



## FEDERATION OF SHARE REGISTRARS LIMITED

Honorary Secretary - Tricor Abacus Limited  
17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong  
Tel: 2980 1735 Fax: 2861 1465

姪券登記公司總會有限公司

17 March 2023

Hong Kong Exchanges and Clearing Limited  
8/F, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

By Email  
(response@hkex.com.hk)

Dear Sirs,

### **Re: Response to Proposals to Expand the Paperless Listing Regime and Other Rule Amendments**

The Federation of Share Registrars Limited (The Federation) welcomes the publication of HKEX's Consultation Paper: 'Proposals to Expand the Paperless Listing Regime and Other Rule Amendments' and appreciates the opportunity to provide our comments, specifically on the proposals outlined in "Chapter 2: Proposals on the Electronic Dissemination of Corporate Communications by Listed Issuers". Our responses are set out as follows:

#### **Question 11**

**Do you agree with our proposal to amend the Listing Rules to mandate that listed issuers must disseminate corporate communications to their securities holders electronically if this is permitted by their applicable laws and regulations and their constitutional documents? Please give reasons for your views.**

The Federation fully supports the Exchange's initiative to adopt electronic means for communications between issuers and their securities holders in order to improve efficiency and reduce paper waste.

However, we recognize the importance of adequately informing securities holders and ensuring issuers fulfil their obligations to keep their securities holders informed under the new electronic communications initiative.

Moreover, electronic communication is one of key objectives under the Uncertificated Securities Market (USM) initiative, which we have been working on closely with the Exchange and SFC. Many of its enabling arrangements, including the collection of securities holders' email addresses and building a digital record for dispatching electronic corporate communications will be made available under the USM implementation.

In view of the above, there are a few implementation-level comments and recommendations that we would like to set out here for your consideration:

1. **Delay the implementation of the proposed changes until the deployment of the USM:** To disseminate corporate communications electronically, share registrars need to undertake substantial amount of preparation work, including developing systems to collect and maintain electronic contact details like email addresses or mobile numbers for securities holders. Many of these preparations are already planned under the implementation of the USM, which tentatively scheduled to launch in 2025. To avoid duplication of efforts that could delay the USM launch, we strongly recommend deferring the mandatory electronic dissemination of corporate communications until the USM environment is ready.
2. **Securities holders' preference for paper or paperless communications:** Since securities holders in the Hong Kong market are used to receiving paper corporate communications mailed to their postal addresses, it is important that securities holders should be given an option to choose between paper or paperless communications as their preference for receiving corporate communications. This is particularly important as there may be some securities holders who are not tech-savvy and may require additional support to be properly informed.
3. **Share registrars to maintain the communication preference of securities holders and electronic contact information of securities holders:** Considering that the proposed arrangement would change the means of disseminating corporate communications from using postal addresses to electronic addresses, and that share registrars already maintain ROM details for issuers, including securities holders' names, addresses and quantity of securities, it is recommended to mandate issuers and their agents (i.e. share registrars) to collect and maintain securities holders' electronic contact information, including but not limited to electronic addresses and mobile phone number, and their preferred means of communication, to be maintained alongside the ROM.

#### Question 12

**Do you agree with our proposal to allow the consent of holders of a listed issuer's securities to be implied for the electronic dissemination of its corporate communications, to the extent permitted under applicable laws and regulations and its constitutional documents? Please give reasons for your views.**

As we mentioned in our response to Question 11, the Federation supports mandating issuers to provide electronic channels for securities holders to receive corporate communications electronically, provided that securities holders are *sufficiently informed* without their rights being impaired. To ensure this, there are a few measures we would like to recommend for your consideration:

1. **Upon launch of the new regime, a "First Letter" must be sent by post to securities holders together with an option form, notifying them of the changes and allowing securities holders to opt for an alternate form of communication, if required.** This arrangement can ensure securities

holders are sufficiently informed, with adequate measures in place instead of purely relying on “implied consent” that are permitted under the company’s applicable laws, regulations, and its constitutional documents. For those securities holders who do not respond, they can then “deemed” to have given such “implied consent”.

2. **One-pager Notification Letter and request form of corporate communication must be sent by post or email.** In addition to the above-mentioned initial “First letter” used to notify and solicit communication preferences and email addresses of securities holders, we strongly recommend that the Listing Rules continue to require all corporate communications to be sent individually to securities holders using a one-pager “notification letter” delivered either by post or email, according to the communication method selected by the securities holders. This arrangement can ensure that securities holders are sufficiently informed while enabling issuers to fulfil their duty appropriately, while also achieving the objective of reducing paper usage in printing and posting full sets of documents to securities holders. It is not ideal to assume that securities holders will proactively monitor for company announcements and read all available and important notifications made online without receiving any notification to prompt them.

