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DTCC

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

DTCC, in conjunction with its subsidiaries, The Depository Trust Company (DTC), National Securities Clearing Corporation (NSCC), and DTCC ITP LLC (ITP) (and its U.S. regulated affiliate DTCC ITP Matching (US) LLC), appreciates the opportunity to respond to the HKEX's consultation paper on accelerated settlement for the Hong Kong cash market. We welcome the clarity provided by HKEX in providing the needed leadership and direction to the industry players and participants in the upcoming transition, taking the lead in advance of the industry and revamping internal systems and processes in preparation for the shortened settlement cycle.

DTCC supports HKEX's proposed move to T+1 for the Hong Kong cash market and broadly endorses the end-to-end operating model changes needed to accelerate post-trade processing on trade date. Based on DTCC's experience supporting the U.S. T+1 transition, successful implementation will depend on clear market standards, earlier completion of allocations, confirmations and matching, strong automation, high-quality settlement instruction data, and robust industry-wide testing. While the proposal should improve market efficiency and reduce counterparty exposure, the transition will also heighten operational pressures around exception management, FX and cross-border dependencies, participant readiness, and resilience, making interoperability with existing industry solutions and practical implementation guidance especially important.

- Compressed timelines: Less time to identify and fix trade breaks increases settlement fail and operational risk.
- FX and cross-border dependencies: Funding cut-offs, time-zone differences, and international coordination may be harder to manage under T+1.
- Uneven participant readiness: Different automation maturity across brokers, custodians, and investment managers could create weak links in the settlement chain.
- SSI and data quality issues: Inaccurate or incomplete settlement instructions and reference data remain a major source of fails.
- Late amendments and exception handling: Trade changes late in the cycle increase manual intervention and reduce time for remediation.

- Resilience and cutover risk: Operational incidents, peak volumes, or poor implementation coordination could disrupt settlement during transition.

In 2024, DTCC and ITP successfully executed against its U.S. ITP T+1 program, and in collaboration with the industry, facilitated a smooth transition to a T+1 settlement cycle on May 28, 2024. Therefore, as a result of the U.S. transition, ITP's systems, operations, policies and procedures are already designed to facilitate institutional securities transactions under a T+1 environment globally, including in APAC, Europe and the UK.

While we acknowledge the differences between the Hong Kong and the North American markets, including market size and structure, based on DTCC's experience supporting the U.S. transition to T+1, we believe that success is driven by clear regulatory expectations, industry-wide engagement, standardization and testing, and increased automation to reduce manual touchpoints and exception rates.

DTCC ITP solutions include CTM®, a central matching platform used by end-user clients to allocate and centrally match transactions globally across multiple asset classes (including equities and fixed income), and ALERT®, the largest and most compliant global database of securities, cash and collateral standing settlement instructions (SSIs) in the industry. ITP also operates Settlement Instruction Manager, which gives institutional firms the ability to automatically generate and send settlement instructions in industry standard formats to predetermined recipients, such as custodians, fund administrators and settlement agents.

Today, DTCC's CTM and ALERT are platforms already leveraged by many international and local clients in the Hong Kong market, with an international community of 965 Investment Managers (IMs) and 305 Broker-Dealers (BDs), and serving 61 IMs and 68 BDs domiciled in Hong Kong.

Our internal analysis of equities transactions indicates that global market participants leveraging DTCC ITP's automated trade matching solutions are achieving an average same-day matching rate of 97.6% in the Hong Kong market, with domestic IMs and BDs also achieving 99.4% and 96.2% respectively. The rise in same-day matching rates in high-volume equity markets demonstrates that the industry is moving in the right direction, and highlights the value of leveraging automated solutions.

Testing was a crucial component of the US migration to T+1. DTCC led and conducted significant industry testing that covered all aspects of the trade lifecycle, as well as table-top exercises that tested various bad day scenarios. DTCC has made available the relevant US T+1 testing materials and documentation on a microsite (www.dtcc.com/ust1). DTCC is ready to share more with the HKEX team and the wider industry if more information or assistance is required.

Additionally, DTCC Consulting Services partnered with global clients to ensure overall readiness ahead of the U.S. deadline and continue to support accelerated settlement in the UK and Europe. We helped firms assess the overall impact of the change to their operations and business models while developing impartial target operating model recommendations and client communication strategies.

In summary, the process of same day matching is already standard practice today for DTCC's clients, and it is a generally acknowledged precondition to a successful move to T+1. Settlement instruction can only happen accurately if both parties to the trade are in complete agreement with all components to the transaction. If this does not occur, it could cause pre-settlement matching issues at the CSD level. Agreeing on these details on execution date is essential for accurate and timely settlement.

Trade amendment:

- Trade-level matching is a critical part of the post-trade lifecycle, which helps mitigate settlement fails. Matching allows the buyer and the seller to agree on all constituents to their transaction, thereby facilitating the settlement process. Most importantly, matching allows counterparties to identify any exceptions that may cause the transaction to fail. By completing the allocation, confirmation, and trade matching processes on Trade Date, firms can increase the time available to identify and address errors; processes which are critical to reduce settlement fails.
- We support process changes that minimize late trade amendments and promote earlier "trade date finality" (i.e., completion of key allocations/confirmations on Trade Date).
- Under shorter timelines, amendments occurring late in the cycle increase exception management and settlement fail risk; accordingly, we encourage clear cut-offs and strong controls to reduce avoidable amendments and to streamline exception handling.

