

Submitted via Qualtrics

Company / Entity View

Market Represent(s): Securities Market

Question 1

Do you have any comments or concerns on the proposed arrangements for the Hong Kong securities market?

Yes

If the answer is "Yes", please specify your comments or concern:

Overall, HKEX needs to ensure that all post-trade CCASS functions, settlement batches and report deliveries are available during a SWT day, treating it as a normal trading/business day.

In the case of failed delivery due to non-receipt or unavailability of physical certificate deposit services, HKEX should accept buy-in exemptions without using CP's quota, waive the respective charges, and introduce a reason code to facilitate the submission.

When determining the eligibility of corporate actions, we, as a custodian is suitable for operating the proposed approach under SWT from a corporate action operation standpoint. However, it is recommended that the record date/shareholding date for securities have already been deposited into CCASS and the last registration date for physical certificates should remain aligned and not be postponed. The number of physical certificate holders is comparatively less, Share Registrars should accept electronic submissions on SWT by adopting exception handling procedures, so as to adhere the principle of treating SWT as a normal business day, considering that settlements will continue to occur under SWT as a normal business day. It is advised that no adjustments be made on entitlements in CCASS on deposit or withdrawal for physical certificates. This is to avoid complications in fee calculations, including but not limited to scrip fees, as well as determining the legal owner or beneficiary owner of stock holdings. It is important for HKEX to clearly state the implications of any adjustments made to the postponed last registration date so that custodian can evaluate the impact on system capabilities.

Regarding cash dividend payment dates, we, as a custodian, is suitable for operating the proposed approach under SWT from a corporate action operation standpoint by receiving HKSCC broadcasts and CCASS money ledger reports in a timely manner, as they would on a regular business day. However, if the majority of issuers still pay dividends via paper cheques, it is recommended to explore measures to promote electronic means in the industry. Postponing cash dividend payments will lead to subsequent consequences for settlement funding issues, considering that settlements will continue to occur under SWT as a normal business day. Driving the adoption of electronic means in the industry is crucial to fully establish SWT as a normal business day.

Currently, custodians are required to issue cheque for Stamp Duty 1 (SD1) discrepancies with HKEX and Stamp Duty 4 (SD4) for Market Maker Jobbing Transactions by Market Makers. In general, SEHK should allow electronic submission via an Electronic Communication Platform (ECP) or e-cheque, or allow exceptional handling by deferring the collection of physical cheque payments for stamp duty under SWT.

Lastly, we, as a securities lending provider, is suited to support the proposed approach under SWT. However, it is important to note that under the proposed SWT model, the market will remain operational and the settlement process will continue as usual. In the event that the counterparty fails to return or deliver lent shares on time, HKEX is expected to advice expectations and appropriate measures for handling such scenarios. These measures may include, but are not limited to, engaging in communication and negotiation between the involved parties, implementing penalties for non-compliance, or utilizing legal means to enforce the return or deliver of the shares. HKEX may also require to step in to provide guidance, oversight, and/or regulatory intervention if necessary to ensure fair and orderly market operations. It is essential for market participants to have a robust risk management framework and business continuity strategy in place to handle potential failures in the return of shares. This includes monitoring and managing counterparty risk, establishing clear contractual agreements and implementing contingency plans to mitigate any potential disruptions that may arise.

Question 2

Do you have any comments or concerns on the proposed arrangements for Northbound Trading under Stock Connect?

Yes

If the answer is "Yes", please specify your comments or concern:

Please refer the applicable points as stated under point 1.

Question 3

Do you have any comments or concerns on the proposed arrangements for Hong Kong derivatives market?

No

If the answer is "Yes", please specify your comments or concern:

N/A

Question 4

Do you have any comments or concerns on the proposed arrangements for new listings and new products?

No

If the answer is "Yes", please specify your comments or concern:

N/A

Question 5a

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Cheque Clearing?

No

If the answer is "Yes", please specify your comments or concern:

N/A

Question 5b

Do you have any comments or concerns on the proposed money transfer arrangements in relation to Banking Services?

No

If the answer is "Yes", please specify your comments or concern:

N/A

Question 6

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 90 – 91?

Yes

If the answer is "No", please specify your comments or concern:

No comments from Custodian's standpoint.

Question 7

Do you agree with the proposed arrangements for listing applicants and listed issuers as set out in paragraphs 92 – 94?

Yes

If the answer is "No", please specify your comments or concern:

No comments from Custodian's standpoint.

Question 8

Do you envisage there being any material practical difficulty in complying with any particular Listing Rule requirements?

No

If the answer is "Yes", please specify your comments or concern:

No comments from Custodian's standpoint.

Question 9

Do you agree that consequential amendments to the Listing Rules should be made?

Yes

If the answer is "No", please specify your comments or concern:

No comments from Custodian's standpoint.

Question 10

Under the proposed model, do you foresee any insurmountable difficulties for implementing SWT?

Yes

If the answer is "Yes", please specify your comments or concern:

During the Severe Weather Trading (SWT), it is important to anticipate potential disruptions to business operations, particularly in remote working environments. These disruptions may include power outages or internet connectivity issues at employees' remote locations, which are common during typhoons or black rainstorms. In response to this unique scenario, it is recommended that HKEX should establish a mechanism to ensure that banks receive timely updates regarding trading and settlement adjustments. Additionally, flexibility should be provided to implement special arrangements and possible extensions to cut-off, such as RTGS payment cut-off with HKICL and to accept buy-in exemptions for market scenarios that are insurmountable due to severe weather conditions. These measures will help mitigate the impact of such adverse weather conditions on the smooth operation of financial services.

Question 11

Would there be adequate time to prepare for SWT to come effective in July 2024 under the proposed model?

No

If the answer is "No", please specify the reasonable length and reason(s):

Overall, if the support required to maintain normal operations during the SWT is the same as on a normal business day, without any system enhancements (such as fee calculation implications) or alternative approaches in place (such as stamp duty payments), we, as a custodian, is able to support the proposed SWT model to be implemented in July 2024.