

Dear Sir/Madam

Consultation Paper on a Proposed Operational Model for a Scripless Securities Market

We refer to the captioned consultation paper and set out our comments as follows. We agree that a scripless securities market is the way forward. In principal, we also agree that there should be a system to facilitate both physical scrips and dematerialized shares in the interim.

Under the proposed model, the elimination of physical scrips essentially transforms the role of the Issuer Register from a record-keeper to one of a custodian. This raises the issues regarding the obligation and liability of the Issuer Registers, their mandate with the issuers, supervision and regulation of the Issuer Registers and possible compensation arrangements in relation to investors protection. Under the new proposed model, due to the ease of transfer and cost considerations, there may be a migration of shareholders from the CCASS register to the Issuer Register and thus give rise to cost consideration by the issuers. An operational model for a scripless market must address these issues with regard to the Issuer Register.

In the Dual Register model, the different cost structure under CCASS and their participants and the Issuer Registers may give rise to huge flows of inter-register transfers in times of corporate actions and events and thus will give rise to risk of errors and fraud.

We are also concerned of the security risk and the user-friendless aspect of the SRN proposed in the model. We are worried that investors and intermediaries will be put at a greater risk if the model of the SRN is adopted as proposed.

From a commercial perspective, an important issue not addressed in the consultation paper is the cost to stakeholders, for example the cost to the investors, intermediaries, issuers etc. incurred by this scripless exercise. Often, the feasibility and viability of such a project is largely dependant on the cost impact on all stakeholders.

In conclusion, we support the direction of going scripless. However, the proposed model is not comprehensive enough and leaves many issues unresolved. Given the problems we see in a "dual register", we suggest that the "dual register" concept be revisited.

Yours sincerely

