

	Question	Feedback
1	Do you agree that the Revised Model presents a better option for taking forward the USM initiative? If no, please provide details.	YES - revised model is a better option from better transparency perspective in terms of the real owners of the securities
2	Do you have any concerns or comments about the key features of the proposed Revised Model? If yes, please provide details.	<p>We appreciate the objectives of USM initiatives, more clarity and information will be helpful and required to better facilitate the market participates to review and evaluate, for example:</p> <ol style="list-style-type: none"> 1. Stability and reliability of the connectivity and integration between HKEx and share registrars' systems <ol style="list-style-type: none"> a. To demonstrate clarity on when 'change of ownership' takes place especially cash consideration is not linked b. BCP arrangement for the 'end to end' process e.g. outage of linkage between HKEx and registrar system 2. Stamp payment / declaration requirements and claim process should stamp paid due to error etc
3	Do you have any concerns or comments about the key features of the USS account? If yes, please provide details.	<p>We appreciate the objectives of USM initiatives, here are the concerns and questions to be addressed, for example:</p> <ol style="list-style-type: none"> 1. Responsibilities, legal obligations and liability etc of CCASS Participant as a USS account sponsor 2. USS account opening requirements, for different category of investors: e.g. corporate, fund, private trust, sovereign entities, etc <ol style="list-style-type: none"> a. Documentation requirements to be provided by investors b. KYC / AML requirements from both investors and CCASS Participants c. Requirements on ongoing monitoring, reporting, etc d. Definition of 'Institutional Investor' is not clear <ol style="list-style-type: none"> i. Is it mandatory be a legal entity ? ii. What about non-legal entity e.g. fund ? 3. Information sharing <ol style="list-style-type: none"> a. What information / documentations etc will be shared e.g. to share registrar? b. What is the mode and channel of communication? c. Classification of data security / confidentiality 4. Proposed corporate action flows especially cash related transactions to be reviewed (please refer to our feedback to Q8
5	Do you have any concerns or comments about our proposal that USS accounts be limited to institutional investors, and USI accounts be available to all investors, including institutional and retail investors? If yes, please provide details.	<p>No concern in general but need more clarity, for example:</p> <ol style="list-style-type: none"> 1. Per 38(g), the role and functions of share registrars are very different from those of other clearing or custodian participants, their rights and obligations within the HKSCC system is expected to be very different. Such details are yet available in the consultation paper for assessment, thus need more clarification on the admission criteria, role and functions of this new HKSCC participant

		<p>category i.e. “registrar participants”. Just want to ensure admission criteria is in line with role/functions can be conducted, and not conflicting with that of other existing HKSCC Participants category. For example, if “registrar participants” (and including other category of participants e.g. Direct Clearing Participant) can play a role as custodian in certain extent, then it would expect these participants should meet similar admission criteria of Custodian Participant and General Clearing Participant.</p> <p>2. Registrar Participants likely will play an unique role in both HKSCC’s and share registrar’s system, and other existing HKSCC participants may difficult to match, thus need more clarify to assess the impact.</p>
6	Do you agree with our expectation that institutional investors that open a USS account are unlikely to open or need to open a USI account as well? If no, please provide details.	Unlikely, but may subject to exceptions due to various reasons, for example: USS vs USI account from the perspective of cost, account opening process, operational efficiency, risk, legal protection and obligation/liability etc
7	Do you anticipate any difficulties or limitations in opening and managing USS accounts for retail investors? If yes, please provide details.	<p>Yes</p> <ol style="list-style-type: none"> 1. In general custodians’ target clients are institutional clients i.e. retail investors not target markets 2. If USS accounts extended to retail investor, it could create conflict with existing market practice 3. For some custodians, the retail business is managed by another business unit who are direct clients of custodians and their underlying customers as retail investors are comfortable with the existing HKSCC-NOM structure, take up of USS or USI may not be a key moving factor
8	Do you have any concerns if cash entitlements payable in respect of securities held in an institutional investor’s USS account had to be paid to the institutional investor direct, rather than to its sponsoring CP? If yes, please provide details.	<p>Yes – it will be challenging:</p> <ol style="list-style-type: none"> 1. To further distributing to USS client 2. From reconciliation perspective
10	Do you have any concerns or comments about our proposals on consolidating holdings belonging to the same registered securities holders but calculating securities entitlements separately in the case of USS holders with multiple USS accounts? If yes, please provide details.	<p>Yes</p> <ol style="list-style-type: none"> 1. This may result in discrepancy of total entitlement from consolidated holding vs total entitlement from separate USS accounts of USS holders 2. Need more clarity on the methodology used for consolidation
11	Do you have any concerns or comments about the proposals for establishing a Common Platform across all share registrars ? If Yes, please provide details.	<p>Yes – need more information on Common Platform</p> <ol style="list-style-type: none"> 1. Functions and capacities 2. Specification and Interface requirements e.g. how participant can connect to / interact with 3. BCP arrangement should there are system outage e.g. transfer of investor title should there is

