

Submitted via Qualtrics

(Anonymous)

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

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

We are broadly supportive of HKEX's transition to a T+1 settlement cycle, recognizing the benefits in reducing counterparty risk and aligning Hong Kong with major global markets. However, successful implementation will depend on enhancements to operational workflows, risk management practices, and market infrastructure.

1. Trade Amendment & Matching

We strongly support the adoption of centralized, real-time matching solutions (e.g., DTCC CTM or equivalent).

- Real-time matching would improve post-trade efficiency, reduce operational risk, and minimize settlement mismatches under compressed timelines.
- These benefits are contingent on accurate linkage between client identifiers and underlying orders. Without robust allocation-level linkage, there is a risk of incorrect settlement allocations, undermining automation benefits and increasing fail rates.
- Industry-wide adoption and standardization will be essential to realize these benefits. Fragmented implementation would dilute efficiency gains.

Recommendation:

HKEX should support (or consider mandating) standardized real-time matching frameworks and promote alignment across participants.

2. Post-Trade Processes & Buy-in Regime

We recommend a flexible approach to buy-in requirements during the initial phase of T+1 implementation.

- Compressed timelines will increase sensitivity to matching and settlement delays, particularly in the early stages.
- Immediate tightening of buy-in timelines could lead to operationally driven or unintended buy-ins, rather than reflecting genuine settlement risk.

Recommendation:

Introduce temporary relief or transitional arrangements to allow participants to stabilize processes before full enforcement.

3. Funding & FX:

We highlight FX funding timing as a key risk under T+1.

- FX funding flows are currently non-uniform and may arrive at different points during T+1.
- This creates uncertainty in meeting settlement deadlines, particularly given varying custodian processing timelines.
- While additional settlement batches may help, they do not fully eliminate timing mismatches, especially where processing is sequential and time-intensive.
- In some cases, this could effectively shift the market toward a pre-funding model, which may not be operationally viable for all participants.

Recommendation:

HKEX should consider enhancing funding window flexibility and coordinating with FX and custody ecosystems to reduce timing fragmentation.

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

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.

No, reasons and considerations as follows

4. Other Operational Processes

a. Interaction with Stock Connect (Workflow Overlap)

We see significant overlap with existing Stock Connect (T+0) processes.

- Stock Connect already requires high-priority, same-day processing.
- Under T+1, Hong Kong cash equities will also require intensive same-day operational focus.
- On high-volume days (e.g., rebalances), this may result in concentrated processing peaks, increased operational risk, and resource strain across teams.

Recommendation:

Additional automation and workflow optimization will be critical to manage this overlap.

b. Securities Financing & Stock Lending Considerations

- Hong Kong's compulsory buy-in regime (triggered at end of T+2) will become more binding under T+1 compared to markets such as the US, where long holders may settle failing trades up to T+3 without buy-in or penalty.
- The compressed timeline increases the importance of automated and real-time partial settlement capabilities, which would improve settlement efficiency, reduce friction between counterparties, and support broader participation in securities lending.

A key structural difference is Hong Kong's higher proportion of foreign institutional investors:

- Many global funds (e.g., US 40 Act and ERISA funds) are restricted to USD cash collateral.
- As a result, collateral is typically prefunded overnight, and the collateral leg is not fully aligned with same-day settlement.
- Under T+1, securities lending activity may effectively require T+0 settlement, implying significant changes to operating models and a need for broader non-cash collateral capabilities over time.

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.

No comment

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?

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.

No comment

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 view the proposed Q4 2027 timeline as broadly reasonable, however, its feasibility will depend on coordinated readiness across the broader market ecosystem. In particular, our preparedness is closely linked to developments across settlement, clearing, custody, FX, and securities lending workflows, which involve significant interdependencies and potential operating model changes.

We would therefore look to guidance from our partner teams and market infrastructure providers in the settlement/clearing and securities lending space to assess whether the timeline is operationally achievable. We support HKEX's consultative approach and believe continued industry coordination, clear implementation milestones, and sufficient end-to-end testing will be critical to a successful transition.