

Information Paper for Intermediaries

Implementation of an Uncertificated Securities Market (USM) in Hong Kong

Versions

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Introduction

1. Hong Kong law currently requires using of paper documents to evidence and transfer legal title to Hong Kong securities. Because of this limitation, and other practical business and operational considerations, most investors in listed securities hold and transfer their securities through the Central Clearing and Settlement System (CCASS) under HKSCC Nominees Limited (HKSCC-NOMS).
2. The Securities and Futures Commission (SFC) has been working with Hong Kong Exchanges and Clearing Limited (HKEX) and the Federation of Share Registrars Limited (FSR) on implementing USM in Hong Kong. The key objectives and benefits of USM are as follows:
 - a) **Option to enjoy both better Investor Protection and Trading Convenience**
Investors will have the option to hold participating securities in their own names without paper certificates. They will thus be able to enjoy full shareholder rights while also enjoying the convenience of managing and trading their securities electronically.
 - b) **Enhanced Corporate Governance and Investor Engagement**
Issuers will benefit from greater shareholder transparency as investors move towards holding participating securities in their own names. This will facilitate better investor communication and engagement, and in turn, enhance corporate governance.
 - c) **More Efficient, Digitalised and Greener Markets**
The removal of paper and manual processes will enhance efficiency for market participants, provide more opportunities for straight-through processing, and contribute to greener markets in line with global trends. Collectively, this will also further elevate Hong Kong's market infrastructure, thus reinforcing its competitiveness and status as an international financial centre.
3. In 2019/2020, the SFC, HKEX, and the FSR jointly consulted the market on the operational model for implementing USM in Hong Kong.
4. In June 2021, the USM Amendment Ordinance was enacted. This put in place the broad legislative framework for implementing USM. It also anticipated the introduction of subsidiary legislation which would set out relevant details, while taking into account the operational model that had been endorsed. Since then, the SFC, HKEX, and the FSR have been working on developing the technical details and specifications of the USM operational model.
5. In July 2024, the SFC published the consultation conclusions on proposed subsidiary legislation, code, and guidelines for implementing an uncertificated securities market in Hong Kong (July 2024 Consultation conclusions). A list of consultation papers and consultation conclusions papers relating to USM and published since 2009 are listed in Appendix B to this Information Paper for reference.
6. This Information Paper aims to provide an overview of USM to Hong Kong Securities Clearing Company Limited (HKSCC) Participants and explains the process by which prescribed securities¹ become participating securities, the operational procedures for transferring

¹ The six categories of securities that are: (i) listed on the SEHK; and (ii) may participate in the USM regime – see the Define Terms and Glossary.

participating securities² to and from HKSCC-NOMS, and technical changes under USM. The information provided in this paper is based on various SFC consultation papers and consultation conclusions, including the July 2024 Consultation conclusions on the proposed subsidiary legislation, code, and guidelines for implementing an uncertificated securities market in Hong Kong. Participants who would like further details of USM can use the following hotline or email address to contact us:

Hotline: 2979 7111

Email: ClearingPS@hkex.com.hk

7. A separate Information Paper issued by the FSR will provide issuers and shareholders with information on USM that is relevant to them. Participants who are also interested in reading that Information Paper can refer to the FSR's [website](#).
8. Further information will be provided at later stages via updates to this Information Paper and as Frequently Asked Questions (FAQs). Following that, rule changes including HKSCC Rules, the Stock Exchange of Hong Kong Limited (SEHK)'s Trading Rules, and the Listing Rules (subject to regulatory approval), and a market readiness programme, including briefings and market rehearsal will be arranged. HKEX will also work together with the SFC and the FSR on a market education programme to prepare the market for the implementation of USM in Hong Kong.
9. Terms used in this Information Paper are defined in the Defined Terms and Glossary section at the end of the paper. Operational changes relating to Investor Participant (IP) are summarised in Appendix A.

² Prescribed securities that are USM-enabled – see the Defined Terms and Glossary.

Chapter 1. Overview of USM

- 1.1. Most of the major securities markets in the world operate either fully dematerialised securities markets, meaning no physical title instruments (i.e. securities certificates) are transferred, or operate a combination of certificated and uncertificated markets. By implementing USM, Hong Kong's financial market infrastructure will be further elevated, and market participants will also benefit. In particular:
 - a) investors will be able to enjoy both better investor protection and trading convenience;
 - b) issuers will benefit from greater shareholder transparency, thus facilitating investor engagement and enhancing corporate governance; and
 - c) for market participants, the removal of paper and manual processes will enhance efficiency, facilitate straight-through processing, and contribute to greener markets.
- 1.2. Under USM, investors will be able to hold participating securities in their own name in uncertificated form.
- 1.3. Given that USM would be new to Hong Kong, its implementation entails the introduction of new primary and subsidiary legislation and a new operational model. Consequential amendments will also be made to the HKSCC Rules, SEHK's Trading Rules, and the Listing Rules to implement the USM.

Regulatory changes for implementing USM

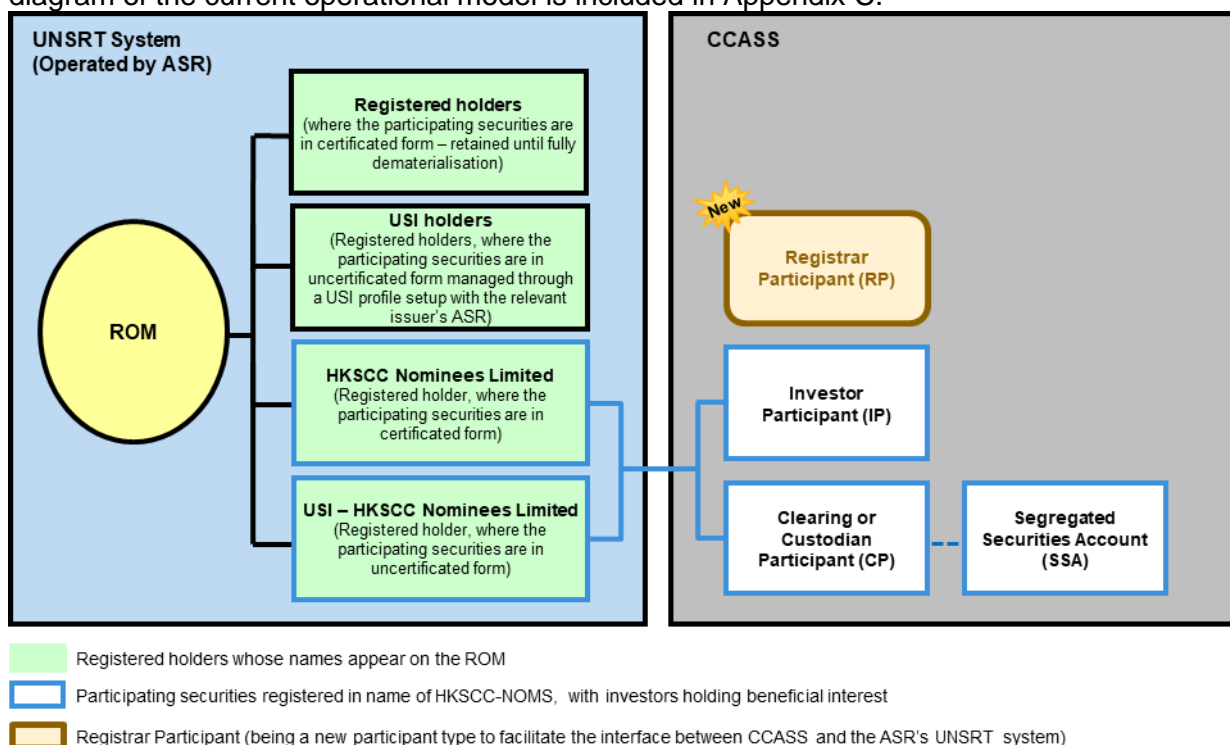
- 1.4. The USM Amendment Ordinance amends various pieces of primary legislation to set out the framework for implementing USM in Hong Kong. Details of the regime will be expanded in subsidiary legislation, as well as through various codes and guidelines to be issued by the SFC. The details of the proposed regulatory changes should be referred to the July 2024 Consultation conclusions. The key items of regulatory change are as follows:
 - a) The Securities and Futures (Uncertificated Securities Market) Rules (USM Rules) – This will be a new piece of subsidiary legislation made under the Securities and Futures Ordinance (SFO). These rules will provide for the regulation of operational, technical and procedural matters in the USM environment.
 - b) The Securities and Futures (Approved Securities Registrars) Rules (ASR Rules) – This will also be a new piece of subsidiary legislation made under the SFO. These rules will provide for the responsibilities, compliance requirements and regulatory arrangements in respect of ASRs.
 - c) The Securities and Futures (Stock Market Listing) Rules (SML Rules) – Part 4 of SML Rules will be amended so that every listing applicant and issuer of prescribed securities will be required to appoint an approved securities registrar (ASR). It also provides that, in the event of a failure, the SEHK is obligated to suspend dealings in the prescribed securities of the issuers concerned. All issuers will be required to notify both the SFC and the SEHK of any intended or actual change in their ASR.

Schedule 5 and 8 of the SFO will be amended in accordance with the new ASR regime and ASR Rules and the Companies (Winding Up) Rules (Cap 32H) will have consequential technical amendments.

- d) The Securities and Futures (Open-ended Fund Companies) Rules (Cap 571V) will be amended to enable listed open-ended fund companies to participate in the USM regime.
 - e) The Stamp Duty Ordinance (SDO) (Cap. 117) will also be amended under the USM Amendment Ordinance. This will enable HKSCC to provide the following arrangements to CPs, which will be approved by the IRD as APs:
 - i. to indicate the transfer of participating securities in or from HKSCC-NOMS involves no change in beneficial ownership, i.e. NCBO
 - ii. to opt to make electronic stamp duty payment to the IRD via CCASS for off-exchange participating securities transfers
 - f) The Code of Conduct for Approved Securities Registrars (ASR Code) – ASR Code will build on and replace the SFC’s existing Code of Conduct for Share Registrars to cater for the USM environment. It will supplement the ASR Rules and expand on the standards and practices expected of ASRs.
 - g) Guidelines for Electronic Public Offers (eIPO) – The existing Guidelines for Electronic Public Offers will be amended to incorporate the followings:
 - i. the provisions that describe the current eIPO process that will be amended to address paper processes
 - ii. the provision of eIPO services by ASRs that will come within the scope of “securities registrar services” and be regulated by the ASR Rules
 - iii. the scope of the Guidelines that will be aligned with the ASR Rules in regard to prescribed securities
- 1.5. Separately, the SFC is also planning to issue further documents to provide guidance to the market, including guidelines for issuers regarding participation of their securities in USM. These will include information on the preparatory steps needed for securities to become participating securities, and information about ongoing obligations thereafter. The SFC also aims to include some sample provisions that issuers may refer to when considering how best to amend their articles/bye-laws to cater for USM. Consequential amendments to the HKSCC Rules, SEHK’s Trading Rules and the Listing Rules will be made to facilitate the implementation of USM. A new participant type, RP, will also be introduced. Details will be provided at a later stage when amendments are finalised.

The operational model for implementing USM in Hong Kong

- 1.6. The diagram below illustrates the model that was endorsed in the consultation in 2019/2020. The diagram below depicts an updated implementation arrangement. For comparison, a diagram of the current operational model is included in Appendix C.



