

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

██████████ supports HKEX's proposal to transition the Hong Kong cash market to a T+1 settlement cycle. We recognize the strategic importance of this initiative in enhancing market efficiency, reducing systemic risk and reinforcing Hong Kong's position as a leading international financial centre. We also acknowledge the engagement undertaken by HKEX to date and welcome the opportunity to contribute our views as a global asset manager with a significant cross border investor base.

Our support for T+1 is, however, informed by a number of critical considerations that we view as essential to ensuring an orderly transition and avoiding unintended consequences for market liquidity and investor outcomes. In particular, it is important that Hong Kong does not evolve into a structurally pre funded market for any class of investor as a result of the compressed settlement timeline. Appropriate guardrails should also be established to mitigate the risk of higher settlement fail rates under T+1, drawing on lessons from other markets and recognizing the operational realities of global trading activity.

In addition, the successful implementation of T+1 will depend on the efficient functioning of key market workflows, including ETFs and securities borrowing and lending (SBL), as well as the availability of foreign exchange liquidity for offshore investors during reasonable and workable trading windows. The industry must also be afforded sufficient time to assess, test and implement any proposed automated or workflow solutions intended to support the new settlement regime, recognizing the scale and interdependencies of the required changes across the post trade ecosystem.

Finally, we note that the consultation period was necessarily short and that the level of detail provided to date is insufficient for market participants to make fully informed implementation and investment decisions. Further clarity will be required, including more detailed functional and technical specifications, sequencing of dependencies, and an articulation of how key risks will be managed under the proposed model. In our view, this necessitates continued and structured industry engagement following the consultation response deadline of 18 May, with HKEX playing a central role in convening market participants to progress these discussions as a matter of priority. Such engagement will be critical to achieving a successful and well coordinated transition to T+1 by Q4 2027.

Response to the CP question 1a:

The transition to a T+1 settlement cycle is expected to enhance market efficiency and represents a positive development for the Hong Kong market. In assessing the broader impact of this change, we recommend that HKEX consider—if it has not already done so—the proportion and value of trades initiated by investors based outside the Asian time zone. These participants may face increased reliance on pre funding or same day funding within their local time zones in order to trade Hong Kong securities under a T+1 regime.

██████████ operates a global one-hour trade confirmation SLA, implemented following the US move to T+1. All Equity and Fixed Income trades are executed and instructed to the market in real time on trade date. Confirmation and counterparty matching performance is consistently in the high 90s% range. This high standard maximises the window for trade amendments should the need arise. However, residual exceptions are externally driven (e.g. counterparty behaviour, SSI maintenance, new fund onboarding delays), which emphasize the importance of full ecosystem readiness and standardized workflows and SLAs across the industry.

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

For Post Trade we strongly urge HKEX to set up focused working groups with Execution Participants and Clearing Participants to determine whether there would more optimal solutions for T+1.

██████████ has observed in the limited industry discussions that have taken place, consensus that a detailed review and discussion will be of benefit to the successful implementation of accelerated settlement.

██████████ would like to see workflows that reduce or eliminate prefunding. To that end we note that there is no mention of the OCP implementation. It is our understanding that real-time matching status of SIs, such as envisioned by OCP, will be of significant benefit to the market given the compressed process flow timelines under the proposal and create efficiencies for investors in Europe and North America, in particular, who will be able to employ exception management much earlier than the current proposed workflow.

We note from our own experience and discussions with service providers that there would be value if OCP or the proposed workflow would allow settlement prioritization or 'linking' of trades for settlement. This would greatly reduce a sub-optimal practice of unmatching trades manually should clearing participants observe prioritization discrepancies. Further clarity and details of OCP functionality is required.

██████████ uses SWIFT and ALERT to communicate and share SSIs with counterparties. This standard format is available to firms without the need for new, additional infrastructure.

Automated solutions are required to ensure effective settlement instruction handling on T+0, particularly for investors outside the APAC region and who are subject to tighter windows for resolution of SSI issues. The industry would benefit from additional, later batch runs on T+0 for settlement instruction matching.

