

1. Do you agree that investors should be given the option to hold securities in paper form and to rematerialise securities that have been dematerialised? If not, why not?

Investors who hold the securities for long term investment usually prefer to hold physical shares to avoid handling fees. If the option to hold securities in paper form and to rematerialize securities that have been dematerialized is not given to the clients, such services will not be offered to our clients. From the bank's point of view (acting as the custodian for the clients), the handling of HK shares transfer will become less complicated and less time consuming.

2. Do you agree that the scripless system should eventually be made compulsory and the paper-based option removed altogether? If not, why not?

Yes and it depends on how quickly the issues mentioned in section 40 is resolved .

3. Do you agree that implementation of a scripless securities market should proceed in phases? If not, why not?

Yes.

4. Do you agree with the proposed phasing, i.e. dematerialising securities in batches, and dematerialising Hong Kong securities first? If not, why not?

We agree to dematerialise securities in batches.

5. Do you have any views on the proposed dematerialisation process and HKSCC Nominees Limited's diminishing role?

As the shares will be registered in participants' name after dematerialisation, there are more opportunities for participants to deal with the share registrars directly in future. The communication channel between participants and the share registrars will be crucial and it is essential to establish a new platform for announcement and enquiries.

The followings have not been covered in the consultation paper at this stage and it may have impact on the participants' operations: -

- Fee schedule for re-registration and corporate actions handling
- The corporate actions platform
- Payment handling
  - Will participant set up cash account directly with share registrar?
  - How the share registrars advise the participants cash and scrip entitlement once the proceeds credit into the participants' accounts during the date?
  - Will share registrars provide cash statement to participant and how?

6. Do you agree with the proposal that the formal register comprise two parts as discussed in paragraphs 49 to 53 of the paper? If not, why not?

Yes, it is necessary to segregate the certificated and uncertificated shares.

7. Do you agree with the proposal to facilitate name-on-register within CCASS? If not, why not?

As mentioned in Section 66, for PSA account option, shares will be registered in name of the investors and is administered by the CCASS participant. The investors are able to view their holdings via the CCASS Internet System and CCASS Phone System. Under this proposed set up, there will be issues for the disclosure of client's info, handling of corporate actions and monitoring/control over the PSA accounts. We will be able to provide comments only if further details of the proposed set up is provided.

8. Do you consider that the proposed arrangements for addressing any concerns arising from the removal of the immediate credit arrangement are adequate? If not, why not?

We have no comments at this stage.

9. Do you think the proposed model provides enough options (in terms of account types) for investors? If not, what other options do you think should be provided and why?

Yes, sufficient options are offered for investors under the proposed model.

10. Should broker/bank/custodian nominees in CCASS be allowed to appoint multiple representatives so that their investor-clients can attend and vote at meetings? If not, why not?

We have no comments at this stage.

11. Should broker/bank/custodian nominees in CCASS be allowed to appoint both proxies and multiple representatives in respect of the same meeting? If not, why not?

It may not be operationally feasible for every broker/bank/ custodian nominees to send representative to appoint both proxies and multiple representatives. We are of the view that it will be more effective to simply appoint the Chairman of the meeting to act on the voting instructions by proxy.

12. Do you agree that investors should be required to provide a unique identification number irrespective of whether they obtain their securities by way of a transfer or through an IPO?

We have no comments at this stage. We would like to obtain more information on this point:

- What is the purpose for investors to provide a unique identification number for securities transfer?
- If the securities are transferred between two CPA accounts, should participants provide the Ultimate Beneficiary Owner's (UBO) unique identification number (UID) or participant's UID? If UBO's UID is needed, client's information will be disclosed even the shares are registered in participants name.
- For account held by more than 1 a/c holder, should the UID for all the account holders be disclosed?
- The participant will have no control on clients if they provide different identification documents when open accounts with other participants (e.g. the client provides HKID to Bank A and Passport to Bank B. Two UIDs may be applied for one client for this case)
- Under Section 71, the account opening documentation is not discussed in the consultation paper

13. Do you agree with the proposal to introduce a new Registrar Participant category in CCASS? If not, why not?

Yes, it will be more convenient for participants to reconcile their holdings against the share registrar.

14. Do you agree that share registrars who provide scripless related services should be more directly and robustly regulated than they are today? If not, why not?

Yes, it is essential to enhance the communication platform and to review rules and regulations to ensure the information deliver to shareholders and participants timely and precisely.

15. Do you consider that a graduated approach should be taken towards regulating share registrars (i.e. that the level of regulation should vary according to the type and range of scripless related services provided), or that a uniform approach should be taken such that a common standard is applied in all cases?

We have no comments at this stage.

16. Do you have any views on the proposed changes to the IPO process?

We have no comments at this stage.

17. Do you agree that the scope of the scripless operational model should extend to all publicly traded securities in Hong Kong (including therefore securities such as derivative warrants and CBBCs)?

We have no comments at this stage.

18. If not, to what extent should the scope be limited, and why?

19. What are your views on the costs and benefits of introducing a scripless securities market in Hong Kong?

We have no comments at this stage. We are able to comment if further details of the new setup are provided.

20. Regarding the dematerialisation of shares and debentures of overseas companies, do you agree with the proposed approach to focus first on Bermuda, Cayman Islands, Mainland China and UK companies? If not, why not?

We have no comments at this stage.