

Response to consultation paper on a proposed operational model for  
implementing a scripless securities market in Hong Kong

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?
Response	Yes, we agree with the proposal that investors should be given the option to hold securities in paper form and to rematerialise securities that have been dematerialised as it will provide flexibility to investors.
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?
Response	We consider that a voluntary scripless model should be adopted for few years in the first stage. After that, further consultation should be conducted on the removal of paper-based option.
Question 3	Do you agree that implementation of a scripless securities market should proceed in phases? If not, why not?
Response	Yes, we agree that implementation of a scripless securities market should proceed in phases.
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?

Response	We agree with the proposal that the dematerializing should be done in batches and Hong Kong securities should be the first one to proceed with because the dematerialization may involve amendment of law.
Question 5	Do you have any views on the proposed dematerialisation process and HKSCC Nominees Limited's diminishing role?
Response	Although the work involved in initial stage of dematerialization will be substantial, e.g. setting up various types of accounts, etc., the objective of the proposed dematerialization process is in the interest of most investors. Investors can not only retain both legal and beneficial titles of securities that they held, but also trade securities in a more convenient way, i.e. through CCASS.
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?
Response	Yes, we agree that the formal register comprise two parts. In particular, the setting up and maintaining of uncertificated register will avoid the gap between settlement in CCASS and registration of the transfer in register of members of issuers.
Question 7	Do you agree with the proposal to facilitate name-on-register within CCASS? If not, why not?
Response	Yes, we agree with this proposal. For those investors who prefer to hold their securities in the name of a nominee, they can hold their securities under the account of their broker or custodian.
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?

Response	We take no formal view 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?
Response	Generally, we consider that the proposed model provides enough options (in terms of accounts types) for investors. However, we suggest to take more views from investors.
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?
Response	Yes, we agree that broker/bank/custodian nominees in CCASS be allowed to appoint multiple representatives. This could avoid the existing complicated procedures for appointing representatives to attend meetings by HKSCC Nominees Limited. In addition, investors can attend meetings and express their views directly.
Question 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?
Response	Yes, we agree that broker/bank/custodian nominees in CCASS be allowed to appoint both proxies and multiple representatives in respect of the same meeting. By appointing both proxies and multiple representatives in a meeting, shareholders' view and voting will be represented.

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?
Response	We take no formal view on this question.
Question 13	Do you agree with the proposal to introduce a new Registrar Participant category in CCASS? If not, why not?
Response	Having taken into account the benefits of introduction of new Registrar Participants as set out in paragraph 74 of the consultation paper, we agree with this proposal.
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?
Response	Yes, if share registrars who are also CCASS Participant, they will be subject to rules and regulations governing the conducts of CCASS Participant.
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 cases?
Response	Yes, we agree that a graduated approach should be taken towards regulating share registrars.

Question 16	Do you have any views on the proposed changes to the IPO process?
Response	We take no formal view on this question. However, we agree to launch a pilot period during which some willing issues might test the scripless IPO option.
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)?
Response	Yes, we agree that the scope of the scripless operational model should extend to all publicly traded securities in Hong Kong.
Question 18	If not, to what extent should the scope be limited, and why?
Response	Not applicable.
Question 19	What are your view on the costs and benefits of introducing a scripless securities market in Hong Kong?
Response	<p>We agree that the implementation of scripless market in Hong Kong will bring a number of benefits to Hong Kong, in particular, investors can enjoy legal title of securities under scripless environment.</p> <p>In addition, implementation of scripless market can save the environment by reducing use of papers.</p>
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?



Response	Yes, we agree with proposed approach to focus first on companies incorporated in these jurisdictions because they represent vast majority of overseas listed companies.