



## **The Hong Kong Chartered Governance Institute**

### **Online Submission**

### **The Stock Exchange of Hong Kong Limited (Exchange)**

### **Consultation on Proposals to Further Expand the Paperless Listing Regime and Other Rule Amendments**

15 October 2024

## **Consultation Paper on Proposals to Further Expand the Paperless Listing Regime and Other Rule Amendments**

*[Words and expressions used herein shall have the meanings set out under the proposed Consultation Paper.]*

### **About HKCGI**

The Hong Kong Chartered Governance Institute (HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries (HKICS), is the only qualifying institution in the Chinese mainland and Hong Kong for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 75 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extends to all of CGI's nine divisions, with about 40,000 members and students worldwide. HKCGI is one of the fastest-growing divisions of CGI, having over 10,000 members, graduates and students with significant representations within listed companies and other cross-industry governance functions.

Believing that better governance leads to better decisions for a better world, HKCGI's mission is to advance governance in commerce, industry, and public affairs through education, thought leadership, advocacy, and engagement with members and the broader community. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach that considers all stakeholders' interests.

### **General support for proposals**

Before the pandemic, our Institute consistently called for Hong Kong to digitalise, including doing away with the position of having to inform shareholders by physical notice of information being posted on their Hong Kong-listed companies under the Listing Rules. The Listing Rules have been updated, and legislative amendments to the Companies Ordinance are now in the pipeline to level the playing field with overseas listed issuers.

During the pandemic, our Institute demonstrated our thought leadership by advising the marketplace on adopting hybrid and virtual meetings and calling upon the Financial Services and the Treasury Bureau to adopt legislation to promote virtual meeting technology. The legislative amendments to the Companies Ordinance are now in place. We are grateful for the regulatory adoption of virtual meeting technology and the current follow-up implementation by HKEX with the support of the SFC following the Joint Statement.

We have also supported the Paperless I and Paperless II initiatives and the adoption of the FINI platform, which aligns with our Institute's call for Hong Kong to digitalise and adopt them from a sustainability perspective and for Hong Kong's reputation as an international financial centre.

Concerning the adoption of the USM regime, we have likewise indicated our general support, pointing out that users should also bear part of the cost from the 'user pay' perspective and should not be pushed down to listed companies. We have also submitted that a levy-based compensation fund should be set up to cover any claims from the migration from the physical paper-based system to a digital one in relation to any transition and cyber-security claims. The details of the cost issue have yet to be announced, and it is worth considering forming a compensation fund.

As a general observation of the current proposals, the need to maintain paper-based and digital systems side-by-side will create additional costs. While our Institute supports the current proposals, from the cost perspective, the move towards implementing a digital-only system should be accelerated unless there are compelling reasons to maintain a paper-based system. Please consider this issue when finalising the proposals.

We also look forward to guidance highlighting the need to enhance cyber-security with digitalisation. Our Institute has recently issued a cybersecurity research report. We will be delighted to support HKEX's efforts to educate the marketplace on digitalisation and related risk management.

### **Consultation Questions**

Q.1 Do you agree with the Electronic Instructions Proposal as detailed in paragraphs 29 to 45 of the Consultation Paper? Please give reasons for your views.

Yes. We agree that the Listing Rules should be amended to put in place mechanisms to enable securities holders to send Requested Communications electronically.

It would be preferable to mandate them to be in electronic means instead of being at the option of securities holders if the ambition of Hong Kong is to digitalise. Nevertheless, we understand if this is to be considered in the future for the market to gain experience with digitalisation.

We also agree with the proposed flexibility of the electronic communication channel and related verification, which a listed issuer may offer, along with the carve-out for USM (upon implementation), where communication must be made electronically.

As to CIS and the issuer of structured products, public and professional, we agree with a different treatment for the reasons articulated in paragraphs 40-43 of the Consultation Paper. Also, the proxy form and filing guide referred to under paragraphs 44 and 45 will be useful resources for listed companies.

We also agree that the Electronic Instructions Proposal will improve the speed and efficiency, securities holders' engagement, minimise issuers' impact on the environment and

natural resources, and facilitate listing processes during severe weather, as articulated under paragraph 46 of the Consultation Paper for all proposals.

Q.2 Do you agree with the implementation timeline (including the availability of transitional arrangements) for the Electronic Instructions Proposal as set out in paragraphs 47 to 54 of the Consultation Paper? Please give reasons for your views.

Yes. The start of 2027 should be a reasonable time frame for issuers to work with registrars to implement the Electronic Instructions Proposal. We also agree with a longer time frame for non-standardised Requested Communication, as additional time might be required to work out the required solutions with registrars.

Q.3 Do you agree with the Real-time Electronic Payment Proposal as detailed in paragraphs 69 to 74 of the Consultation Paper? Please give reasons for your views.

We have no issue with the idea of a real-time electronic payment, but we are unsure why CHATS must be included in the list of payment options offered by listed issuers. We do not have any firm views at this stage. The proposal's implementation timing to align with paragraph 47 of the Consultation Paper is appropriate.

Q.4 Do you agree with the Electronic Subscription Monies Proposal as detailed in paragraphs 83 to 89 of the Consultation Paper? Please give reasons for your views.