- 1.7. The key features of the Operational Model for USM are as follows.
- a) **Scope of securities covered:** The USM regime will apply only to “prescribed securities”. Issuers of prescribed securities must participate in USM by enabling such securities to become participating securities that can be issued, transferred, and held without paper. The table below illustrates the type of securities that are listed or to be listed on the SEHK which would fall within the scope of prescribed securities:

Products listed or to be listed on the SEHK	Corresponding categories as prescribed securities
▪ Equity securities	Shares
▪ Hong Kong depositary receipts	Depositary receipts
▪ Stapled securities, such as units of a business trust and shares of a holding company/ operating company which are listed on the basis that they are legally bound together and cannot be transferred or traded separately	Stapled securities
▪ Warrants issued for capital fund raising purposes that entitle the holder to subscribe for securities (whether issued or unissued) that are shares, depositary receipts, stapled securities or authorised collective	Subscription warrants

Products listed or to be listed on the SEHK	Corresponding categories as prescribed securities
investment scheme (CIS) which, under their terms of issue of the authorised CIS, may be withdrawn from CCASS	
<ul style="list-style-type: none"> ▪ Rights under a rights issue to subscribe for shares, depository receipts, stapled securities or authorised CIS which, under their terms of issue of the authorised CIS, may be withdrawn from CCASS 	Rights under a rights issue
<ul style="list-style-type: none"> ▪ Unit trust (in certificated form), i.e. Exchanged Traded Products (ETPs) and Real Estate Investment Trusts (REITs), which, under their terms of issue, may be withdrawn from CCASS 	Interests in SFC authorised CIS, where its units can be withdrawn from CCASS and registered in an investor's own name
<ul style="list-style-type: none"> ▪ Structured products, i.e. Callable Bull / Bear Contracts (CBBCs) and Derivative Warrants (DWs) 	Not applicable
<ul style="list-style-type: none"> ▪ Debt securities 	Not applicable

Subscription warrants and rights under a rights issue must be in uncertificated form if, at the time of their issue, the underlying securities have become participating securities. As for subscription warrants or rights under a rights issue already existed when the underlying securities have become participating securities, these may be dematerialised at the discretion of the issuer.

The table below illustrates scenarios of whether entitlements from corporate actions will be held in uncertificated form or certificated form:

	The issuer has participated in USM	The issuer has not yet participated in USM
Type of Entitlements	(U) Uncertificated form / (C) Certificated form	
Subscription warrants, e.g. registered warrants ³	U	C
Rights issue ⁴	U	C
Bonus securities	U	C
Bonus warrants	U	C

- b) Central nominee structure retained: CCASS' central nominee structure will be retained. This means investors who hold their securities through CCASS will continue to hold a beneficial interest and legal title will remain with a central nominee, i.e. HKSCC-NOMS.

³ Only applicable to those registered warrants issued after the prescribed securities become participating securities

⁴ Only applicable to those right issue issued after the prescribed securities become participating securities

- c) Introduction of UNSRT systems: it will be possible for legal title of participating securities to be evidenced and transferred without title instruments, but only through the UNSRT system operated by each ASR which will be explained further in later part.

How the prescribed securities become participating securities

1.8. To enable prescribed securities to become participating securities, i.e. issued, transferred and held without title instrument, issuers of prescribed securities should at least take the following steps:

- a) appoint an ASR to:
 - i. provide and operate a UNSRT system for evidencing and transferring legal title to those securities with title instruments in respect of those securities; and
 - ii. maintain the register of members or holders (ROM) for those securities;

the appointed ASR must have:

- i. completed everything necessary to onboard the securities into its UNSRT system for legal title to those securities to be evidenced and transferred through its UNSRT system without title instruments; and
 - ii. confirmed to the issuer a date from when such evidencing and transferring through its UNSRT system may being;
- b) as appropriate, amend the terms governing the holding and transfer of the relevant securities (e.g. the Articles of Association or by-laws); and
- c) in accordance with the Listing Rules, publish a participation date and the relevant disclosure.

1.9. Detailed information on how prescribed securities become participating securities can also be found in section 3 of the Information Paper issued by the FSR.

Prescribed securities becoming participating securities

1.10. In relation to prescribed securities, the issuer of such securities must from the participation date issues new units of such securities only in uncertificated form and cease to issue new certificates in respect of any existing units of such securities, such as upon transfer of such securities.

1.11. Within six months after the applicable participation date, all units of those securities held in HKSCC vault must be converted into uncertificated form. As such, HKSCC-NOMS will only hold participating securities in uncertificated form.

1.12. More details will be announced in the issuers' guidelines issued by the SFC.

How the investors hold participating securities?

1.13. Given CCASS' central nominee structure will be retained, the investors can hold their participating securities through CCASS. As today, they will hold a beneficial interest, and legal title will remain with HKSCC-NOMS.

- 1.14. Investors can also set up a USI profile at the relevant ASR's USI facility. If an investor holds multiple participating securities, and the issuers of such securities have appointed different ASRs, the investor will need to set up multiple USI profiles. Detailed information on the setup of the USI profile can be found in section 4 of the Information Paper issued by the FSR.

Securities registrars to become ASRs and Registrar Participants of HKSCC

- 1.15. Under the USM environment, securities registrars will be regulated by the SFO, the ASR Rules and the ASR Code covering ASRs' UNSRT systems and processes for provision of securities registrar services, and as ASRs. To provide securities registrar services for the prescribed securities, all securities registrars must obtain an approval from the SFC to act as an ASR upon and after the implementation of USM.
- 1.16. To facilitate electronic transfers of participating securities to or from HKSCC-NOMS, an electronic interface will be established between CCASS and UNSRT systems of each ASR. This interface will also be used for corporate action-related communications between HKSCC-NOMS and issuers (via their ASRs). To that end, HKSCC will introduce a new participant type, Registrar Participant for ASRs under HKSCC Rules.
- 1.17. Communication in relation to the following existing processes will also be made through interface between CCASS and UNSRT systems of each ASR:
- a) Corporate action related instructions, such as elections, and subscriptions of rights or warrants;
 - b) Notifications for to-be-distributed scrip and cash entitlements;
 - c) ROM update and shareholding confirmations, including IPO allotment, placing with new shares and scrip entitlements; and
 - d) Notifications for payment refund and cash payment.
- 1.18. HKSCC-NOMS, as a USI holder, will conduct a daily reconciliation of those securities being held in uncertificated form based on the shareholding information received through the electronic interface files from each ASR to ensure the data integrity.

NCBO Declaration and Optional Stamp Duty Payment Service by HKSCC for Transfers of Participating Securities that involve change in beneficial ownership (CBO)

- 1.19. Under USM, when a CP makes a transfer of participating securities between HKSCC-NOMS and their clients' USI profiles, the CP needs to indicate that such transfer involves no change in beneficial ownership, i.e. NCBO, and is not subject to stamp duty.
- 1.20. Please note that the CP needs to confirm this (i.e. the transfer involves NCBO) as part of the transfer process and must be approved as an AP. The approval process of AP will be administered by the IRD, and detailed information will be provided by explanatory notes issued by the IRD.
- 1.21. After USM implementation, a CP approved by the IRD as an AP may also opt to make electronic stamp duty payment to the IRD via CCASS in respect of any participating securities transfers with beneficial interest (but not legal title) in that occur outside the SEHK, in addition to other payment arrangement provided by the IRD.

- 1.22. On every business day, HKSCC is required to provide the NCBO information to the IRD and exchange the stamp duty payment related information with the IRD. For communication efficiency and safety, HKSCC and the IRD will setup electronic linkage for such communication.

Highlights of the Information Paper:

- 1.23. After the implementation of USM, save from the arrangements highlighted in Appendix D, the arrangements and changes described in this Information Paper will apply to participating securities only. CPs should be aware of the timeline for the implementation of USM for listed issuers and prepare for the operational and technical change that may be required to support both participating securities and non-participating securities based on progress of the implementation of USM to the market. A comparison of the services processed by HKSCC for participating securities and non-participating securities is also illustrated in Appendix E. Please note below on the schedule relating to USM:

Date	Description
USM implementation date	<ul style="list-style-type: none">the date on which the USM regime comes into effect – such date is expected in announced in 2025
Participation date	<ul style="list-style-type: none">in respect of each issuer of prescribed securities, the date published by that issuer as the date from which those prescribed securities become participating securitiessome of the issuers may have the same participation date.

Chapter 2. Operational Changes relating to CP under USM

- 2.1. The following sections will cover the operational processes relevant to CP and the preparatory steps needed ahead of implementation of USM (such as system enhancements) as well as ongoing requirements and arrangements that might impact to CP.
- 2.2. The following table shows the differences of services offered by HKSCC in relation to prescribed securities:

	Yet to become participating securities	Participating securities
Legal Title	➤ Evidenced and transferred with <u>certificates</u>	➤ Evidenced and transferred electronically through UNSRT system
IPO	➤ Allotted with certificates	➤ Allotted in uncertificated form ⁵
Share Depository	➤ Certificates are physically maintained in HKSCC vault	➤ All certificates in HKSCC vault will be converted into uncertificated form (i.e. dematerialised) from the respective participation dates of prescribed securities
Transfer securities into HKSCC-NOMS	➤ Deposit certificates into CCASS Depository for re-registration with certificates in name of HKSCC-NOMS	➤ For participating securities that are still in certificated form, deposit certificates into CCASS Depository for transfer into HKSCC-NOMS, and dematerialise into HKSCC-NOMS' USI profile, i.e. uncertificated form, on the ROM ➤ For participating securities that are already in uncertificated form, transfer them from investor's USI profile into HKSCC-NOMS' USI profile electronically on the ROM
Transfer securities out of HKSCC-NOMS	➤ Withdraw certificates out of CCASS Depository, investor to deliver certificates to securities registrar for re-registration with new certificates in name of the investor	➤ For participating securities that are in uncertificated form, withdrawal of certificates will not be available ➤ For participating securities that are in uncertificated form, transfer them from HKSCC-NOMS's USI profile into an investor's USI profile electronically on the ROM

⁵ The SEHK would have ability to permit IPO securities to be in certificated form during the first year after USM implementation. The relevant requirement is reflected in section 27(1E) in Part 7 of the proposed USM Rules.

Handling of the Certificates of the Existing Participating Securities in HKSCC Vault

- 2.3. As mentioned in section 1.11 from the applicable participation date of any prescribed securities, HKSCC will start sending dematerialisation request to the relevant ASR and dematerialising by batches the certificates of the corresponding participating securities which are held in the HKSCC vault. There would not be an option to rematerialise securities that are in uncertificated form in any circumstances, except delisting. This means that so long as they are participating securities:
- a) such securities that are issued in uncertificated form can never be held in certificated form; and
 - b) such securities that have been converted into uncertificated form (i.e. dematerialised) cannot subsequently be converted back into certificated form.
- 2.4. The process of dematerialising securities held in HKSCC vault in the name of HKSCC-NOMS will involve HKSCC returning any certificates relating to the participating securities to the corresponding ASR for cancellation and recording in the ROM that they are held in uncertificated form. The legal title will remain with HKSCC-NOMS. The dematerialisation process is expected to be seamless to the market.
- 2.5. Given there would be no option to rematerialise securities in uncertificated form, after dematerialisation, CPs will not be able to withdraw such participating securities from CCASS Depository in certificated form. HKSCC will provide sufficient notice before each dematerialisation exercise so that the CPs can make the arrangements with their clients for the dematerialisation as appropriate.
- 2.6. After the USM implementation date, there will be a transitional period prior to the applicable participation date of the prescribed securities. During the transitional period, while HKSCC is dematerialising the securities held in HKSCC vault, special arrangement will be imposed in terms of deposit, dematerialisation and withdrawal of physical certificates. Details of the transitional period will be available at a later stage.

How to transfer the participating securities to and from HKSCC-NOMS?

