

Submitted offline

The Hong Kong Chartered Governance Institute

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

Trade Amendment

We support completing trade amendments on T-day and removing the T+1 amendment window. Earlier position finalisation enhances trade certainty, strengthens reconciliation discipline and reduces post-trade ambiguity. This is consistent with reinforcing settlement discipline under a shortened cycle. Members have identified a need for clear exception-handling and escalation procedures to address genuine late corrections 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

We support advancing clearing to T-day and settlement to T+1. Earlier visibility of cleared positions should facilitate more timely funding and inventory management. In a T+1 environment, disciplined pre-settlement processing — including allocation, confirmation and funding — becomes critical. Automation and straight-through processing (STP) will be important enablers, particularly for cross-border participants operating across time zones.

While the proposed extension of SI input and matching windows is pragmatic, members emphasised that operational design should prioritise earlier processing rather than routine reliance on late evening workflows. We add that some members have highlighted that the timely availability of securities in CCASS, including in the context of the Uncertificated Securities Market, will become increasingly important.

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

We support retaining the existing clearing risk framework while shortening the exposure window. A reduced settlement cycle directly lowers counterparty exposure and aligns with international developments. Several members have observed that the combination of later risk reporting (e.g. 10:00 pm) and unchanged funding deadlines (e.g. T+1 morning) may create short-term liquidity sensitivity, particularly during the transition phase. Enhanced intraday visibility and prudent

prefunding practices were suggested as practical mitigants. Ongoing monitoring during implementation of the proposals will be important.

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

Other Processes

We support consequential adjustments to reporting, corporate actions, stock conversion and stamp duty arrangements. Aligning ex-dates and related corporate action timelines with T+1 preserves market clarity. Members noted that clear communication to issuers and investors regarding revised timelines will support orderly implementation. Earlier funding obligations under T+1 may also require enhanced investor education, particularly for retail participants.

With respect to stamp duty and payment arrangements, members emphasised the importance of close coordination with banking and payment systems, including for FX-dependent transactions. Overall, successful implementation will depend on automation, early processing discipline and effective exception management across both securities-side and money-side processes.

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

HKCGI broadly agrees with the proposed approach, subject to appropriate operational safeguards.

ETP Primary Market

We agree that alignment with T+1 “where feasible” is appropriate. However, given the multi-party and cross-border nature of ETP creation and redemption processes, predictability and transparency are critical. We have members who highlighted that clear, standardised cut-off times would provide operational certainty. In some cases, practical consistency and coordination may be more important than strict alignment in all scenarios.

Buy-in Considerations for ETPs

Settlement discipline should be maintained under T+1. At the same time, members noted that compressed timelines may increase inventory sensitivity. They observed that buy-in calibration will be important to avoid unintended liquidity effects, while ensuring that exemptions, where applicable, remain subject to appropriate controls.

Stock Options (Exercise and Assignment)

T+1 settlement may increase operational pressure due to the timing of exercise and assignment processes. Members emphasised the importance of pre-positioning of securities, effective securities

borrowing and lending (SBL) arrangements, and increased automation to mitigate settlement risk. There is a need for strong coordination and guidance for smooth 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?

We agree that consequential amendments to reflect the T+1 model will be necessary, including adjustments to ex-entitlement timelines and related references. We have member views observing that, beyond technical amendments, complementary guidance and clear communication regarding revised corporate action timelines and settlement-related considerations would support transparency and investor understanding. Alignment across related products and processes will also be important to preserve orderly market functioning.

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

We agree with the Consultation Paper's focus on end-to-end lifecycle assessment, automation, funding and FX readiness, SBL coordination, and operational resilience. While we agree with the key focus areas identified in the Consultation Paper, members highlighted several implementation considerations arising from compressed settlement timelines:

- Retail investors may require clear communication regarding earlier funding obligations under T+1. Without appropriate education and system prompts, settlement failures or confusion may increase during the transition
- Smaller brokers may face relatively greater operational and liquidity challenges compared to larger institutions with more advanced automation and prefunding capabilities
- Hong Kong's cross-border market structure introduces additional complexity. Time zone differences and alignment with banking and FX cut-off times may effectively compress processing into T-day for some participants. Close coordination with payment and FX systems will therefore be important, and
- The importance of operational resilience, including technology vendor readiness, industry-wide testing, data quality and robust SSI governance.

Addressing these areas would support a smooth and resilient transition to T+1.

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

We support the proposed Q4 2027 implementation timeline. The lead time should allow for system enhancements, automation development, industry testing and readiness assessments. We have members who emphasise the need for mandatory industry-wide testing, readiness criteria, and

appropriate contingency planning. Given Hong Kong's cross-border complexity, coordinated execution will be particularly important.