

Thank you very much for arranging the meeting on the above subject today in HKEx. It was very fruitful and useful.

From our (Euroclear) prospective, the USM under the revised model which keeps the HKSCC nominee account intact as at present is much better than the 2010 model.

Euroclear has been using the HKSCC nominee account for many years and we are glad that we can continue to use it.

Euroclear is also very supportive of the bigger objectives of the USM initiatives of doing away with the paper certificates and allowing investors to have a choice of holding the legal title of the securities, if they opt for doing so. Euroclear's assessment is that doing away with the paper certificates will enhance significantly the overall efficiency of the stock market. As for holding the legal title of the securities, we think the majority of the investors are happy with just holding the beneficial interest. Nonetheless, just for the first reason of doing away with the paper certificates, it will make the USM a very worthwhile exercise.

I have also one specific comment which is related to paragraph 105 on page 30 of the Consultation Paper about the listed funds such as ETFs. It is about whether the ETFs should be included in the USM initiatives at an early stage (Q19). Since all the ETFs are already immobilized in the HKSCC nominee account and there is no chance that they can be converted to paper certificates, Euroclear's view is that there is no additional benefit to include the ETFs in the USM initiatives. I am glad that many other market participants have expressed similar views, as I learnt at the meeting.

Euroclear has just signed an agreement with HKEx for HKEx to join Euroclear's ICSD settlement structure for ETFs so that the ETFs can be traded in many different markets in the world. We consider it the best to continue with the existing settlement infrastructure for ETFs, hence no need to include the ETFs in the USM initiatives.

In summary, you can regard Euroclear as being very supportive of the revised model for USM initiatives and we also regard the existing HKSCC nominee account has provided very good services to the market - Euroclear will continue to use HKSCC nominee account for both shares and ETFs as well as other investment vehicles if appropriate.

Thank you for your attention.