Yes. In principle, there should be an option to pay Electronic Subscription Monies electronically as set out under paragraphs 83 to 88. The listed issuer shall, however, be permitted to set conditions for the payment to ensure that the payee is a subscriber and to identify the payment made. We have no issue with the proposals being only for the issuer of equity securities and CIS under paragraph 89 but not for the issuer of debt securities or structured products. As to timing being in line with paragraph 47, this is acceptable.

Q.5 Do you agree that MMOs should no longer be available to issuers as set out in paragraph 99 of the Consultation Paper? Please give reasons for your views.

Yes. MMO no longer serves any useful purpose following the Paperless I initiative. The proposal will also help the SWT arrangements and contribute to a full electronic IPO process in line with Hong Kong's position as a leading international financial centre.

Q.6 Do you agree with the Hybrid General Meeting and E-voting Proposal as detailed in paragraphs 129 to 134 of the Consultation Paper? Please give reasons for your views.

Yes. During the pandemic, the Institute called for adopting virtual meeting technology and was the thought leader for several years before then. We, therefore, have no issue with requiring issuers of equity securities to have constitutional documents to enable the holding of hybrid meetings and e-voting as set out under paragraphs 129 to 134 of the Consultation Paper. We agree that the transition timeline should be shortened to the next general meeting following the publication of the consultation conclusions instead of the longer timeframe for adopting other proposals. The Institute will be delighted to promote this topic with HKEX to listed companies in seminars and guidance, where appropriate.

Q.7 Should issuers be required to provide securities holders with an option to attend general meetings remotely and vote via electronic means (as set out in paragraph 135 of the Consultation Paper)? Please give reasons for your views.

Yes. With the adoption of the ability to hold hybrid meetings, issuers should provide the option to securities holders to attend general meetings electronically. As set out under Q.6, the Institute is in a leadership position on virtual meeting technology adoption and will be delighted to support HKEX in promoting hybrid meetings. We agree that the transition timeline should only be until the next general meeting following the publication of the consultation conclusions.

Q.8 Should web accessibility guideline(s) (e.g. WCAG) be incorporated into, or referred to, in the Listing Rules (for example, the CG Code) or the Exchange's guidance, such that any corporate communications made available on issuers' website under the Rules should conform to such guideline(s), as set out in paragraph 146 of the Consultation Paper? Please give reasons for your views.

We have no issue with HKEX adopting accessibility guidelines for its publications and more generalised requirements for listed issuers after some time to collect market feedback on whether the proposal should be implemented more generally for listed issuers.

Q.9 Do you agree with adding a new note to MB Rule 13.46(1) to clarify that the conditions for granting waivers from the publication and distribution requirements of annual results/reports also apply to issuers that are neither overseas issuers nor PRC issuers (see paragraph 151 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.10 Do you agree with the following proposed amendments to align requirements: (a) to amend paragraph 12B of Appendix D2 to the MB Rules (GEM Rule 18.39B) to remove the annual affirmation requirement for independent non-executive director (see paragraph 152 of the Consultation Paper); (b) amend MB Rule 9.11(33) (GEM Rule 12.25(2)) to more accurately reflect the documentary requirements for the registration of a prospectus of C(WUMP)O (see paragraph 154 of the Consultation Paper); (c) to remove GEM Rule 18.50C to align the

requirement on the timeframe for submission of annual report with the MB Rules (see paragraph 155 of the Consultation Paper); and (d) to align the market capitalisation information required on Main Board and GEM listing application forms (see paragraph 157 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the MB and GEM Listing Rules.

Q.11 Do you agree with the proposal to amend MB Rule 2.07C to cover the types of announcements mentioned in paragraphs 158 and 159 of the Consultation Paper? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.12 Do you agree with the proposal to amend MB Rule 37.06 as mentioned in paragraphs 161 to 164 of the Consultation Paper? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.13 Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to notify the Exchange of their proposals to amend trust deed (see paragraphs 165 and 166 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.14 Do you agree with the proposal to clarify the scope of Professional Debt Issuers' continuing obligation to submit financial statements to the Exchange (see paragraphs 167 and 168 of the Consultation Paper)?

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.15 Do you agree with the proposal to revise the scope of Public Debt Issuers' continuing obligation to inform and submit drafts to the Exchange with respect to their proposal to amend documents that affect the rights of the holders of their listed debt securities (see paragraphs 169 to 171 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.16 Do you agree with the proposal to clarify the validity period of a debt programme under MB Rule 37.41 (GEM Rule 30.34) (see paragraphs 172 and 173 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.17 Do you agree with the proposal to revise the definition of supranationals under the MB Rules (see paragraphs 174 and 175 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.18 Do you agree with the proposal to require all Public Debt Issuers (except States and supranationals) to publish the English and Chinese versions of their financial statements (see paragraphs 176 to 178 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

Q.19 Do you agree with the proposal to replace references to "general meeting" with "meeting of holders of the debt securities" in paragraph 9 of Appendix A2 to the MB Rules (paragraph 9 of Appendix A2 to the GEM Rules) (see paragraphs 179 and 180 of the Consultation Paper)? Please give reasons for your views.

Yes. We have no issue with minor amendments to clarify or enhance the Listing Rules.

If there are any questions, please feel free to reach out to [REDACTED]  
[REDACTED]  
[REDACTED].

Yours sincerely,

For and on behalf of  
The Hong Kong Chartered Governance Institute

[REDACTED]  
[REDACTED]  
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