

Submitted via Qualtrics

Fidelity Information Systems, LLC

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

FIS broadly supports the T+0 trade finality, and the necessity for all trade amendments to be completed one day prior to the settlement date. In the context of a T+1 settlement cycle, this implies that trade amendments must be completed on trade date (T+0) and this prior to the issuance of the Final Clearing Statement (FCS).

As a provider of fully automated execution, clearing, and settlement solutions, FIS enables its clients to minimize the need for trade amendments. Indeed, our trading solutions minimize most instances that lead to trade amendments such as incorrect input, capacity error, or wrong account. Trade amendments should, therefore, be an extraordinary and rare occurrence.

We expect that under the transformation necessary to market participants will adopt solutions comparable to ours, as well as making trade amendments an exceptional event across markets. We note that in 2020, in the latest HKEx survey, overseas institutional investors contributed 35.9% of the cash market trading value – of which half were either located in Europe or the US.

The proposed deadline for trade amendments at 17:00 Hong Kong time is 9:00 in London and 04:00 US Eastern time (10:00 London and 05:00 US Eastern when observing daylight savings). Given the exceptional nature of these amendments, and the likely necessity of involving dealing room staff, we suggest that the Exchange review – in concert with its Exchange participants providing market access services to global clients – whether it is appropriate to extend the trade amendment window.

Finally, we urge the Exchange to make its intentions regarding the extension of trading hours known as soon as possible, as such extension will further compress the post-trade activity window.

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

FIS broadly supports the proposed post-trade arrangements. The proposed extension of service windows for Settlement Instruction (SI) input (until 10:00 pm) and matching (until 9:30 pm) is a pragmatic and necessary step to accommodate the compressed T+1 timeline.

However, drawing on our global experience, we believe the success of these arrangements depends not just on extended windows, but rather on mandated automation and interoperability.

We agree that the Provisional Clearing Statements be issued as soon as possible after the end of the trading day, at the close of the business day, and the Final Clearing Statement be issued as soon as possible after the window for trade amendments is closed.

We attract the Exchange's attention to the fact that the last batch, which runs at 15:45 Hong Kong time, is 7:45 in London and 2:45 in US Eastern time (8:45 London and 03:45 US Eastern when observing daylight savings). We suggest the Exchange engage with its Clearing Participants to explore whether the timing of that final settlement batch remains adequate and sufficient under a T+1 framework.

With respect to the SI entry and matching, we support the extension of the entry and matching windows. We note the proposal that HKEx makes of making the SI matching a real-time process. While our systems fully support real-time matching, we observe that some agency participants utilize the current batch schedule as interim deadlines for verification of instructions received from overseas investors. We encourage the exchange to engage with the industry to ensure that the introduction of real-time processing will not inadvertently result in the real-time processing feature to remain unutilized and most settlement instructions be 'gated' and released only near the close of 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

FIS supports the proposed risk management arrangements.

We recommend that HKEx provides API access to the margin simulation tools and real-time risk data feeds. This will allow technology providers like FIS to calculate margin requirements and maintain an updated net capital, anticipating the margin requirements. This reduces the reliance of participants on the payment obligation report, as well as the risk payment estimation reports.

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

FIS broadly supports the proposed arrangements for other post-trade processes. We underline, however, that the successful transition of corporate actions and stamp duty to T+1 are likely to be operationally complex challenges for the industry to address.

While the proposed generation of the Final Clearing Statement (FCS) on T-day provides an overnight window for calculation, the maintenance of two separate deadlines—10:15 HKT for Exemptions and 11:00 HKT for the SD-1 Return maintains unnecessary risk in a T+1 environment.

For global firms, final sub-fund allocations from the US and Europe will be received by the Hong Kong participant in the early morning of T+1. If an error is identified or a last-minute adjustment is made between 09:00 and 10:15 HKT, the 45-minute window to finalize the SD-1 is insufficient for high-integrity reconciliation.

We encourage HKEx to explore the feasibility Integrated Tax Logic: embedding "Stamp Status Flags" directly within the settlement instruction, where the tax treatment is finalized at the moment of matching. This eliminates the need for two separate, potentially mismatched submissions and removes the "submission risk" entirely.