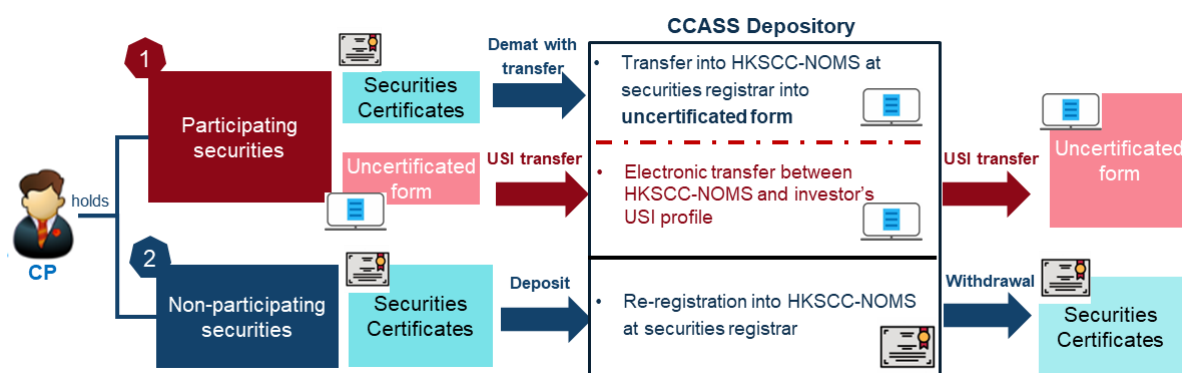
Step 1: identify the list of participating securities

- 2.7. As set out in Part 7 of the proposed USM Rules, the specified prescribed securities must become participating securities within 5 years after the USM implementation date. Further, to ensure an orderly transition to full dematerialisation, all specified prescribed securities will be lined up in a queue so that each has its own specific deadline (within the 5-year period) by when it must become participating securities. Each such deadlines will be determined jointly by the issuer's ASR, HKSCC and the SEHK. This timetable will be announced on the SFC and HKEX websites respectively from time to time. The issuers (of specified prescribed securities) must then set a date (which is no later than the specific deadline) as the participation date for their securities.
- 2.8. To prepare the market, each issuer (of specified prescribed securities) must announce the participation date in relation to those prescribed securities (on which date they become participating securities) and provide updates in accordance with Listing Rules.

2.9. A list of prescribed securities with participation dates will be available on the HKEX website. After the implementation of USM, CCASS function “Enquire Stock List function” will be enhanced so that CPs can ascertain which securities are participating securities. The participating securities will be shown in the list screen and the field “Eligible for Demat/USI Transfer” will be marked as “Y”.

Step 2: transfer the participating securities

2.10. Depending on the form of participating securities being held by the CP’s client, the CP can facilitate the transfer of securities to/from HKSCC-NOMS, as shown in the below diagram below:



2.11. If the participating securities held by the CP’s client are in certificated form (e.g. securities certificates), the CP would need to submit a dematerialise and transfer (demat with transfer) request together with the securities certificates to CCASS Depository, for transferring to HKSCC-NOMS and dematerialise such securities. If the participating securities held by the CP are in uncertificated form, transfer to or from HKSCC-NOMS will be made through USI transfer. The following table lists the transfer methods and corresponding CCASS functions:

Transfer Method	CCASS Function
1. Demat with transfer	Login Demat/Deposit Order
2. USI transfer	USI Transfer Request

Demat with Transfer

2.12. From the applicable participation date of the prescribed securities (i.e. when the prescribed securities become participating securities), registered holders who wish to hold the participating securities in uncertificated form will have two options:

- submit a dematerialisation request to the relevant ASR. Dematerialisation procedure conducted through ASR is documented in section 4 of the Information Paper issued by the FSR.
- request their CPs to submit a demat with transfer request⁶.

2.13. If registered holders wish to dematerialise their participating securities in certificated form through their CPs as well as transfer them into the name of HKSCC-NOMS, the title instruments (i.e. securities certificates) issued in respect of those securities should be handed

⁶ The relevant process can be reference in section 5 of the Information Paper issued by the FSR. (Details to be confirmed by the FSR)

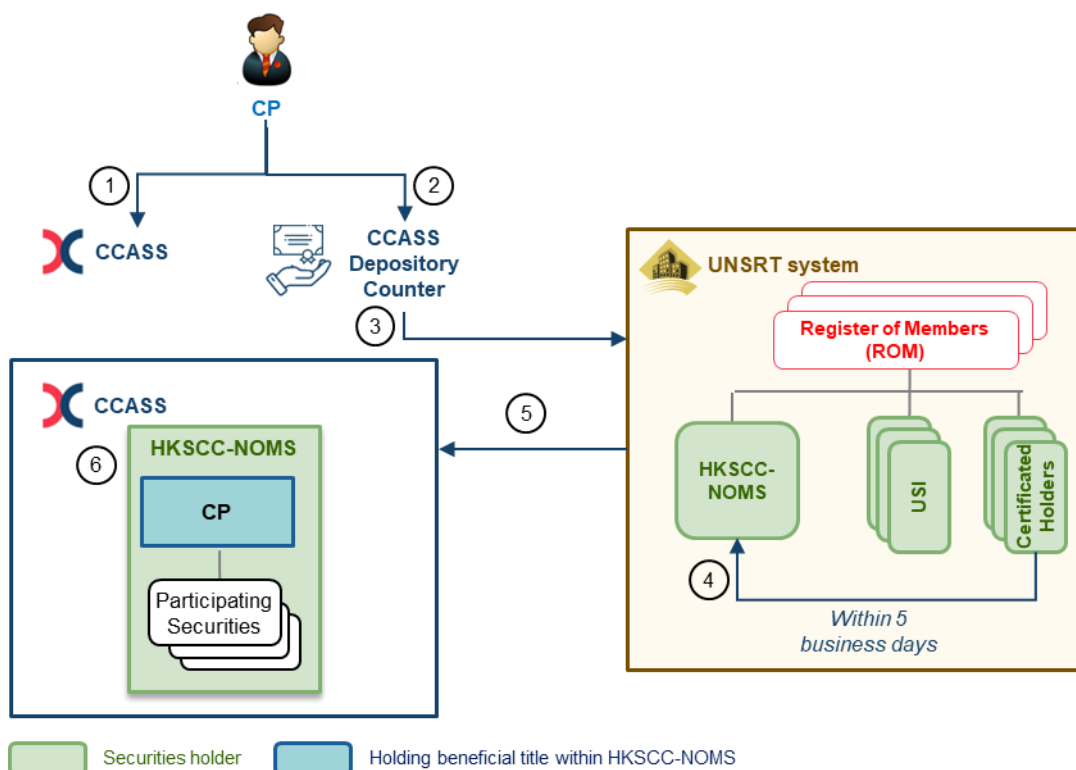
over to the corresponding CP so that the CP can in turn submit a demat with transfer request to HKSCC. CCASS will launch a new function called “Login Deposit/Demat Order” to facilitate CPs making demat with transfer requests. The demat with transfer procedure is similar to the current CCASS depository procedure, where a CP must deliver the relevant securities certificates to the CCASS Depository counter within the timeline prescribed by HKSCC. Before doing so, the CP must submit a demat with transfer request in CCASS.

2.14. The CP who delivers the securities certificates to the CCASS Depository counter for demat with transfer is responsible for ensuring and indicating that such request involves NCBO. The securities certificates should be attached with an instrument of transfer, with relevant endorsement or declaration, namely that the transfer involves NCBO, and that:

- a) HK\$5 fixed stamp duty has been paid; and
- b) the demat with transfer is not subject to ad valorem stamp duty

2.15. Upon receipt of the securities certificates from the CP, HKSCC will check and validate them, update the demat with transfer request status and transmit the request to the relevant ASR through an electronic interface file. HKSCC will then arrange for delivery of such securities certificates to the corresponding ASR to dematerialise the participating securities and transfer them to HKSCC-NOMS as soon as possible. The relevant ASR should complete any demat with transfer within 5 business days from the day on which it receives the electronic interface file, the securities certificates and the instrument of transfer, with the relevant endorsement or declaration of NCBO from HKSCC. Such CP’s relevant stock account in CCASS will be credited upon successful transfer into the name of HKSCC-NOMS, and not before.

2.16. The diagram below illustrates the demat with transfer process for CP:



1. A CP submits demat with transfer request in CCASS using the online function “Login Deposit/Demat Order” or batch upload with the following information:
 - a. Participant ID

- b. ISIN or Stock Code
- c. Stock Account Number
- d. Total Number of Share(s)

After the above information is validated by CCASS, the CP would need to input/confirm the following details with maker-checker mechanism in CCASS:

- e. Transferor Name (please be reminded that the inputted name must be an exact match with the name shown on the securities certificates)
 - f. Rush Service, the default input is "Normal" which means that rush service is not required. CP would need to confirm with the respective ASR for availability of the rush service
 - g. Change of Beneficial Ownership
 - h. Request Withhold, the default input is "YES"⁷
 - i. Certificate Details (max 100 entries to facilitate multiple certificates)
 - i. Prefix
 - ii. Certificate Number Range
 - iii. Denomination
2. The CP delivers the corresponding securities certificates to CCASS Depository counter with an instrument of transfer, together with relevant endorsement or declaration, indicating NCBO (the documentation).
 3. HKSCC checks and validates the certificates and updates the demat with transfer request status to "CONFIRM RECEIPT".

CCASS generates an electronic interface file containing the demat with transfer requests to the respective ASR's UNSRT system. At the same time, HKSCC arranges delivery of the securities certificates, and the documentation to the respective ASR.

4. From the date on which the ASR receives the electronic interface file, securities certificates and the documentation. The respective ASR's UNSRT system dematerialises the securities and transfers them to HKSCC-NOMS and records them in uncertificated form in the ROM within 5 business days from the date on which the ASR receives the electronic interface file, certificates and documentation.
5. Upon the completion of demat and transfer, UNSRT system of the respective ASR transmits the confirmation via the electronic interface file to CCASS.
6. HKSCC updates the CP's shareholdings and demat with transfer request status to "COMPLETE" in CCASS.

2.17. The following table summarises the roles of, and actions required to be taken by the following parties:

Roles	Actions
Registered holder	<ul style="list-style-type: none"> • Requests its CP that its participating securities in certificated forms be transferred to HKSCC-NOMS. Relevant securities

⁷ If Request Withhold is "YES", the availability of the securities will be subject to the demat with transfer process completed by the relevant ASR. If Request Withhold is "NO", the immediate credit will be provided based on current policy of HKSCC.

Roles	Actions
	certificates are delivered to the CP together with supporting documents, such as instrument of transfer signed by the USI holder as transferor
CP	<ul style="list-style-type: none"> Submits a demat with transfer request in CCASS. Certificates and supporting documentation are prepared and delivered to the CCASS Depository counter
HKSCC	<ul style="list-style-type: none"> Transmits the demat with transfer request to the respective ASR's UNSRT system through the electronic interface file and delivers the certificates and supporting documentation to the ASR. HKSCC-NOMS will sign as the transferee in the instrument of transfer and provide a dematerialisation consent to the respective ASR
ASR	<ul style="list-style-type: none"> Performs relevant validation and processes the demat with transfer in the ASR's UNSRT system. After the ROM is updated, HKSCC will be advised of the completion of the demat with transfer.

2.18. If the securities certificates delivered by the CPs for demat with transfer request are in the name of HKSCC-NOMS⁸, HKSCC will arrange for the certificates to be delivered to the corresponding ASR for dematerialising such securities, but without transfer to HKSCC-NOMS. Since there is no transfer involved, the shareholding record in the ROM will be updated to indicate that the relevant securities are now in uncertificated form.

USI Transfer⁹

2.19. Transfer of participating securities to/from HKSCC-NOMS in uncertificated form may only be made between HKSCC and USI holders. This process, known as USI transfer, will be conducted electronically through CCASS and the corresponding ASR's UNSRT system. USI holders must transfer their participating securities into / from CCASS through their respective CP, and such USI transfers will constitute a change in legal title but not a change in beneficial ownership. Therefore, no stamp duty is payable. As mentioned in section 1.20, CP must be an AP to indicate such USI transfers as involving NCBO.