#### **Question 13**

**Do you agree with our proposal to state in the Rules that Actionable Corporate Communications (“ACC”) must be sent to the securities holders individually and in electronic form if the holders provide functional electronic contact details? Please give reasons for your views.**

#### **Recommended Arrangement**

As stated in Question 12 above, we recommend a one-pager alerting securities holders to the availability of all corporate communications should be sent to the securities holders individually instead of just the Actionable Corporate Communications, according to the communication method selected by securities holders. If electronic communication is preferred, securities holders should provide a functional electronic contact as proposed. The detailed reasons for this recommendation are provided in Question 12.

#### **Implementation Consideration**

There is certain implementation we would like to highlight here for your consideration:

**Readiness for the Actionable Corporate Communications to be handled in electronic forms:** As we explained on response to Question 11, securities holders in the Hong Kong market currently are used to receiving paper corporate communications mailed to their postal addresses. It is also true that securities holders are still submitting their instructions in physical form in most cases. For example, the Provisional Allotment Letter (PAL) are still issued and held in physical form, where securities holders can submit these PAL for sale or submit their signed subscription instructions.

Therefore, we strongly recommend the proposed arrangement under Chapter 2 should be implemented when USM is enabled.

However, should the Exchange decide to launch these initiatives earlier, we strongly recommend the ACC should still be communicated with at least a notification letter to be sent along with a printed copy of the relevant forms involved. Most of the relevant forms for the ACC have securities holders' details pre-printed on the forms (e.g. PAL, EAF) for submission and processing of instructions. The ACC include, but not limited to, the followings:

- Provisional Allotment Letter for Rights Subscription (PAL)
- Excess Application Form under Rights Subscription (EAF)
- Acceptance Form for Cash Offer / Option Offer (Acceptance Form)
- Election Form to choose dividend partially/wholly in cash or in scrip form (Election Form)
- Blue Form for Preferential Offering (Blue Form)
- Pink Form for applying for Employee Reserved Shares (Pink Form)

In addition, in order to protect security holder's right to participate and vote in meetings, we are of the view that it is necessary to send a paper notice of proxy forms that include a weblink to obtain the forms, and a request for the electronic contact details of the securities holders.

#### **Question 14**

**Do you agree that where a listed issuer does not have functional electronic contact details of a securities holder, an Actionable Corporate Communication must be sent to the holder in hard copy form including a request for the security holder's electronic contact details to facilitate electronic dissemination of Actionable Corporate Communications in future? Please give reasons for your views.**

Yes, the Federation agrees to this proposal. Please also refer to our response on Question 13 above.

#### **Question 15**

**If your answer to Question 13 above is yes, do you agree that we should define Actionable Corporate Communications as "any corporate communication that seeks instructions from an issuer's securities holders on how they wish to exercise their rights as the issuer's securities holders"? Please give reasons for your views.**

The Federation does not have comments on the definition of the **Actionable Corporate Communications** as long as it addresses concerns raised in our above responses.


#### **Other Practical Issues for Exchange's Consideration**

**"Untraceable" securities holders in the ROM whose address is no longer valid** post a challenge: There are often complaints when corporate communications are sent to an old address which are no longer valid. Even if we send out requests, it is unlikely that we will be able to obtain functional electronic contacts from them. To address these issues and ensure responsibilities from issuers are properly discharged, it is essential for the new regime to define a standard and acceptable protocol or guideline for managing such cases.

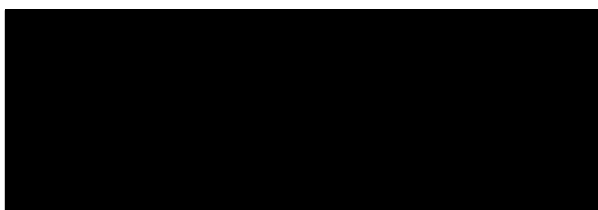
**Corporate Communications required for Non-Registered Holders (NRH):** According to the Listing Rule 13.56/GEM Listing Rules 17.60, listed issuers are required to dispatch the corporate communications to the address/email address according to the data file provided by Hong Kong Securities Clearing Company Limited (HKSCC). Similar to the above situation, if the data file provided is outdated, the corporate communications may be sent to an invalid or old address, result in not only paper wastage but also complaints from the wrong recipients.

*We would like to take this opportunity to highlight the importance of imposing a duty on CCASS participants, who act as the primary data collectors, to ensure that the particulars of CCASS NRHs they submit to HKSCC are both accurate and up-to-date.*

**Functional electronic contact for corporate holders:** For corporate holders, please specify in the policy whether they should provide a designated email addresses and/or mobile phone number for the company representatives for receiving the corporate communications. Otherwise, there is a potential risk that relevant Actionable Corporate Communications may be sent to a general enquiry email taking days to reach to the company representatives.

We trust that our comments above are helpful to the Exchange. Please reach out to the FSR via our email  We welcome the opportunity to have a further in-depth discussion with your team on the above matters should further clarification be required.

Yours faithfully,  
For and on behalf of  
Federation of Share Registrars Limited



c.c. Securities & Futures Commission