With regard to corporate actions, T+1 effectively eliminates the buffer between the Ex-Date and the Record Date. This compression might lead to a spike in manual "Market Claims" for trades that fail to settle on T+1. HKEx should consider how to facilitate claim entries for matched but unsettled trades across an ex-date.

With regard to Uncertificated Securities Market transition, we recognize that modern book-keeping systems are able to distinguish between physical and dematerialized securities in the inventory. Such advanced book-keeping platforms can monitor the availability for settlement of securities. Nonetheless, we urge HKEx consider making provisions to allow for justified delays in settlement caused specifically by the physical-to-digital conversion of non-USM stocks so do not trigger compulsory buy-ins.

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

FIS supports the proposed principles for Exchange Traded Products (ETPs) and Stock Options but highlights that settlement misalignment might pose a risk to liquidity.

From a technology perspective, we recommend that the buy-in regime for ETPs provide sufficient time for automated remediation protocols to execute. A predictable, flexible buy-in regime allows platforms to resolve technical fails without manual intervention.

With regard to Stock Options, we note that the timing of Exercise and Assignment Reports will be affected by changes in the market hours. At the same time, we note that HKEx has embarked on a modernization effort with the transition from DCASS to Orion Derivatives Platform (ODP). While this transition will facilitate real-time processing of exercise and assignments, we also highlight the possible overlap in projects – forcing a potential use of ‘tactical solutions’ to support DCASS, which will need to be discarded.

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?

[No comment]

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 applaud the HKEx's thoroughness in examining the key topics for consideration.

We believe, nonetheless, that "Transitioning to T+1" would also need to include:

- Adopting industry-wide adoption roadmap, including interim milestones
- Ensuring market readiness through the availability, as appropriate, of test environments and the potential arrangement of rehearsals
- Reviewing inter-operability between securities settlement systems and linked systems such as risk management and treasury platforms

With regard to "Settlement under T+1: Pre-settlement activities", we would suggest:

- In addition to encourage execution of pre-settlement activities as soon as practicable, the HKEx should consider setting a firm deadline for completion
- The Exchange, in consultation with the market, should consider mandating the use of relevant technical standards (e.g. FIX, FMSB, ISO)

Under "Settlement under T+1: Operational resilience, staffing, and go-live stabilisation", we believe the following should be considered:

- Review contingency procedures

While it has been mentioned in other parts of the consultation, we believe that the role of some financial infrastructure providers (such as HKICL's RTGS and CLS) have not been sufficiently considered – especially with regard to the impact of their own operational procedures might have as the industry seeks to transition to a shorter settlement cycle.

With regard to system vendors, we are of the view that distinctions should be made among them: first, market infrastructure system providers, such as DTCC (operator of CTM and Alert), CIPS, and SWIFT should be considered as a distinct category given the crucial role they have in the global post-trade ecosystem. We also believe that special consideration be given to system vendors providing solutions to exchange or clearing participants, as they might require access to the test environments and systems specifications to support the adoption by their clients. It is important to note that some system vendors might provide multi-tenant solutions, which may be an obstacle to them being able to obtain access through the sponsorship of any individual member.

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 spite of the thoroughness of the effort of the HKEx, we believe that more industry engagement is necessary to develop the full detail of a transition approach. The formation of such a detailed approach will require significant market engagement which based on the experience of the transition of other major markets will, in itself, will require several months of work and collaboration.

The details presented in both the Position Paper and Consultation Paper are insufficient for us to make an informed, comprehensive assessment of the effort necessary to comply with the market expectations. The challenge is compounded by the current demand on resources placed by the acceleration of settlement cycles in the EU, UK, and Switzerland. While we recognize that the some of the efforts engaged toward that transition might be synergetic with that of the acceleration of settlement cycle in the Hong Kong market, market-specific requirements will certainly emerge and it may not be feasible to address them concurrently with the existing project plans.

We believe that the proposed timeline introduces unnecessary risk to the market.