2.20. CCASS's new function called "USI Transfer Request" will facilitate CPs to transfer participating securities to/from HKSCC-NOMS. After a CP receives the instructions from a USI holder, the CP must submit a USI transfer request with the corresponding USI holder's information and a NCBO indication in CCASS. If the USI transfer request is submitted and validated in CCASS by 13:30 HK time, CCASS will transmit the USI transfer request to the UNSRT system of the corresponding ASR through the electronic interface file by batches on the same day. CP should ensure that its client completes the required tasks during the affirmation period, (i.e.

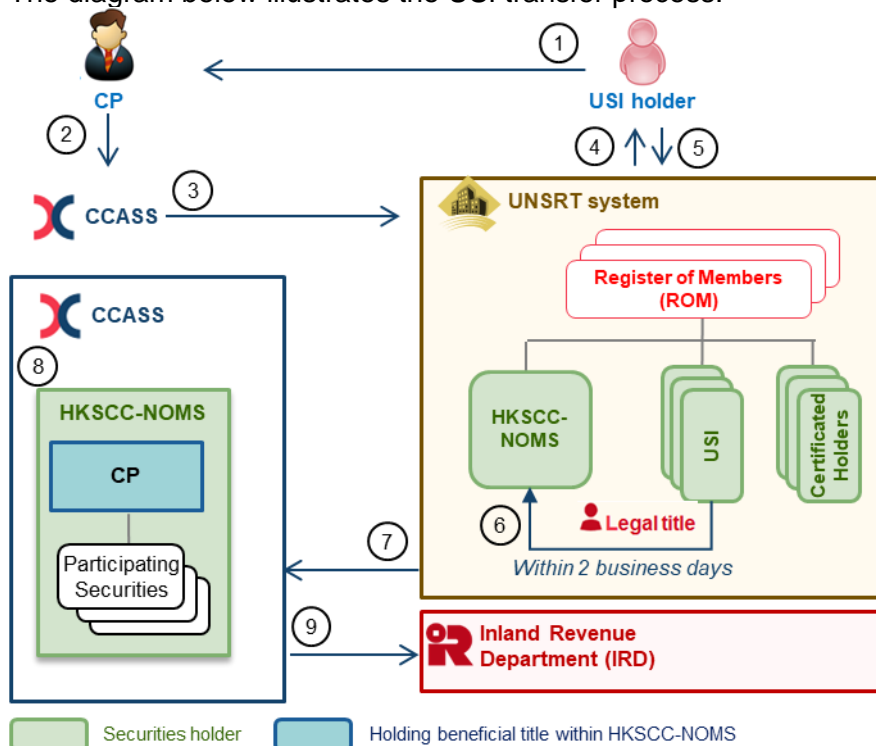
⁸ What may happen is that the CP has withdrawn the securities certificates from the CCASS Depository but has not delivered them to the relevant securities registrar for re-registration. Accordingly, these securities certificates will remain in the name of HKSCC-NOMS.

⁹ The relevant process can be reference in section 5 of the Information Paper issued by the FSR. (*Details to be confirmed by the FSR*)

currently set to be within 5 business days), for the USI transfer request on a timely basis to avoid delay in any subsequent process. If the USI transfer request is to facilitate the settlement, CP must ensure that its client completes the affirmation before the settlement date. The details of the required tasks to be completed during the affirmation process in UNSRT system¹⁰ are provided in the Information Paper issued by the FSR.

- 2.21. It is important that accurate information is inputted in the USI transfer request. During the affirmation process, the USI holder is responsible for providing an NCBO indication and confirming the details of the USI transfer request, such as the USI holder's information, stock name and quantity, etc. After affirmation by the USI holder, ASR shall complete the US transfer request within 2 business days. Once the transfer request is completed, the ASR's UNSRT system will send a confirmation of transfer to CCASS through the electronic interface file by batches. CCASS will process the confirmation, update the USI transfer request status and the CP's stock account. At the end of the day, CCASS will transmit to the IRD the declaration file with NCBO information in respect of USI transfers confirmed during that day.
- 2.22. If the details of the USI transfer request do not match with ASR's record, the USI transfer request will be rejected and the corresponding ASR's UNSRT system will issue a notification to CCASS through the electronic interface file. CCASS will then update the USI transfer request status. If the USI holders do not response to the transfer requests in the ASR's UNSRT system within 5 business days, ASR will purge the transfer requests in the corresponding UNSRT system and transmit the notification to CCASS.
- 2.23. As the processes will be electronic rather than paper-based, the current immediate credit facility will no longer be available when transferring participating securities that are in uncertificated form.

The diagram below illustrates the USI transfer process:



¹⁰ Reference to section 5 of the Information Paper issued by the FSR, USI holder can approve or reject the transfer request in the UNSRT system. *(Details to be confirmed by the FSR)*

1. A USI holder instructs its CP to submit a USI transfer request to transfer its participating securities to/from HKSCC-NOMS.
2. After the CP receives the instructions from a USI holder, the CP must submit a USI transfer request in CCASS using the online function "USI Transfer Request" or batch upload with the following information:
 - a. Participant ID
 - b. Transfer Type, the default input is "RECEIVE" for transferring in HKSCC-NOMS, and "DELIVER" for transferring from HKSCC-NOMS
 - c. ISIN or Stock Code
 - d. Stock Account Number
 - e. Transfer Quantity

After the above information is validated by CCASS, the CP would need to input/confirm the following details with maker-checker mechanism in CCASS:

- f. Client (USI Holder Number)
 - g. Client USI Holder Name (Please be reminded that the inputted name must be an exact match with the name recorded on the USI profile. If the client is a joint USI holder, the USI holder name sequence must follow USI profile as well.)
 - h. Change of Beneficial Ownership
3. CCASS would place the respective securities to be "on hold" if the transfer request is "DELIVER". For the transfer requests submitted and passed the validation rules (e.g. stock code, and transfer quantity) in CCASS before 13:30 HK time, CCASS will transmit the transfer requests via the electronic interface file to the respective ASR's UNSRT system on the same day.
 4. The ASR's UNSRT system should notify the USI holder to affirm the USI transfer through the ASR's UNSRT system.
 5. The USI holder confirms the details of the USI transfer by affirming the USI transfer request with NCBO indication in the ASR's UNSRT system
 6. After the USI holder affirms the USI transfer, the ASR completes the registration of the transfer within 2 business days.
 7. The ASR's UNSRT system transmits to CCASS the confirmation on completion of the USI transfer to CCASS.
 8. HKSCC updates the CP's shareholdings and request status to "COMPLETE" in CCASS.
 9. HKSCC transmits the declaration file with NCBO information to the IRD

2.24. The following table summarises the roles of, and actions required to be taken by the following parties involved:

Roles	Actions
USI holder	<ul style="list-style-type: none"> Requests its CP that its participating securities in uncertificated form be transferred to/from HKSCC-NOMS

Roles	Actions
	<ul style="list-style-type: none"> Provides its USI holder number for the relevant ASR and name as well as other transfer details such as stock code and quantity to its CP Confirms the details of the USI transfer request by affirming the transfer request with NCBO indication in the ASR's UNSRT system
CP	<ul style="list-style-type: none"> Ensures that the name of the requesting USI holder entered in CCASS must be an exact match with the name of USI profile at the ASR's UNSRT system, and the transfer involves NCBO Submits a USI transfer request with NCBO indication in CCASS. The USI request should include the USI holder number and name of requesting USI holder
HKSCC	<ul style="list-style-type: none"> Transmits the USI transfer request to the respective ASR's UNSRT system through the electronic interface file Updates the CP's stock account in CCASS Transmits the NCBO information to the IRD
ASR	<ul style="list-style-type: none"> Performs relevant validation on the request in the ASR's UNSRT system, including that the USI holder number and name provided match and NCBO indication. After the ROM is updated, HKSCC and the USI holder will be advised of the completion of the USI transfer
IRD	<ul style="list-style-type: none"> Records the NCBO information in the IRD's system Reserves the right to visit CP's firm to inspect CP's books and all other related records

Extension of Deposit Arrangement of non-participating Securities from Paper Form to Electronic Means

- 2.25. HKSCC will also take this opportunity to upgrade physical deposit of title instruments (i.e. securities certificates) by getting rid of the physical forms in respect of non-participating securities upon implementation of USM. The same "Login Demat/Deposit Order" will also be used for depositing of securities certificates into CCASS Depository. The extension of the deposit arrangement for non-participating securities will not affect the existing deposit arrangements with the securities registrar, and deposit requests for non-participating securities will not be transmitted to securities registrars through the electronic interface.
- 2.26. Currently, CP must submit deposit voucher along with securities certificates over the CCASS Depository counter to deposit such securities certificates into the CCASS Depository. HKSCC would then deliver the securities certificates to the relevant securities registrar for re-registration. Given that the USM regime aims to improve overall market efficiency, CCASS's new function called "Login Deposit/Demat Order" can facilitate not only demat with transfer requests for participating securities but also deposit requests in respect of non-participating

securities. After the implementation of USM, CPs must submit deposit requests in CCASS. The information required for a deposit request is similar to that required for demat with transfer request, except the indication for jumbo certificate deposit. In the deposit request, the CP would need to input the following:

- a. Participant ID
- b. ISIN or Stock Code
- c. Stock Account Number
- d. Total Number of Share(s)

After the above information is validated, the CP further inputs/confirms the following details:

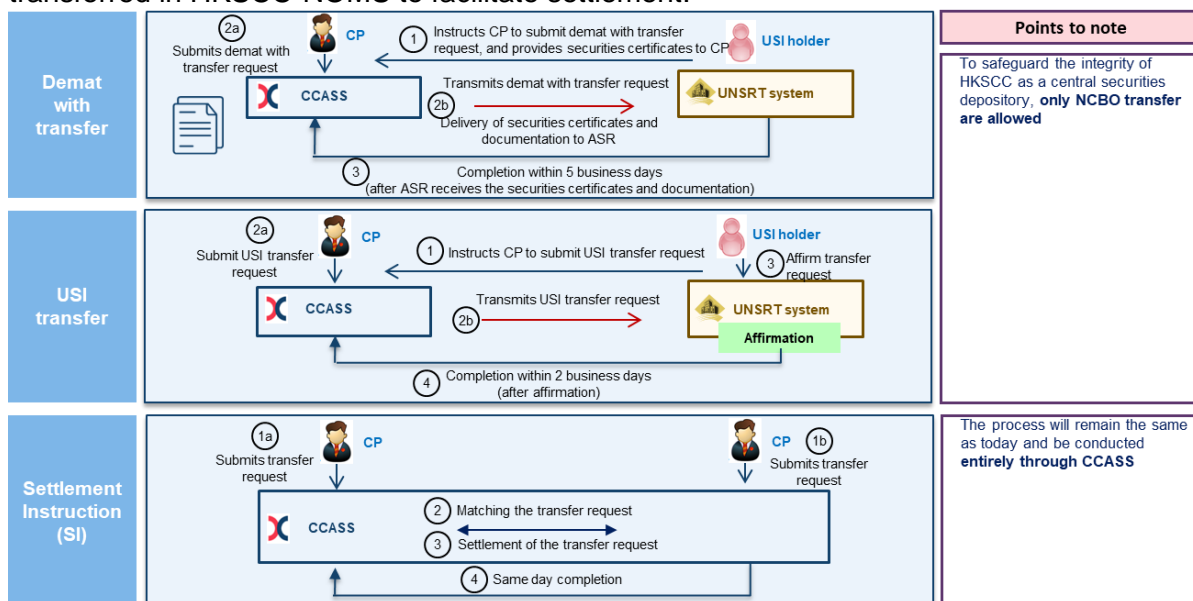
- e. Transferor's Name (please be reminded that the inputted name must be an exact match with the name shown on the securities certificates)
- f. Rush Service, the default setting is "Normal" which means that rush service is not required. CP would need to confirm with the respective ASR for availability of the rush service
- g. Change of Beneficial Ownership (if the deposit involves CBO, the CP is responsible to fulfil the stamp duty obligation before submitting the deposit request)
- h. Jumbo certificate deposit (for scrip fee concession)
- i. Request Withhold, the default setting is "YES" and "NO" for option
- j. Certificate Details (max 100 entries to facilitate multiple securities certificates)
- k. Prefix
- l. Certificate Number Range
- m. Denomination

2.27. CP needs to arrange for securities certificates to be delivered to the CCASS Depository counter for re-registration. The rest of the procedures is the same as today.