Given the accelerated timelines and cut-offs, and to ensure a smooth settlement process is maintained, an additional settlement batch before 10.30am and beyond 3.45pm on T+1 would also be necessary under a T+1 regime.

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.

No comment

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

An accelerated T+1 settlement cycle reduces the time for corporate action reconciliation and processing given the shorter window between ex-date and record date. This increase in operational risk can be mitigated by automation (e.g. SWIFT adoption) and more real-time exchange of data across the market. Faster settlement increases the risk of trade failures if securities are not available in time, causing more market claims and compensation inquiries, particularly if traded across a corporate action or dividend.

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

While market participants should review their respective processes to ensure a T+1 model should be supported, the critical roles of HKSCC and CCASS, including their manual and automated processes, should be reviewed & revamped to ensure they can be compressed and scaled to align with the compressed timelines. In particular, whether the following can be done at scale, and whether manual activities (including “telephone call to HKCAS”) can be eliminated:

- Submission, processing and return of “Book-entry Deposit and Credit Authorization Form”, “Book-entry Withdrawal and Debit Authorization Form”
- Submission and processing of “Unit Creation Confirmation Letter”, “Debit Confirmation Form and Cancellation of Units Instruction Letter”
- HKCAS to credit the units to PD’s SSA in CCASS

- Submission, processing and return of “Letter of Daily Reconciliation”

ETP Primary Market - will be adjusted according to underlying settlement conventions, which requires platform amendment and sign off from trustee/ servicing agent/ trustee entities for an ETF fund which holds HK stocks. While amending settlement conventions on international ETF domiciles is not new, initial feedback from HK based trustees indicates the timing overlaps with the EU/UK T+1 transition (currently expected in Oct 2027) creates significant delivery and operational contention across firms operating in multiple markets. They cautioned that as matching may move towards real-time, reporting of matching results appears to remain batch-based. An optional API has been referenced, but early indications suggest it may not include all data elements required for end-to-end processing.

Early engagements with agency APs (who provide Market Makers access to primary market) is that the new settlement regime is not expected to impose additional T+0 funding requirements on creation activity for these MMs, although this feedback is preliminary.

Buy in regime - Buy-in exemptions currently exist for ETF Market Makers that access the primary market to meet settlement obligations, and this remains an important mechanism supporting liquidity provision on HKEX. However, the current exemption request process (via Client Connect) is manual and operationally intensive, creating pressure on ETF operations teams (with MMs submitting instructions to clearing members, which are then escalated to the exchange, supported by evidence of a primary order). Further simplification of the exemption application process would help reduce operational friction during the post go-live period. We recommend either (i) streamlining the existing process or (ii) introducing a temporary grace period following go-live.

Exceptional extension - In practice, there are instances where a PM or portfolio management system may fail to fully align cash flows across securities or associated HKD FX transactions. Settling the HK equity trade on T+1 in these cases could result in a temporary overdraft at the fund level, creating unnecessary costs for existing investors. In such situations, it may be preferable to extend settlement with the executing broker (e.g. to T+2), incurring a modest additional day of funding cost rather than imposing overdraft costs on the fund. This supports an approach consistent with the U.S. framework under SEC Rule 15c6 1, where T+1 operates as the default, but flexibility is retained to accommodate exceptional circumstances in a way that protects end investors (on the proviso that amendment is agreed before execution by both parties). Reasons for the misalignment may include, but are not limited to:

- System/ Human error
- Inflexibility in subscription/ redemption cycles for mutual fund instruments across legacy platforms (a situation observed by for wealth platforms during the US T+1 transition)
- Index rebalance activity or cross market trading, where underlying securities in other jurisdictions remain on fixed T+2 cycles

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?

██████ sees no immediate major impact on listing rules but highlights the need to align IPO stock delivery and allocation timelines with T+1 to ensure first-day trading accessibility.

