



CHARTERED
SECRETARIES
特許秘書

Securities and Futures Commission
8/F Chater House
8 Connaught Road Central
Hong Kong

31 March 2010

Attn: Supervision of Markets Division

Dear Sirs,

Re: Joint Consultation Paper on A Proposed Operational Model for Implementing a
Scripless Securities Market in Hong Kong

We are pleased to enclose our submission in response to the above consultation paper.

We have no objection to your disclosing our submission to the public.

Thank you for your attention.

Yours faithfully,

Enclosure

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(Incorporated with limited liability)
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**The Hong Kong Institute of Chartered Secretaries
Submission on
Joint Consultation Paper on A Proposed Operational
Model for Implementing a Scripless Securities Market in Hong Kong**

		Comments
Question (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?	We agree.
Question (2)	Do you agree that the scripless system should eventually be made compulsory and the paper-based option removed altogether? If not, why not?	People's views towards paperless holding could change over time. What is unacceptable today may be acceptable tomorrow. Suggest we review this issue as we move along during the phased approach.
Question (3)	Do you agree that implementation of a scripless securities market should proceed in phases? If not, why not?	We support a phased approach.
Question (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.
Question (5)	Do you have any views on the proposed dematerialisation process and HKSCC Nominees Limited's diminishing role?	The oversight of the standards and services of the Registrar Participants and all those who provide scripless related services should be stepped up in light of their sharing some parts of the HKSCC Nominees' role.

Question (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?	We agree. But, it is important to put in adequate controls in order to ensure the entries to the uncertificated sub-register are reconciled with those in the certificated sub-register.
Question (7)	Do you agree with the proposal to facilitate name-on-register within CCASS? If not, why not?	We agree.
Question (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 views on this question.
Question (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?	This is quite a menu for investors. As some options would need additional support from stakeholders, (in CPA, investors could view their holdings at any time if CCASS Participant provides such a facility; for certificated holdings, an on-line service provided by the share registrar), there is obviously the need to address the cost issue. In this respect, we expect to see more competitive pricing and a higher standard of service.
Question (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?	This appears to touch on the services to be provided to investors. Again, the issue of cost has to be addressed.
Question (11)	Should broker / bank / custodian nominees in	See our response to questions (9) and (10).

	CCASS be allowed to appoint both proxies and multiple representatives in respect of the same meeting? If not, why not?	
Question (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?	While we appreciate the efforts to standardise the practice of obtaining personal identification numbers, we need to be clear as to why we need such personal data from investors. If we are doing this as part of the customer due diligence, we need to explain this to investors.
Question (13)	Do you agree with the proposal to introduce a new Registrar Participant category in CCASS? If not, why not?	We see no particular reasons to object to such a new category in CCASS. But the regulation of Registrar Participant should be stepped up. Please see our response to question (5).
Question (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?	We acknowledge that some form of regulation are needed for all those who provide scripless related services in order to maintain a certain standard of service expected from listed companies and investors. Being a professional body ourselves, we obviously have some faith in the merits of self-regulation. We believe the government will consider the industry's views carefully before coming to a definite conclusion.
Question (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	A uniform approach with some grace period to allow the industry to prepare itself seems the preferred approach.

	cases?	
Question (16)	Do you have any views on the proposed changes to the IPO process?	We have no views on this question.
Question (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 see no particular reason to limit the scope of the scripless operational model.
Question (18)	If not, to what extent should the scope be limited, and why?	
Question (19)	What are your views on the costs and benefits of introducing a scripless securities market in Hong Kong?	We appreciate the benefits of introducing a scripless securities market in Hong Kong. As correctly pointed out in paragraph 78 of the consultation paper, a key concern of the market participants will be the cost implications for them. In this regard, we look forward to the outcome of the discussion alluded to in paragraph 82 of the consultation paper (among SFC, HKEx and the share registrars).
Question (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 views on this question.