2.28. The withdrawal procedure for non-participating securities will remain unchanged after the implementation of USM. CPs must use the existing "Login Withdrawal Order" function of CCASS to submit a withdrawal request. The request status will be updated when the certificates are available for pick up.

Share Movement Facilitation relating to Settlement in relation to Participating Securities involving CP and USI Holder

2.29. The table below summarises the various ways in which participating securities can be transferred in HKSCC-NOMS to facilitate settlement.



Transfer participating securities to HKSCC-NOMS – Demat with transfer and USI transfer

2.30. As illustrated in section 2.29 above, demat with transfer and USI transfer are related to the transfers of participating securities into a CP's stock account in CCASS by a USI holder or a registered holder with title instruments (i.e. securities certificates). Such transfer will result in a change in legal title.

2.31. To safeguard the integrity of HKSCC as a central securities depository, only NCBO transfer are allowed for demat with transfer and USI transfer. Therefore, the parties involved, CP and USI holders must indicate that the transfer is NCBO and is not subject to stamp duty. If the demat with transfer or USI transfer involves CBO, then such request will not be accepted in CCASS.

2.32. ASRs shall complete the demat with transfer within 5 business days upon the receipt of the electronic interface file, securities certificates and documentation, and complete the USI transfer within 2 business days upon the affirmation of the USI holder. CPs are responsible to remind their clients to complete the affirmation in the ASR's UNSRT system as soon as possible to ensure settlement obligation are met. CPs are also reminded to allow sufficient time to transfer participating securities to fulfil the settlement obligation.

Movement of participating securities between CPs – Settlement Instruction (SI)

2.33. SI refers to the movement of securities between different CP stock accounts in CCASS. The transfers will not result in any change in legal title as the securities remain registered in the name of HKSCC-NOMS.

- 2.34. The process for such transfers will be largely the same as today and will be conducted entirely within CCASS, with CP to CP transfers going through SI. The options for money settlement will also remain unchanged, as will the process for collecting and paying any associated stamp duty.

Corporate Action (CA) Services

- 2.35. There should be no major change to the CA services provided by HKSCC to CPs after the implementation of USM. However, to facilitate the holding of virtual or hybrid general meetings, the existing CCASS function called “Corporate Representative/Proxy Instruction Maintenance” will be enhanced with a new field “Email Address for online meeting”. CPs can provide their clients’ email address so that the clients can receive the relevant virtual general meeting information. CPs and their clients must ensure the accuracy of email address entered as HKSCC and the relevant ASR do not have the information to verify the email address. This new field will be available for both participating securities and non-participating securities.
- 2.36. The entitlement arising from the participating securities will be in uncertificated form which will be effectuated via the electronic interface between HKSCC and each ASR. This process is transparent to CPs.

Chapter 3. Changes in Functions and Reports in CCASS relating to USM

3.1 CCASS will be enhanced to support the implementation of USM, and completion of these enhancements is targeted for end 2025:

- a) Regulatory Framework – a new participants i.e. RP will be introduced and there will be a new set of interfaces to facilitate electronic communication between HKSCC and each ASR through which authenticated messages relating to participating securities are sent or received.
- b) Depository Functionalities related to USM – development of a new USI transfer mechanism to replace the deposit and withdrawal of physical certificates and a new demat with transfer function to convert and transfer the physical certificates into uncertificated form.
- c) Infrastructural Setup and Arrangement with IRD – development of a mechanism in CCASS to allow CPs to (i) submit USI transfer related NCBO information and (ii) opt to make stamp duty payment to IRD relating to participating securities.

3.2 Below are the functions relating to the implementation of USM:

Function Name	Description	Availability
1. Login Deposit/Demat Order	<ul style="list-style-type: none"> New function will enable CP to submit i) a deposit request for non-participating securities; or ii) a demat with transfer request for participating securities 	<ul style="list-style-type: none"> New function will be available for both participating securities and non-participating securities The function time will be from 08:00 to 17:00 HK time from Monday to Friday (except public holidays)
2. USI Transfer Request	<ul style="list-style-type: none"> New function will enable CP to submit a USI transfer request for participating securities (transfer to/from HKSCC-NOMS) – 	<ul style="list-style-type: none"> New function will be available for participating securities only The function time will be from 07:30 to 19:00 HK time from Monday to Friday (except public holidays) The cutoff for transmitting the USI transfer request to ASRs on same day is 13:30 HK time
3. Login Deposit/Demat Order Batch File Upload	<ul style="list-style-type: none"> New function will enable CP to upload a file for i) deposit requests for non-participating securities; or ii) demat with transfer requests for participating securities 	<ul style="list-style-type: none"> New function will be available for both participating securities and non-participating securities The function time will be from 08:00 to 17:00 HK time from Monday to

Function Name	Description	Availability
		Friday (except public holidays)
4. USI Transfer Request Batch File Upload	<ul style="list-style-type: none"> • New function will enable CP to upload a file for USI transfer requests for participating securities (transfer to/from HKSCC-NOMS) 	<ul style="list-style-type: none"> • New function will be available for participating securities only • The function time will be from 07:30 to 19:00 HK time from Monday to Friday (except public holidays) • The cutoff for transmitting the USI transfer request to ASRs on same day is 13:30 HK time
5. Stamp Duty Payment Request	<ul style="list-style-type: none"> • New function (optional) will enable CP to make a stamp duty payment for CBO off-exchange transfers to IRD via CCASS 	<ul style="list-style-type: none"> • The function time will be from 08:00 to 19:00 HK time from Monday to Friday (except public holidays)
6. Enquire Stock List function	<ul style="list-style-type: none"> • Existing function enables CP to enquire a list of eligible CCASS securities, i.e. both participating securities and non-participating securities 	<ul style="list-style-type: none"> • Pull-down menu of the field "STATUS" in prompt screen will be enhanced with a new field "Eligible for Demat / USI Transfer" to enable CP to enquire if the securities are participating securities. Participating securities will be marked as "Y" in this field
7. Corporate Representative / Proxy Instruction Maintenance	<ul style="list-style-type: none"> • Existing function enables CP to provide its corporate representative / proxy information for the meetings 	<ul style="list-style-type: none"> • A new field "Email Address for online meeting" will be added in detail screen. The new field will be applicable to both participating securities and non-participating securities

3.3 Reports relating to the transfer of participating securities in uncertificated form will be available via CCASS to CPs including:

Report Name	Description	Availability
1. USI Transfer Request Activity Report	<ul style="list-style-type: none"> • New report will contain daily activities transacted by CP and housekeeping system activities 	<ul style="list-style-type: none"> • New report will be available at day-end from Monday to Friday (except public holidays)

Report Name	Description	Availability
2. USI Transfer Request Status Report	<ul style="list-style-type: none"> New report will list the latest status of the USI Transfer Requests 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
3. USI Transfer Request Batch Input Control Report	<ul style="list-style-type: none"> New report will show the validation results of the uploaded USI Transfer Request files 	<ul style="list-style-type: none"> New report will be available shortly after batch validation triggered from Monday to Friday (except public holidays)

3.4 Reports relating to deposits of participating securities and non-participating securities in certificated form will be available via CCASS to CPs including:

Report Name	Description	Availability
1. Deposit/Demat Order Maintenance Audit Trail Report	<ul style="list-style-type: none"> New report will contain activities in relation to the CP's Login Deposit/Demat Order 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
2. Deposit/Demat Order Status Report	<ul style="list-style-type: none"> New report will list the latest status of the "Login Deposit/Demat Orders" 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
3. Deposit/Demat Order Certificate(s) Detail Report	<ul style="list-style-type: none"> New report will list the certificate details submitted and accepted by HKSCC 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
4. Rejected Deposit/Demat Order Certificate(s) Detail Report	<ul style="list-style-type: none"> New report will list the certificate(s) detail, if any, being rejected by the relevant Securities Registrar on the day 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
5. Deposit/Demat Order Batch Input Control Report	<ul style="list-style-type: none"> New report will show the validation results of the uploaded Deposit/Demat Order Batch Files 	<ul style="list-style-type: none"> New report will be available shortly after batch validation triggered from Monday to Friday (except public holidays)

3.5 Reports relating to stamp duty payment request will be available via CCASS to CPs including:

Report Name	Description	Availability
1. Stamp Duty Payment Request Activity Report	<ul style="list-style-type: none"> New report will list i) the daily activities in relation to the Stamp Duty Payment Request 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)
2. Stamp Duty Payment Request Status Report	<ul style="list-style-type: none"> New report will list out the latest status of the Stamp Duty Payment Requests for the day 	<ul style="list-style-type: none"> New report will be available at day-end from Monday to Friday (except public holidays)

- 3.6 Existing reports relating to corporate action activities will be enhanced and available via CCASS to CPs including:

Report Name	Description	Changes
1. CRP Batch Input Control Report	• Existing report shows the validation results of the Corporate Representative/ Proxy (CRP)'s file	• Email address is added for hybrid/ virtual meeting
2. Nominee Functions Input Activities	• Existing report lists out the activities in relation to nominee functions	• Email address is added for hybrid/ virtual meeting

- 3.7 CPs are advised to consult their internal Information Technology support units or system vendors for necessary preparation in relation to implementation of USM. CPs are reminded to review their internal operational procedures given the operational change arising from USM.

Chapter 4. Other Operational Changes relating to USM

Stamp Duty Payment Facilitation for Participating Securities

4.1 As mentioned in section 1.20, CPs need to be approved by the IRD as APs in relation to stamp duty payment arrangements which will be introduced for participating securities:

- **Mandatory** - CPs are required to indicate NCBO for all USI transfers after USM implementation.
- **Optional** - For off-exchange transfers with CBO that require stamp duty payments, in addition to existing stamp duty payment arrangement, CCASS will also launch a new function called “Stamp Duty Payment Request” to facilitate CP’s payment of stamp duty electronically via CCASS.

Mandatory Arrangement

4.2 When CP submits a demat with transfer or USI transfer request in CCASS, the CP must confirm the “Change of Beneficial Ownership” field. The nature of the demat with transfer or USI transfer request will be treated as NCBO once the CP authorises the request in CCASS. It is important that:

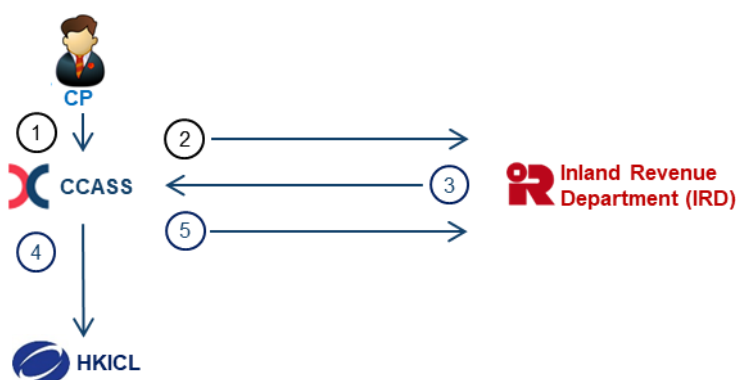
- i. CPs will therefore be taken to have indicated that the transactions are NCBO; and
- ii. if CPs have any doubts as to the NCBO nature of the transaction, it would be their responsibility to follow up with the relevant client accordingly.

