

CSDs: HKSCC (Hong Kong)

Date: 27 Nov 2009

SMI Markets: Hong Kong

CMIRR Markets: Hong Kong

HKEx Publishes Consultation Paper on T+2 Cash Settlement Finality

Further to our previous market newsflash, Hong Kong Exchanges and Clearing Limited (HKEx) published a consultation paper on the introduction of a T+2 finality arrangement for cash settlement in CCASS, the Central Clearing and Settlement System for the Hong Kong securities market. Currently, securities settlement for exchange trades is done in CCASS on T+2 whereas the related money obligations are settled through Hong Kong Interbank Clearing Limited in the morning of T+3.

HKSCC proposes to add a new interbank bulk settlement run in the evening of T+2 which would bring finality of securities and cash settlement on the same day. The arrangement would apply to both exchange trades and settlement instruction transactions in CCASS.

Responses should be submitted to HKEx no later than 26 February 2010. More details are available [here](#).

CSD Risk Impact

HKSCC (Hong Kong)

CSD Rating: A+

CSD Flash Impact: On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = AA-

Flash Impact = On Watch

Since cash settlement currently takes place on SD+1 (securities settle on SD), the cash-receiving parties are exposed to one-business-day credit risks. The alignment of cash and securities settlement finality on T+2 will, therefore, eliminate this risk exposure. The impact on Counterparty Risk is placed 'On Watch' pending further developments.

Market Information Impact

Hong Kong

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Hong Kong

Market Rating: A+

Market Flash Impact: On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = On Watch

Since cash settlement currently takes place on SD+1 (securities settle on SD), the cash-receiving parties are exposed to one-business-day

credit risks. The alignment of cash and securities settlement finality on T+2 will, therefore, eliminate this risk exposure. The impact on Counterparty Risk is placed 'On Watch' pending further developments.

Related Flash: [HKEx Plans to Introduce a T+2 Finality Model for Securities and Cash Settlement, 27/07/2009 \(click to view\)](#)

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