number of local banks, potentially resulting in insufficient liquidity and leading to distorted price movements or temporary shortages. Liquidity supply should be underpinned by HKMA to provide confidence to investors under the current proposal.

- Banking system upgrade:

As highlighted under CLS settlement, the availability of HKD liquidity beyond the current cut-off is strongly recommended. Enhancements to banking systems would likely be required to support additional provisional processes and a shortened settlement cycle, given the current funding settlement run cut-off at 6:00pm. Participants also note a high dependency on cash and banking infrastructure to support T+1 securities settlement; however, HKEX has not provided sufficient detail on the integration between securities funding and cash management. Any banking system changes can necessitate participants' review of Treasury practices and management that will also need time to analyse.

Arranging the SBL market for effective securities inventory management (Securities)

There is clear implication for market liquidity should the SBL framework not be appropriately addressed. To date, there is fragility in the SBL framework in markets that have transitioned to T+1, which raises concerns regarding the sustainability of settlement efficiency under an accelerated cycle.

Market participants highlight the need for further detailed discussion and coordination between HKEX and PASLA, to ensure that an effective and resilient SBL framework is established prior to implementation.

- Recall of securities and collateral:

Market participants suggest that the cutoff of lender recall of securities, borrower return of securities and exception handling process, and SBL fail treatment should be re-designed and clarified by HKEX to minimize fail risk, and an automated system should be built to speed up pledge and recall of collateral, as the shortened cycle limits time for brokers to borrow securities to avoid fail trades. Participants note that recall on lent securities from US/EMEA investors may not be returned timely under T+1 cycle as they can only instruct the lending agents at end of day after the reconciliation with brokers.

- Buy-in exemption:

It is suggested to build an automated and direct process that when the covering receiver has an "SECL" or "SECB" indicator instructed by an approved lending agents (ALA), the delivery obligation can be exempted from buy-in.

Context: Currently buy-in exemption process can only be submitted through ALAs who are CCASS direct participants. This structural dependency may result in delays to the SBL process, particularly where intermediaries must rely on CCASS direct participants to initiate and process such submissions, while many ALAs now are not direct participants of CCASS.

Ensuring holistic operational readiness (General)

- Separated operation with Stock Connect:

Some market participants suggest overlapping cut-offs with Stock Connect (e.g., FCS at 8:00pm) and cross-border flows will require operational organisation changes thus not favoured.

- Global coordination:

Market participants seek clarification of cross-time-zone workflows from HKEX on:

- 1) Whether HKEX plans to coordinate with global central securities depositories to facilitate timely settlement of security conversions, such as the conversion of depository receipts into ordinary shares
- 2) ADR conversion process and timing that has cross-border dependencies on offshore custodian settlement 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

In light of the proposed effective date of Q4 2027, there is a near-unanimous consensus among market participants that a 2027 go-live timeline is not feasible.

Apart from the small number of buy-side firms that may not fully understand the operational complexities involved, all broker-dealer and custodian participants of the ASIFMA WG consider a Q4 2027 implementation to be neither prudent nor realistic.

Participants also note that the proposed timeline coincides with other major regulatory and market changes in EU/UK and globally in Q4 2027, creating competing demands on technology and operations resources and increasing overall implementation risk, which can cause potential market disruption.

In addition, as reflected in the data presented in the T+1 whitepaper published by ASIFMA in Q4 2025, the US and other developed markets with true Omnibus account structure are notably more lenient in delayed settlements, while Hong Kong leans towards a stricter stance where reputational and financial penalties are levied more stringently on industry players.

Data from SWIFT further indicates that global investors experienced an increase in late settlements into North America following its transition to T+1. To maintain Hong Kong's currently low fail rates and avoid a similar deterioration in settlement efficiency, it is essential that the critical dependencies outlined in this response paper are adequately addressed, to ensure full implementation readiness and mitigate execution risk, rather than compressing the preparation timeline to meet a Q4 2027 target.