		<p>system outage</p> <p>4. Real-time and fast turnaround time are mandatory, otherwise could hugely impact the whole market flow</p> <p>5. What are the requirements from CCASS participants (from the perspective of : documentation, system, technology built etc)</p>
13	Do you have any concerns or comments about the proposed process flows for IPO applications in respect of securities that are to be credited to a USS account? If yes, please provide details.	<p>Yes</p> <p>1. Cash account for IPO refund, prefer to use CCASS participant account instead of individual client cash account for each USS account</p>
14	Do you have any concerns or comments about the proposed process flows for effecting transfers to or from HKSCC-NOMS under the Revised Model? If yes, please provide details.	<p>Yes</p> <p>1. Will this be batch process or real-time ? Turnaround trade could be impacted.</p> <p>2. Should there is fail settlement, will there be additional option for buy-in exemption for payment failure ?</p> <p>3. No longer Seller will only be responsible for buy-in, buyer can also be responsible for buy-in.</p>
15	Do you have any concerns or comments about the proposed process flows for effecting other transfers under the Revised Model (i.e. between two USI holders, between two USS holders or between a USI and USS holder)? If yes, please provide details.	<p>One area that needs to be taken into consideration is the impact on SBL involving USS/USI - agreement, legal ownership, etc have to be taken into consideration.</p>
16	Do you have any concerns or comments about our proposal to offer off-exchange trade settlement and transfer services on half-day trading days? If yes, please provide details.	<p>1. Not too understand what are the benefits of doing it ? it could be a worse off.</p> <p>2. Need more clarity to facilitate the assessment</p> <p>a. how it affect SI or CNS settlement ?</p> <p>b. Need clarity on On market and off market, since Custodian have no visibility on which instructions are on market and off market</p>
18	Do you have any concerns or comments about the proposed process flows for effecting corporate actions in respect of holdings in a USS account? If yes, please provide details.	<p>Yes</p> <p>1. This process should be same as the current process for HKSCC NOM.</p> <p>2. Reconciliation and processing at Custodian's end will be challenging.</p> <p>3. May need to update existing custodian agreement to ensure it can capture clearly Custodian's/Share registrar's responsibilities if Share registrar directly credits USS account.</p> <p>4. Market deadline for all CA events especially voluntary events to be unified for USS and HKSCC-Nom.</p> <p>5. An ad hoc process needed to deal with interim transfer of title to Sponsoring CP while the securities are transferred by the Registrar to CP for further distribution to USS clients.</p>

20	Do you have any concerns or comments about including rights issues, subscription warrants and depositary receipts within the USM initiative at an early stage? If yes, please provide details.	No
21	Do you have any views as to whether the USM initiative should be extended to cover other products, in particular CBBCs and DWs ? If yes, please provide details.	No, but would like to understand how each product works under the USM initiative. For example, what about dual listed companies - how will transfer of register be facilitated?
22	Noting the general market consensus that Hong Kong should move to a USM regime, do you agree with the general approach for moving the market to full dematerialization ? If no, please provide details.	Suggestions: 1. To get in-principal ok from listed companies from other countries, before starting for HK. 2. To check with other jurisdictions if their law will also allow USM implementation. 3. Move all securities together into USM. Managing different model for HK listed companies and other listed companies will be challenging for Custodians. 4. Should consider to make it mandatory for all companies / products.
23	Do you have any concerns or comments about our proposals for requiring paperless IPOs only ? If yes, please provide details.	No
24	Do you have any concerns or comments about our proposal that there should be no option to rematerialize securities that are already in uncertificated form ? If yes, please provide details.	No but appreciate with more clarities: 1. How will cross listed securities process be addressed under this arrangement? 2. What will happen to unclaimed physical certificates?
25	Do you have any concerns or comments about our proposal for dematerializing securities that are held in the new HKEX system ? If yes, please provide details.	More details needed to facilitate the assessment
26	Do you have any concerns or comments about our proposal to cease the parallel trading arrangement for securities held within the HKEX System that have already been dematerialized ? If yes, please provide details.	No
27	Do you have any concerns or comments about our proposals for encouraging issuers and registered securities holder to communicate electronically rather than in paper form ? If yes, please	No

	provide details.	
Point 55 Page 18	Both USS and USI holder will receive regular statements of their registered holdings. In case of USS holders, these will be provided to Sponsoring CP in electronic form via HKEX system.	All communication to the sponsoring CCASS Participants instead of USS holder.