At day-end, CCASS will extract the NCBO information from the completed demat requests and USI transfer requests, and then generate and transmit an interface file to the IRD system.

Optional Service

- 4.3 The “Stamp Duty Payment Request” will be a new CCASS function, which is an optional service for CPs who are approved as APs by the IRD to make stamp duty payment, via CCASS, on CBO transfers of participating securities to IRD. After a CP submits the request with the contract note details via CCASS, CCASS will send such information to the IRD for the stamp duty calculation. On the following day, the IRD shall revert by providing the calculated stamp duty payment amount to CCASS; then CCASS will generate an Electronic Payment Instruction (EPI) accordingly for the collection of stamp duty payment based on the IRD’s calculation. The CP will be responsible for retaining relevant records of stamp duty payments made, and transfer information for the IRD’s inspection.
- 4.4 The stamp duty payment, in form of EPI, will be settled by debiting from the CP’s designated bank account; and crediting to the IRD’s bank account in the morning following the day which the EPI being generated.
- 4.5 There is no change to the stamping requirement, including the deadline to pay stamp duty. To complete the stamping process, the CP must imprint the contract notes in accordance with section 5AA of the SDO.

4.6 The diagram below illustrates the stamp duty payment process:



1. CP submits a stamp payment request in CCASS using “Stamp Payment Request” function with the following information:
 - a. ISIN or Stock Code
 - b. Name of Transferor in English
 - c. Name of Transferee in English
 - d. Date of Contract Note
 - e. Type of Contract Note, the default setting is “BUY” and the options are “SELL” and “BOTH¹¹”
 - f. Effected In, the default setting is “HONG KONG”, and the option is “E – ELSEWHERE” for option
 - g. Number of Shares under Transfer
 - h. Total Consideration in HKD
2. CCASS generates and transmits the stamp payment request information to IRD for stamp payment calculation
3. On next morning, IRD will transmit the calculated stamp payment amount to CCASS. The stamp payment amount will be recorded to the respective stamp payment request in CCASS.
4. CCASS will generate one EPI per stamp payment requests and insert the EPI reference to the stamp payment request for CP’s reference. Once the EPI is generated, the respective stamp payment is deemed to be paid by the CP (AP); then CP (AP) can proceed with the securities transfer. The EPI will transmit to HKICL for payment processing at day end. CP (AP) should ensure their designated banks will properly effect the EPI payment.

To complete the stamping process, the CP (AP) must imprint the contract notes in accordance with the SDO. IRD will issue guidance notes to elaborate the stamp payment arrangements and requirements for participating securities in a later stage.

4.7 The table below summarises the roles of, and actions required to be taken by the following parties:

Roles	Actions
CP	<ul style="list-style-type: none"> Submits stamp duty payment request in CCASS Ensures sufficient money in its designated bank account to fulfil the EPI

¹¹ For “BOTH” option, the IRD will calculate the stamp duty for both buy and sell sides

Roles	Actions
	<ul style="list-style-type: none"> Imprints the contract notes in accordance with the SDO.
HKSCC	<ul style="list-style-type: none"> Transmits the stamp duty payment request to IRD for stamp payment calculation Generate and transmits the EPI per stamp payment request for stamp collection
IRD	<ul style="list-style-type: none"> Calculates and transmit the stamp payable amount to CCASS
HKICL / Designated Banks	<ul style="list-style-type: none"> Processes the stamp payment, i.e. EPI

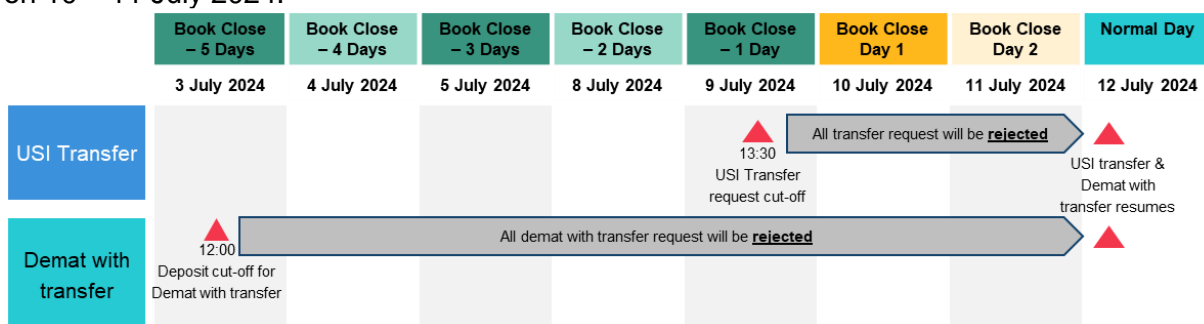
Arrangements before the Closure Period of ROM

4.8 According to the proposed USM Rules¹², the closure period of ROM (also known as the book close period¹³) for participating securities will be limited to no more than two consecutive business days. Securities registrars recommend the following cut-off time for demat with transfer and USI transfer requests submission:

4.9

Types	Recommended cut-off time
Demat with transfer	5 business days before book close period
USI transfer	1 business day before book close period

The following diagram illustrates the cut-off time taking an example of book close period falling on 10 – 11 July 2024:



4.10 CCASS will also make necessary arrangement on the handling of USI transfer and demat with transfer requests before book close period. Further details will be provided to ensure that CPs/ investors can meet the cut-off time to minimise service impact in a later stage

¹² The revised USM Rules can be found at Annex 2 of [July 2024 Consultation conclusions](#), and the relevant provisions in this context is section 7(2A) of that draft.

¹³ Reference to paragraph 164 to 170 in the [Consultation Paper](#) of Corporate Governance Code and Related Listing Rules issued in June 2024, there is a proposed requirement for issuers to set a record date, HKEX will further work with FSR on the cut-off time for USI transfer and demat with transfer when an issuer decides on a record date without book close period. Details shall be provided at a later stage.

Arrangements under Half-Day Trading Day

- 4.11 The SEHK has scheduled Christmas Eve, New Year's Eve and Chinese New Year's Eve to trade half-day only. Securities settlement will not occur on any of these days. The USI transfer and demat with transfer request will be processed as usual under half-day trading day.

Change of ASRs of Participating Securities

- 4.12 If an issuer plans to change its appointed ASR for its participating securities, the issuer must notify the SFC and HKSCC at least three months in advance¹⁴. Cut-off time will be imposed for USI transfer and demat with transfer before the change of ASR. The proposed cut-off time would follow the book close arrangements, namely 1 business day prior to the change of ASR for USI transfer, and 5 business days prior to the change of ASR for demat with transfer.

Any impact on other HKSCC Services

- 4.13 The process of FINI will remain unchanged. Processes in relation to issuance of title instruments (i.e. securities certificates) will be replaced with electronic updates of ROM record in HKSCC.
- 4.14 There will be no change to other HKSCC services, including Stock Connect arrangement. However, CPs are reminded to complete the transfer of participating securities into CCASS with the timeline determined by HKSCC's discretion before settlement period to ensure investors meet relevant timelines and obligations.

¹⁴ There are two exceptions to the notification requirement in the proposed amendments to the SML Rules: (a) the securities in question cease to be prescribed securities; and (b) in the case of subscription warrants and rights issued under a rights issue if (i) the ASR ceases to act only by virtue of the warrants or rights having lapsed or expired; (ii) the ASR continues to act as securities registrar for the underlying securities (i.e. the securities that can be acquired by exercising the warrants and rights); and (iii) such underlying securities are prescribed securities.

Chapter 5. Implementation Timetable

When USM will be implemented in Hong Kong

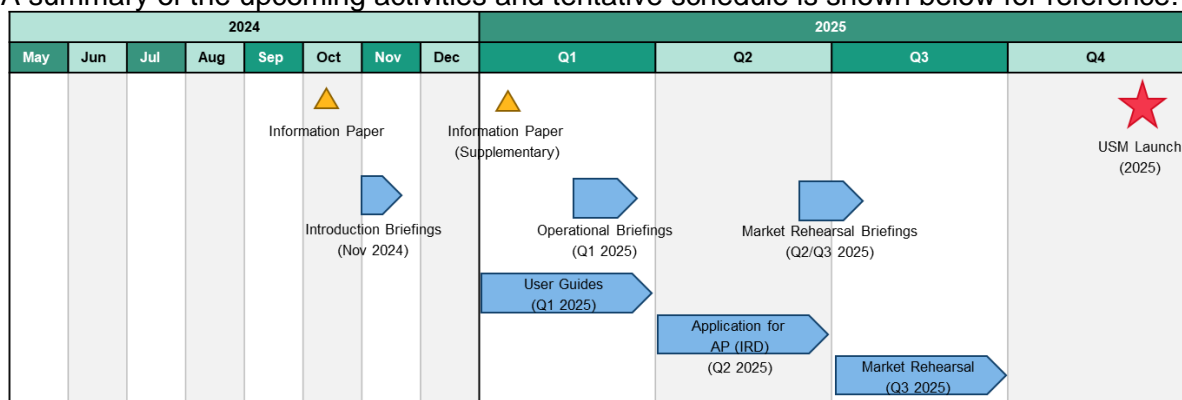
- 5.1 From the USM implementation date onwards, IPO of prescribed securities will be required to participate in USM and in uncertificated form.
- 5.2 Issuers of listed prescribed securities will be required to participate in USM and their prescribed securities must become participating securities in phases. Each issuer will be given a deadline, which is specified by the issuer's FSR, HKSCC and the SEHK, by which they must complete their transition to USM by ensuring that their shares become participating securities (i.e. the participation date).
- 5.3 The USM will begin with the securities whose home laws are compatible with the USM regime. This will cover all prescribed securities constituted under Hong Kong law. The SFC is also currently aiming to cover, as far as possible, all prescribed securities constituted under the laws of Bermuda, the Cayman Islands or the PRC, but the SFC will review and adjust this list as appropriate. Implementation of USM by listed issuers incorporated in these four jurisdictions will achieve dematerialisation for around 98% of the prescribed securities listed on the SEHK. The aim is for securities from these jurisdictions to become participating securities within 5 years¹⁵ from the implementation of USM, which is currently targeted for end 2025. Please refer to Appendix F of the details of listed issuers in Hong Kong.

CP's Preparation Timeline

- 5.4 A series of market education and engagement activities will be conducted, to facilitate the market migrating to the USM regime gradually. Market engagement, introductory briefings, technical briefings, operational briefings etc. will be conducted for HKSCC Participant to familiarise them with the USM regime and help them prepare for the changes in 2025 tentatively as part of the market education programme with the SFC and the FSR. Further supplementary information will also be provided to the market through this Information Paper in late 2024/2025 upon law enactment.
- 5.5 CP should follow the timeline to prepare for the implementation of USM accordingly. Following that, the migration timeline of USM of each already listed prescribed securities will have its own participation date announced. CP should pay attention to the implementation of timeline of USM of each listed prescribed securities and follow the operational arrangement for participating securities and non-participating securities.

¹⁵ The overarching 5-year timeline and sequencing arrangement for requiring existing specified prescribed securities to become participating securities are reflected in sections 27(1A), (1D), (1G) and (1H) of the proposed USM Rules.