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

- We support HKEX's emphasis on accelerating trade-date post-trade activities (including allocations and confirmations) and believe same-day matching, allocation and confirmation is a practical precondition to T+1.
- To reduce settlement risk, market participants should be encouraged (and where appropriate, mandated) to complete allocations and confirmations and matching on Trade Date, supported by electronic platforms/mechanisms and straight-through processing. This will then allow clearing activities to begin earlier on T-day, in preparation for settlement on T+1 day.
- We note that HKEX has proposed that the SI input and matching window be extended, with the window ending on T-day 10:00pm for input and T-day 9:30pm for the matching window.

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

- We generally support adjustments to clearing or risk timelines that are consistent with a shorter cycle, noting that T+1 can reduce counterparty exposure duration and therefore risk in the system.
- However, the compressed cycle reduces time available to resolve breaks; this increases the importance of resilient automation, intraday monitoring, and well-defined exception workflows to minimize settlement fails and operational risk.

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

- We support HKEX's holistic approach to consider downstream impact (securities lending, corporate actions processing, stock conversion arrangements, and stamp duty arrangements) so that the overall market infrastructure remains operationally coherent under T+1.
- We recommend continued industry engagement and detailed implementation guidance (including revised cut-offs, data requirements, and sequencing across parties) to ensure these ancillary processes do not become bottlenecks that undermine timely settlement.

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

DTCC agrees that ETP and listed derivatives workflows require careful consideration under a T+1 cash market settlement cycle, particularly to ensure operational certainty for primary market activity, buy-in risk management, and exercise/assignment processing.

Guiding principles for the ETP primary market:

We support guiding principles that promote earlier cut-offs, higher automation, and clearer standards for timely creation/redemption processing in a T+1 environment. The principles should emphasize end-to-end readiness (including allocations and confirmations, securities and cash availability, and reliable settlement instruction quality) to reduce operational friction.

Buy-in considerations for ETPs:

- We agree that clear and predictable buy-in related timelines and processes are needed under a shortened settlement cycle, given reduced time to resolve fails.
- We encourage measures that reduce root causes of fails (e.g., improved trade-date matching and improved settlement instruction quality) alongside transparent exception management and escalation protocols.

Stock options (including exercise and assignment):

- We support reviewing exercise and assignment-related cut-offs and operational sequencing to ensure that resulting equity settlement obligations can be met within T+1.

Particular attention should be paid to operational dependencies (e.g., timely notification and downstream instruction readiness) so that options-related events do not create late-day exceptions. The ability to effectively and automatically instruct transactions downstream is important, as it reduces friction and drives further automation, which can facilitate greater settlement efficiencies. Workflows that can support settlement instruction messaging for market participants should be adopted. For example, in the US markets, a fully automated solution where relevant pre-settlement confirmations and affirmations are automatically created in order to allow for full downstream automation.

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?

DTCC does not have specific comments on the drafting of the Listing Rules. However, HKEX and relevant authorities could consider whether any consequential amendments are necessary to provide legal/regulatory certainty and to reinforce expected market behaviors required for transitioning to T+1.

In particular, we believe any rule changes (or related market standards) should:

- Encourage (and where appropriate, mandate) completion of critical post-trade operational tasks by end of trade date (T), consistent with the T+1 operating model; and
- Promote standardization and automation across the post-trade lifecycle to reduce ambiguity and operational exceptions.

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

In addition to the topics already covered in the paper, DTCC suggests highlighting the following considerations that can be determinative for T+1 readiness:

- Standing Settlement Instructions (SSIs) quality and distribution: Under a T+1 timeline, greater standardization, use of electronic SSI solutions, and (where feasible) centralized/golden-source approaches can materially improve settlement outcomes. Both international and Hong Kong-based participants leveraging DTCC ITP's solutions for matching and SSI retrieval and sending have shared with us their expectations that any system developed by HKEX does not duplicate existing processes already in place or impose additional costs or burden to the industry. This means that such a solution should be able to take in SIs from ITP to avoid replication or additional processes, and that the proposed centralised SSI repository should be linked to global online databases such as ALERT.
- Standardized identifiers and transparency across the workflow: Increasing transparency via consistent reference identifiers (e.g., unique identifiers generated at matching/confirmation) can improve exception management, accelerate break resolution, and support operational control frameworks.
- FX and cross-border operational dependencies: Hong Kong's global investor base and time-zone considerations mean FX funding and related cut-offs can become more acute under T+1. These dependencies should be explicitly addressed in operating model guidance and industry testing.
- Varying automation maturity across participant types: Readiness will differ materially across brokers, custodians, investment managers, and other participants depending on automation levels. Targeted engagement across all impacted participant types, clear milestones, and testing support can reduce "weak links" in the settlement chain.
- Business continuity and resilience: A compressed settlement window reduces operational recovery time. Industry participants should be encouraged to strengthen resilience and contingency arrangements to support completion of settlement during operational stress events.

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

DTCC believes that an indicative target of Q4 2027 can only be achieved provided there is clear regulatory and industry alignment and coordination, detailed implementation guidance, and sufficient

time for market-wide building, testing, and coordinated cutover activities. This target is also conditioned on how market participants are prioritizing or approaching other T+1 regulatory changes globally, and other market structure changes, such as modernization. In particular, many participants in the Hong Kong market are concurrently preparing for the EU and UK markets' move to T+1 in October 2027, and will have to critically consider how resources can be prioritised and allocated to manage and implement these projects in tandem.

We encourage an approach that includes:

- A strong focus on automation and adoption of or integration with centralized matching platforms, to reduce manual touchpoints and support no- or low-touch processing that is more resilient under compressed timelines.
- Early clarity and industry consensus on key cut-offs and standards, including expectations for same-day allocations, confirmations and matching, and supporting data requirements.
- Structured industry governance and engagement, including clear accountability, regular communications, and transparency on readiness milestones across participant segments.
- Robust end-to-end testing, including scenario-based testing focused on exception handling, SSI quality issues, FX funding dependencies, and peak-volume / stress events.