

Submitted via Qualtrics

Treasury Markets Association

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

The proposed move to T+1 settlement is supported, and HKEX's efforts to refine the operational timetable, including the adjustments made to reporting, cut-off times and post-trade processes, to facilitate implementation across the market, is appreciated.

The adjustment of the amendment window to T-day 17:00 and the removal of the original T+1 window are viewed as appropriate to finalise positions earlier. However, it is noted that this change may increase the likelihood of uncorrected errors or late breaks, particularly for cross-border clients operating across different time zones.

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

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

The proposed model can enhance intraday visibility and reduce outstanding exposures. However, the shorter exposure period reduces the buffer for margin calls and collateral management, increasing intra-day liquidity pressure.

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

Our members support the arrangements in reporting and request early release of updated templates and specifications. Members also support the stock conversion arrangement and encourage further automation to reduce manual processing.

HOWEVER, one member does not support the proposed corporate actions and stamp duty arrangement, preferring to maintain the existing models. In both cases, clear guidance and clients' communication on the change are required to avoid confusion.

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

ETP primary market: Tighter cut-off times and multi-party coordination (issuers, market makers, custodians, trustees) may cause mismatches or failed creations/redemptions, especially for international clients.

Buy-in considerations: While the exemption framework is helpful, it is noted that a shortened window may reduce the time available to source securities, potentially increasing buy-in frequency and associated costs.

Stock options: As assignment instructions received after T-day market close require immediate processing, the risk of securities shortages is significantly raised, particularly for global custodians handling multiple time zones.

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?

It is agreed that consequential amendments should be made to the Listing Rules to reflect the proposed T+1 operating model.

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

It is recommended that the guidance to cash settlement banks and FX providers, as listed in Appendix B, should further emphasize on the reassessment of bilateral settlement risk for unfunded trades. Under compressed timelines, cross-border participants face heightened non-PvP settlement risk.

It is also recommended that banks and FX providers to be more vigilant to the liquidity of base currencies that is impacting HKD funding, for example if one falls on USD holidays. Banks may also face heightened intra-day liquidity and FX conversion pressure, especially for clients converting between multiple currencies on the same day with multi time zone operations.

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 timeframe of Q4 2027 is considered sufficient and reasonable, but the advance visibility provided by HKEX is crucial, say, HKEX to release detailed guidance, technical specifications and testing schedules by mid-2026.