A summary of the upcoming activities and tentative schedule is shown below for reference:



Key points for CP

- 5.6 CPs are advised to consult their Information Technology support units or system vendors for necessary preparation in relation to implementation of USM. CPs are reminded to review their internal operational procedures given the operational change arising from USM.
- 5.7 CPs **must** ensure that the requesting USI holder, registered holder and the beneficial owner are the same person and that transfer involves NCBO. It is the responsibility for the registered holder and his/its CP(s) to ensure the accuracy of USI holder information such as USI holder number and name provided for the USI transfer requests in CCASS.
- 5.8 CPs are reminded to complete the transfer of participating securities into HKSCC-NOMS in time (i.e. before the end of T+2 settlement period) to ensure that relevant settlement timelines and obligations are met. Timely affirmation of the USI transfer instruction by your clients is a crucial part of the transfer and CPs should ensure that their clients approve the relevant USI transfer request on a timely basis to avoid delay in any subsequent process.
- 5.9 CPs **must** be approved by the IRD as APs to be eligible for handling the transfer of participating securities between HKSCC-NOMS and their respective clients' USI profile which should be NCBO.

Appendix A

Operational Changes relating to IP under USM

How to transfer participating securities to HKSCC-NOMS?

- There are two ways to transfer participating securities to HKSCC-NOMS, each of which must involve NCBO
 - i. If the IP wishes to transfer his/her participating securities that are in certificated form to HKSCC-NOMS, he/she can submit a physical form with title instruments (i.e. securities certificates) at the CCASS Depository counter.
 - ii. If the IP wishes to transfer his/her participating securities that are in uncertificated form to HKSCC-NOMS, he/she should route through his/her respective CP by submitting a USI transfer request

How to transfer participating securities from HKSCC-NOMS?

- If the IP wishes to transfer his/her participating securities from HKSCC-NOMS, he/she can route through his/her CP to transfer them from HKSCC-NOMS to his/her own USI profile at the relevant ASR's USI facility by submitting a USI transfer request. Again, such transfer must involve NCBO.

Share Movement Facilitation relating to Settlement in relation to Participating Securities

- The movement of securities between CP stock accounts and IP stock accounts in CCASS remains unchanged in USM and Investor Settlement Instruction (ISI) remains to be the securities movement method.

Changes in Existing Report – Investor Participant Activity Statement

- A new section of deposit and demat with transfer will be added to the existing Investor Participant Activity Statement.

Appendix B

List of Consultation Papers and Conclusions relating to USM

[December 2009 Joint Consultation](#)

Joint consultation paper on a proposed operational model for implementing a scripless securities market in Hong Kong (by the SFC, HKEX and FSR)

[September 2010 Joint Consultation conclusions](#)

Joint consultation conclusions on a proposed operational model for implementing a scripless securities market in Hong Kong (by the SFC, HKEX and FSR)

[January 2019 Joint Consultation](#)

Joint Consultation paper on A revised Operational Model for implementing an Uncertificated Securities Market in Hong Kong (by the SFC, HKEX and FSR)

[April 2020 Joint Consultation conclusions](#)

Joint Consultation conclusions on A revised Operational Model for implementing an Uncertificated Securities Market in Hong Kong (by the SFC, HKEX and FSR)

[March 2023 Consultation](#)

the SFC's March 2023 Consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market in Hong Kong

[October 2023 Consultation](#)

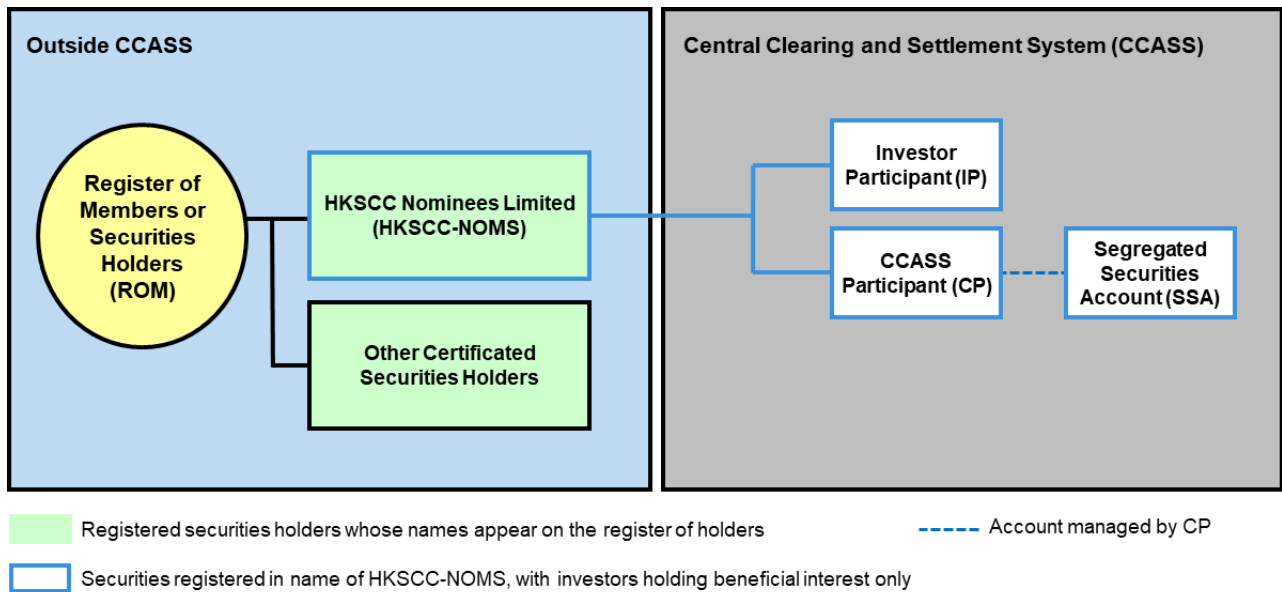
the SFC's October 2023 Consultation paper on proposed code and guidelines for implementing an uncertificated securities market in Hong Kong

[July 2024 Consultation conclusions](#)

the SFC's July 2024 Consultation conclusions on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market in Hong Kong

Appendix C.

Current Operational Model



Appendix D.

Summary of Consequential Changes to Hong Kong Securities Market resulting from USM

After the implementation of USM, the below are the consequential changes applicable to both participating securities and non-participating securities.

Appointment of an ASR

- As set out in section 1.4 (c), **all** issuers of prescribed securities, whether or not they have participated in USM, are obliged to appoint ASRs as securities registrar. Listing of any prescribed securities may be approved only if an ASR is acting as the securities registrar for those securities. Where the prescribed securities are already listed, dealing in those securities will be suspended if no ASR is acting as a securities registrar for those securities.

New Electronic Instruction Submission in CCASS involving Title Instrument (i.e. Securities certificates)

- Currently, CP must submit a deposit request along with the securities certificates over the counter to deposit the securities certificates into the CCASS Depository. HKSCC-NOMS will then deliver the corresponding securities certificates to securities registers for re-registration.
- In view of USM's aim of improving overall market efficiency, CCASS will launch a new function – "Login Deposit/Demat Order" to facilitate the securities deposit, covering (i) demat with transfer of participating securities and (ii) deposit of securities certificates of non-participating securities. After the implementation of USM, CP can submit an electronic deposit/demat request through CCASS and then arrange for the securities certificates to be delivered to the CCASS Depository counter for demat with transfer or deposit. Details are covered in section 3.2.

Immediate credit

- Currently, immediate credit can be applied for title instruments (i.e. securities certificates) deposited by CPs into CCASS Depository. Under USM, since all the shareholdings are recording in uncertificated form with both HKSCC and ASR, immediate credit can only be provided to CPs for **physical securities certificates** deposit or demat with transfer subject to HKSCC's own discretion. No immediate credit will be provided to CPs for the transfer of participating securities that are in uncertificated form.

Provision of email address when appointing proxies

- To better facilitate the virtual or hybrid general meetings, the existing CCASS function "Corporate Representative / Proxy Instruction Maintenance" will be enhanced to add a new field "Email Address for online meeting". CPs can provide their clients' email address for receiving the relevant general meeting information. This new field will be available **for both participating securities and non-participating securities**.

Appendix E.

Comparison of Services for Non-Participating Securities and Participating Securities

Depository and Nominees Services

Listed below is a high-level description of the Depository and Nominees services provided by HKSCC, including services which will be maintained under dual operations upon the launch of USM regime but before full dematerialisation in Hong Kong.

A. Depository Services

Existing Process – non-participating securities	New Process – participating securities
<p>1. IPO share allotment / placing of shares</p> <ul style="list-style-type: none"> - collected new certificates from the securities registrar - update CP/IP accounts with the allotted / placed shares 	<p>1a. IPO share allotment / placing of shares</p> <ul style="list-style-type: none"> - receive shareholding files (re allotment / placing) from the ASR via Interface - complete the allotment / placing by updating CP/IP shareholdings
<p>*** Note : IPO application and allotment process will be handled by FINI for both non-participating securities and participating securities ***</p>	
<p>2. Deposit</p> <ul style="list-style-type: none"> - receive requests and certificates over counter from CPs/IPs - deliver certificates to securities registrar for re-registration - collect certificates from the securities registrar - update the vault record and CP/IP accounts accordingly 	<p>2a. Demat with transfer (new services)</p> <ul style="list-style-type: none"> - receive demat with transfer requests in CCASS from CPs/IPs via counter service - receive certificates and instrument of transfer over the counter from CPs/IPs - submit demat with transfer requests to the ASR via Interface - deliver certificates and instrument of transfer to the ASR for transfer into HKSCC-NOMS' name - receive confirmation of completion of re-registration from the ASR via an interface file - complete the demat with transfer by updating its records of CP/IP shareholdings <p>*** Will be obsolete upon full dematerialisation of all prescribed securities ****</p>

Existing Process – non-participating securities	New Process – participating securities
<p>3. Withdrawal</p> <ul style="list-style-type: none"> - receive online requests from CPs/IPs in CCASS - collect certificates by CPs/IPs over counter - update the vault record and CP/IP accounts accordingly 	<p>*** <i>No longer available</i> ***</p>
<p>*** <i>Not available for certificated securities</i> ***</p>	<p>4a. Transfer of participating securities in uncertificated form to/ from HKSCC-NOMS (<i>new services offered to CP – USI Transfer Request</i>)</p> <ul style="list-style-type: none"> - receive USI transfer requests from CPs in CCASS - submit transfer requests to the ASR via Interface - receive confirmation of completion of transfer from the ASR via Interface - complete the transfer by updating its record of CP shareholdings
<p>5. Vault Reconciliation</p>	<p>5a. Daily reconciliation in respect to the uncertificated holdings of participating securities with ASR via Interface</p> <ul style="list-style-type: none"> - receive daily shareholding information files from ASR - conduct shareholding reconciliation electronically

B. Nominees Services

Existing Process ¹⁶ – non-participating Securities	New Process – participating securities
<p>1. Share entitlements</p> <ul style="list-style-type: none"> - collect certificates from securities registrar on distribution day - distribute share dividends to CP/IP accounts electronically 	<p>1a. Share entitlements</p> <ul style="list-style-type: none"> - receive entitlement files from the ASR on distribution day - distribute share dividends to CP/IP accounts electronically
<p>2. Cash entitlements</p> <ul style="list-style-type: none"> - mostly collect a cheque from the securities registrar on distribution day - mark-good at the issuing bank (if applicable) - distribute cash dividends to CP/IP money ledger accounts electronically 	<p>2a. Cash entitlements (if electronic payment is used by issuer)</p> <ul style="list-style-type: none"> - receive electronic payments from issuers (ASR) - distribute cash dividends to CP/IP money ledger accounts electronically
<p>3. Handling of election instruction (for entitlements)</p> <ul style="list-style-type: none"> - receive election instructions from CPs/IPs via online - on election end day, consolidate and submit one physical instruction to the securities registrar - follow items 1 and 2 above for entitlement collection and distribution 	<p>3a. Handling of election instruction (for entitlements)</p> <ul style="list-style-type: none"> - receive election instructions from CPs/IPs via online - on election end day, consolidate and submit one instruction to ASR via Interface - follow items 1a and 2b above for entitlement collection and distribution

¹⁶ The SEHK published a [consultation paper](#) seeking public feedback on proposals to further expand its paperless listing regime and other rule amendments. A summary of key proposals in the Consultation Paper is set out below:

- **Electronic securities holders' instructions:** to provide securities holders with the option to send Requested Communications to issuers electronically.
- **Real-time electronic payment of Corporate Action Proceeds:** to provide securities holders with the option to receive Corporate Action Proceeds (including dividends) electronically via CHATS.
- **Electronic subscription monies:** to provide securities holders with the option to pay subscription monies for offers electronically.
- **Hybrid general meetings & E-voting:** to help ensure online participation at general meetings is possible and securities holders can vote by electronic means.
- **Web accessibility of issuers' corporate communications:** to seek market feedback on the incorporation of web accessibility guidelines into listing requirements.

