

Submitted offline

BNY

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

BNY supports the objective of bringing trade amendments into T-day to enable earlier position finalisation. However, it is important that the trade amendment framework provides functionality and timing consistent with other major markets moving to T+1.

In particular, BNY believes market participants should have sufficient time to resolve genuine post-execution issues, and HKEX should consider extending the T-day amendment cut-off to 7:00pm. This would promote global consistency, reduce avoidable matching breaks and settlement fails, and support a resilient transition to T+1.

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

BNY supports the move of key milestones into T-day, and the extension of SI activity service hours. However, BNY sees significant challenges with Final Clearing Statement (FCS) being only available at 8pm, and suggests removing the 2nd Provisional Clearing Statements (PCS) and moving the FCS forward to around 5:30pm T+0.

The effectiveness of the model will depend on whether the overall post-trade framework remains robust under a compressed timetable. BNY encourages HKEX to consider features being prioritised in other markets moving to T+1, including stronger support for trade-date allocation and confirmation, greater automation of matching and SSI/instruction workflows, hold and release functionality, and appropriate partial settlement functionality, including CSD-driven auto-partial processing based on part/npar eligibility flags instructed at trade level.

BNY also encourages a review of penalties, buy-in and exception management processes, and recommends that industry-wide testing covers cross-time-zone handovers and stressed scenarios. This would help promote global consistency, reduce avoidable settlement fails, and support a resilient transition to T+1.

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

BNY supports the proposed risk management arrangements under T+1 and agrees that the core clearing risk framework can remain broadly aligned to current practice. We also agree that the shorter marks and margin coverage periods are a logical consequence of fewer open CNS days.

However, the compressed timetable will increase operational and liquidity pressures, particularly given the later availability of the daily risk payment obligation report at 10:00pm on T-day against the unchanged payment deadline of 9:30am on T+1. In this context, the estimation reports and margin simulation tools will be important, and BNY would encourage their continued enhancement, together with clear guidance for participants on liquidity planning.

BNY also encourages HKEX to consider the impact of cross-border FX execution, funding timelines, time-zone differences and holiday mismatches, and to ensure these risks are addressed through appropriate testing and operational planning.

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

BNY supports the proposed arrangements on other processes under T+1, as these changes are a logical consequence of accelerated settlement and help maintain consistency across the cash market trade lifecycle. We recommend removing the 2nd PCS and moving forward the FCS at T+0 5:30PM.

We also support the proposed adjustments to corporate action, stock conversion and stamp duty timetables, provided HKEX gives clear specifications, stable cut-offs and sufficient implementation lead time.

At the same time, these changes will further compress operational timelines, particularly for corporate action processing and stamp duty reporting and payment and may increase pressure where workflows remain manual or exception prone. BNY would therefore encourage clear market guidance, robust scenario testing and strong exception-handling processes to support a smooth transition.

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

BNY generally agrees with the assessment of the implications for ETPs and stock options under the proposed T+1 model.

For the ETP primary market, we support the principle that creation and redemption timelines should align with, or move as close as practicable to, the T+1 cycle in the secondary market, supported by clear cut-offs, greater digitalisation and robust end-to-end workflow standards.

For ETP buy-ins, BNY regards this as a priority issue under T+1 and believes the current exemption framework should be reviewed to ensure it remains operationally workable in a compressed cycle. In particular, HKEX should consider a more direct and automated exemption process for Approved Lending Agents, rather than relying on manual submissions through CCASS direct participants.

For stock options, we agree that moving physical settlement of resulting equity deliveries to T+1 increases the need for timely securities availability, earlier funding and FX readiness, and clear guidance on assignment timing, securities sourcing and contingency arrangements.

Overall, BNY encourages HKEX to support these changes with clear specifications, automation and ecosystem testing to reduce settlement risk and preserve market liquidity.

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?

BNY supports consequential amendments to the Listing Rules where necessary to reflect the proposed T+1 operating model. In particular, we agree with updating references from the “T+2 settlement system” to the “T+1 settlement system” and reflecting the revised ex-entitlement timetable through a single ex-date aligned with the book-close or record date under T+1. It will also be important to review not only explicit settlement references, but also any related provisions affecting corporate action timetables, entitlement processing, record-date mechanics and other elements of the broader market operating framework. BNY would encourage HKEX to ensure that any consequential changes are coordinated across the Listing Rules, CCASS rules and procedures, and related market guidance, so that participants are not required to interpret fragmented or inconsistent requirements. Clear drafting, implementation guidance and sufficient lead time will be important to support operational readiness and reduce transition risk.

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

BNY considers that Exhibit 1 and paragraphs 110–113 provide a useful foundation. However, additional emphasis could be given to certain cross-border and ecosystem-wide dependencies that may materially affect settlement outcomes under T+1. In particular, BNY suggests explicitly addressing:

- FX and cash mobility across time zones, including banking cut-offs and contingency liquidity where FX cannot be completed in time;
- buy-in and fail management governance, including end-to-end playbooks for fail identification, notification and remediation under compressed timelines;
- custody chain and SSI data standards, including stronger standards for SSI governance, validation and change control to reduce mismatches;
- holiday calendars and market closures, including cross-market holidays, half-days and severe weather scenarios where global participants may effectively operate on a T+0 timeline;
- dependency on the successful rollout of the Enhancement of Settlement Instructions Matching and New SI Processing Service in Orion Cash Platform; and

· settlement processing functionality such as hold and release, and CSD-driven auto-partial settlement based on part/npa eligibility flags instructed at trade level.

BNY would also encourage further consideration of the roles of regional and global operating models spanning multiple jurisdictions and time zones, agent lenders, collateral managers and other participants involved in securities financing, treasury, liquidity and FX functions including payment intermediaries, technology vendors and outsourced service providers, and the practical impact on end-investors and asset owners. These perspectives are particularly relevant in Hong Kong given the market's international institutional investor base and the operational complexity of the wider settlement chain.

From a securities lending perspective, shorter settlement timelines are also likely to reduce recall flexibility, as recalls may need to be issued and completed materially earlier. This could increase the risk of failed settlement where on-loan positions cannot be returned within the compressed operating window and, in the absence of appropriate exemptions or other mitigants, may also increase the likelihood of buy-ins in settlement chains involving securities lending activity. More broadly, a shortened settlement cycle may increase market reliance on pre-positioned inventory, directional lending strategies and term structures designed to improve settlement certainty.

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

BNY considers the proposed Q4 2027 implementation timeline challenging to achieve, particularly in light of the volume of concurrent market change already underway, including the planned transitions to T+1 in the UK, EU/EEA and Switzerland. Compared with other markets, the Hong Kong timetable appears relatively compressed and offers less lead time for firms to design, build, test and implement the required changes across systems, workflows, funding, FX, securities lending and client processes.

The challenge is heightened by the additional complexity of Hong Kong-specific features such as buy-ins and related exemption processes, which will require careful review and potential redesign under a shortened settlement cycle. BNY would also note that other markets have generally provided earlier detail on implementation expectations, operating models and supporting functionality, giving participants more time to prepare and invest in automation.

BNY would therefore encourage HKEX to maintain flexibility in its implementation planning and to place strong emphasis on detailed specifications, enhanced functional clarity, robust testing and demonstrable market readiness before finalising the go-live date. Alignment with other major market timelines, together with a clear sequenced roadmap, firm milestones and defined go/no-go criteria, would help reduce operational risk and support a more resilient transition.