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 wish to highlight several areas specific to securities lending where we believe market-level clarity or adjustments would support orderly implementation.

1. Recall management

The most significant securities lending impact under T+1 is the compression of the recall-to-return-to-settlement chain. Under T+2, borrowers have a practical window to source and return recalled shares. Under T+1, this window is materially reduced or eliminated — particularly where a lender sells late in the trading day. In such scenarios, settlement fails may arise not from operational deficiency but from structural timing constraints inherent to the shortened cycle.

We recommend the implementation framework acknowledge that some increase in recall-driven settlement fails is a structural feature of T+1, and that fail treatment be calibrated accordingly.

2. SBL settlement timing and buy-in treatment

Under the current T+2 cycle, securities lending transactions typically settle on a T+1 basis via FOP, giving borrowers a one-day buffer to receive stock ahead of their sell settlement obligation. Under T+1, this buffer disappears — unless lending settlement moves to T+0 (same-day delivery). This is a significant industry-wide adjustment, as borrowers will not be comfortable receiving and delivering stock on the same settlement day with no margin for error.

We note that the consultation appropriately treats securities lending as an ancillary activity supporting the cash market rather than a product subject to mandatory T+1 settlement. We support this approach and would welcome explicit confirmation that SBL transactions will retain flexible settlement conventions (T+0 / T+1 as operationally appropriate), consistent with global practice.

Given that the SBL settlement chain is already being compressed to its operational limit, we would encourage HKEX to consider greater flexibility in settlement and buy-in deadlines on the settlement day itself. Recognising the compressed timeline under T+1, extending the window within which settlement obligations — particularly those driven by securities lending recalls — can be fulfilled would meaningfully reduce avoidable fails without weakening overall settlement discipline.

3. HKEX linkage flexibility

We request that HKEX consider increasing the flexibility of the current clearing linkage mechanism. The current system only allows limited linkage on same value-date pairs. We would suggest allowing pairing across different value dates — for example, matching a DVP with value date today against a

recall return with value date yesterday, where the counterparty was short from the previous day through to the current day's final settlement batches. This would materially improve settlement efficiency for securities lending flows under compressed timelines.

Summary

We request HKEX to consider:

1. Acknowledgment of recall-driven fails as a structural feature of T+1 and calibrate fail treatment accordingly
2. Confirm SBL transactions retain flexible settlement conventions (T+0 / T+1 as appropriate)
3. Consider greater flexibility in settlement and buy-in deadlines within the settlement day, particularly for recall-driven flows
4. Increase HKEX linkage flexibility to allow cross-value-date pairing

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 timeline to transition to a T+1 settlement cycle in Q4 2027 is very ambitious and achieving this timeline in a safe and orderly manner will be increasingly challenging without greater clarity on the detailed market structure and settlement framework, as well as the supporting infrastructure, that will underpin T+1.

In particular, market participants will require further information on the scope, functionality and delivery sequencing of the Orion Cash Platform (OCP), together with any associated workflow or automation tools intended to support the compressed settlement cycle. In parallel, deeper industry discussion is needed on how key market structures will function under T+1, including ETF primary market processes, SBL workflows, and the funding and foreign exchange arrangements required to support global investors. These areas are central to market liquidity and settlement risk management and cannot be fully assessed without detailed specifications and agreed market practices.

In the absence of this clarity, firms face difficulty in determining the scale, timing and prioritization of changes required across systems, operating processes and control frameworks. This increases the risk that preparation efforts are either delayed or based on assumptions that may subsequently change, leading to higher cost, rework and execution risk as the proposed implementation date approaches.

We therefore believe that early, detailed and structured industry engagement will be critical to maintaining momentum towards the proposed timeline. This engagement should commence promptly following the consultation response deadline of 18 May and be led by HKEX, bringing together a broad set of market participants to work through detailed design questions, interdependencies, and risk mitigants. Clear outputs from this process — including detailed specifications and a refined

implementation roadmap — will be essential to enabling firms to plan effectively and to support a well coordinated transition to T+1.