Existing Process ¹⁶ – non-participating Securities	New Process – participating securities
<p>4. Handling of rights/warrant subscriptions (subject to subscription monies)</p> <ul style="list-style-type: none"> - receive subscription instructions from CPs/IPs via online - generate payment instructions to collect subscription monies from CPs/IPs - consolidate and submit a physical instruction and PAL/certificates to the securities registrar and settle the subscription monies via cheques - follow item 1 above for entitlement collection and distribution 	<p>4a. Handling of rights/warrant subscriptions (subject to subscription monies)</p> <ul style="list-style-type: none"> - receive subscription instructions from CPs/IPs via online - generate payment instructions to collect subscription monies from CPs/IPs - consolidate and submit an instruction to the ASR via Interface and settle the subscription monies via electronic means - follow item 1a above for entitlement collection and distribution
<p>5. Handling of takeover instructions</p> <ul style="list-style-type: none"> - receive instructions from CPs/IPs via online - daily within the takeover period, submit a physical instruction and certificates to the securities registrar - follow items 1 and 2 above for entitlement collection and distribution 	<p>5a. Handling of takeover instructions</p> <ul style="list-style-type: none"> - receive instructions from CPs/IPs via online - daily within the takeover period, submit an instruction to the ASR via an interface file - follow items 1a and 2b above for entitlement collection and distribution
<p>6. Consolidation and subdivision (re item 6 under Depository Services)</p> <ul style="list-style-type: none"> - deliver existing certificates from the vault to the securities registrar - collect new certificates from the securities registrar before the effective day - update vault record and CP/IP shareholding electronically 	<p>6a. Consolidation and subdivision</p> <ul style="list-style-type: none"> - no issue of new certificates - receive a shareholding file on the updated uncertificated holdings after consolidation or subdivision from the ASR via Interface before the effective day - update CP/IP shareholding electronically
<p>7. Corporate meeting (voting, proxy, etc.)</p> <ul style="list-style-type: none"> - receive instructions from CPs/IPs via online - before the submission deadline, submit a physical proxy form to securities registrar 	<p>7a. Corporate meeting (voting, proxy, etc.)</p> <ul style="list-style-type: none"> - receive instructions from CPs/IPs via online - before the submission deadline, submit instructions to ASR via Interface

Appendix F.

Details of Listed Issuers

As of July 2024, there were 2,577 listed issuers incorporated in Hong Kong, the Cayman Islands, Bermuda, and the PRC, accounting for around 98% of the prescribed securities.

Place of incorporation	Number of listed issuers
1. Hong Kong	204
2. Cayman Islands	1,575
3. Bermuda	452
4. The PRC	346
Sub-total number of listed issuers	2,577
1. British Virgin Islands	12
2. Singapore	12
3. Canada	5
4. England	3
5. Japan	3
6. Australia	3
7. Jersey	2
8. Luxembourg	2
9. Russia	1
10. USA	1
11. Italy	2
12. Israel	1
Grand Total number of listed issuers	2,624

Defined Terms and Glossary

AP	a person authorised by IRD for the purposes of section 5AA of the SDO
ASR	an approved securities registrar, i.e. a person approved by the SFC to provide securities registrar services under new section 101AAG of the SFO introduced under section 7 of the USM Amendment Ordinance
ASR Code	the SFC's Code of Conduct for Approved Securities Registrar, the latest proposed draft of which is at Annex 4 of the July 2024 Consultation conclusions
ASR Rules	the Securities and Futures (Approved Securities Registrars) Rules, the latest proposed draft of which is at Annex 3 of the July 2024 Consultation conclusions
authenticated message	an electronic message that meets certain criteria and can thus be relied upon for the purpose of effecting transactions in the USM environment
authorised CIS	a collective investment scheme authorised by the SFC under section 104 of the SFO
bonus securities	securities that are distributed by an issuer to its current shareholders
bonus warrants	warrants that distributed by an issuer to its current shareholders
CBO	change of beneficial ownership
CCASS	the Central Clearing and Settlement System operated by HKSCC
CCASS Depository	one or more securities depositories for CCASS, providing safe-keeping facilities for securities that eligible to be held in CCASS as well as to cater for withdrawals and deposits of Eligible Securities by Participants
certificated form	prescribed securities are in certificated form if they are not in uncertificated form
Clearing Participant	a Participant admitted to participate in CCASS as a direct clearing participant or a general clearing participant
CP	Clearing Participant or Custodian Participant
Custodian Participant	a Participant admitted to participate in CCASS as a custodian participant
dematerialise / dematerialisation	the conversion of prescribed securities from certificated form to uncertificated form
Electronic Payment Instruction / EPI	a payment instruction generated by HKSCC
electronic interface	the process that will be communicated electronically between CCASS and ASR's UNSRT system
Eligible Securities	an issuance of securities which is from time to time accepted as eligible by HKSCC for deposit, clearance and settlement in CCASS

eIPO	electronic public offers
FSR	the Federation of Share Registrars Limited
HKEX	Hong Kong Exchanges and Clearing Limited, a recognised exchange controller under the SFO
HKICL	Hong Kong Interbank Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited, a recognised clearing house under the SFO and wholly owned subsidiary of HKEX
HKSCC Rules	the General Rules and Operational Procedures of HKSCC, as amended from time to time
HKSCC vault	a depository facility for the safekeeping by HKSCC of securities certificates
HKSCC-NOMS	HKSCC Nominees Limited, the central nominee that is the registered holder of all securities held in CCASS
Information Paper	the information papers to be issued by HKEX and the FSR respectively
instrument of transfer	an instrument by means of which any security is transferred, and includes the letter of renunciation
Investor Participant / IP	a person admitted to participate in CCASS as an Investor Participant who may be an individual or joint individuals or corporation
Investor Settlement Instruction / ISI	an instruction relating to an Investor Participant, in such form as HKSCC may from time to time prescribe as being valid, relating to transactions in securities to be settled in CCASS
IPO	an initial public offer of securities
IRD	Inland Revenue Department of the Government of the Hong Kong Special Administrative Region of the PRC
issuers	a corporation or other body whose securities are listed or proposed to be listed (on the SEHK)
July 2024 Consultation conclusions	the SFC's July 2024 Consultation conclusions on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market in Hong Kong
legal title	investors hold legal title to securities if they are registered with the issuer as the legal holder of the securities, and therefore have a direct relationship with the issuer, and may exercise rights and receive entitlements from the issuer directly
listed	listed, or approved for listing, on the SEHK
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited

March 2023 Consultation	the SFC's March 2023 Consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market in Hong Kong
NCBO	no change of beneficial ownership
non-participating securities	prescribed securities that are yet to become participating securities
October 2023 Consultation	the SFC's October 2023 Consultation paper on proposed code and guidelines for implementing an uncertificated securities market in Hong Kong
OFC	an open-ended fund company (as defined in the SFO)
OFC Rules	the Securities and Futures (Open-ended Fund Companies) Rules (Cap 571AQ), as amended from time to time
Participant	a person admitted for the time being by HKSCC as a participant of HKSCC
participating securities	prescribed securities that are USM-enabled in the sense that the issuer has taken all necessary steps for enabling legal title to those securities to be evidenced and transferred without an instrument using a UNSRT system operated by an ASR, and the corresponding ASR has confirmed that the title to those securities may be evidenced and transferred without an instrument using the UNSRT system
participation date	in respect of each issuer of prescribed securities, the date published by that issuer as the date from which those prescribed securities become participating securities
prescribed securities	the six categories of securities that are: (i) listed on the SEHK; and (ii) may participate in the USM regime; namely: <ul style="list-style-type: none"> (a) shares; (b) depositary receipts; (c) stapled securities; (d) interests in authorised CIS; (e) subscription warrants; and (f) rights under a rights issue
RCH	a recognised clearing house (as defined in the SFO)
registered holder	in relation to any prescribed securities, a person entered in the register of holders of those securities as a holder of those securities
rematerialise / rematerialisation	the conversion of prescribed securities from uncertificated form to certificated form
ROM	the register of members (in the case of shares) or register of holders (in the case of other prescribed securities)
Registrar Participant / RP	a Participant admitted to participate in HKSCC as a registrar participant

SDO	the Stamp Duty Ordinance (Cap. 117), as amended from time to time
securities holder	means any person who: (i) is the current registered holder of any prescribed securities; (ii) was previously registered as such a holder; or (iii) is a subscriber or transferee of prescribed securities and seeking to be registered as such a holder
securities registrar	a person/entity who maintains, in Hong Kong, the ROM for any prescribed securities
securities registrar services	services that may only be provided by ASRs described in Section 3 of the ASR Rules
SEHK	The Stock Exchange of Hong Kong Limited, a recognised exchange company under the SFO and wholly owned subsidiary of HKEX
Settlement Instruction / SI	an instruction of a Participant, in such form or manner as HKSCC may from time to time prescribe as being valid, relating to transactions in securities to be settled in CCASS
SFC	the Securities and Futures Commission
SFO	the Securities and Futures Ordinance (Cap. 571), as amended from time to time
SML Rules	the Securities and Futures (Stock Market Listing) Rules (Cap 571V), amended from time to time
specified prescribed securities	prescribed securities whose home laws are compatible with USM regime, including all prescribed securities constituted under Hong Kong law. The SFC is aiming to cover, as far as possible, all prescribed securities constituted under the laws of Bermuda, Cayman Islands or the PRC, but the SFC will review and adjust this list as appropriate when the subsidiary legislation for implementing USM is submitted to the Legislative Council for negative vetting (e.g. if other jurisdictions can be added by that time)
the PRC	the People's Republic of China
title instrument	the paper certificate or other document issued as evidence of title to any prescribed securities
uncertificated form	prescribed securities are in uncertificated form if they are recorded in the ROM as being held in uncertificated form
uncertificated holdings	ROM records of participating securities held in uncertificated form
UNSRT system	Uncertificated Securities Registration and Transfer (UNSRT) system operated by ASRs. A computer-based system, together with procedures and other facilities, that enables title to prescribed securities to be evidenced and transferred without paper-based documents; and facilitates supplementary and incidental matters

USI facility	a facility for managing prescribed securities that are in uncertificated form, which requires the holder of the securities to manage those securities directly
USI holder	an individual, joint holder or corporate who has set up a USI profile on a particular USI facility via an ASR. They may or may not hold participating securities at any particular time
USI holder number / USI identifier	a unique number assigned to a USI holder by each ASR
USI transfer	a transfer of participating securities described in sections 2.19 to 2.24
USM	the initiative or regime for implementing an uncertificated securities market in Hong Kong
USM Amendment Ordinance	the Securities and Futures and Companies Legislation (Amendment) Ordinance 2021
USM Rules	the Securities and Futures (Uncertificated Securities Market) Rules, the latest proposed draft of which is at Annex 2 of the July 2024 Consultation conclusions
USM implementation date	the date on which the USM regime comes into effect

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