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Attention: The Scripless Project Team

Dear Sir

Consultation Paper on a Proposed Operational Model for Scripless Securities Market

In the hope that this submission is not too late, here are our views on the above Consultation Paper.

We support in general the proposals outlined in the Consultation Paper to move to a scripless environment and to provide greater transparency on the underlying shareholders. It is important for Hong Kong's continued development to move to a scripless environment and to improve transparency of the Register of Members.

We are aware that the Federation of Share Registrars will have submitted a detailed response on the Consultation Paper, in which a number of valid points and concerns are raised. We do not intend to repeat those concerns, but simply support what is stated in the Consultation Paper (Section 9.3) that HKEx should work closely with the SFC, the Federation of Share Registrars and other parties to finalise the optimal operational model.

Our comments on the Consultation Paper, using the same numbering, are as follows:

- 3.1 Proposed Model: It is proposed that the Register of Members be made up of the Issuer Register (in turn sub-divided into uncertificated shareholders and certificated shareholders), and the CCASS register (in turn comprising HKSCC Nominees, CCASS Participants, CCASS Participant Sponsored Accounts and Investor Participants).

At present, a listed issuer will see from its Register of Members just one register, in alphabetical order, listing all shareholders. It is not clear from the proposed model whether this will continue to be the case, whether the register will be divided into two alphabetical sections (issuer register and CCASS register) or further fragmented into the various sub-components detailed in the model. The latter would be particularly confusing and issuers, in general, would wish to be able to continue to see one consolidated register of members.

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On a related matter, there are contractual arrangements between an issuer and its registrars governing a range of matters relating to responsibilities, fees, and liability (including provision of insurance for matters such as forged transfer insurance). If HKSCC will effectively be performing the same role as the registrars, it is not clear from the Consultation Paper whether some form of contractual obligation will need to be entered into between HKSCC and listed issuers.

- 5.1 Corporate Communications: It is proposed that non-disclosed investors under the CCASS register may request through their brokers and custodians to receive corporate communications directly from the issuers. As at present, HKSCC will consolidate such requests and pass them to the share registrars.

This is acceptable and understandable whilst HKSCC is the sole name on the Register of Members for all shares within CCASS. However, once a new system is in place and a wider range of options are available for names of those within CCASS to appear on the Register, this procedure should be discontinued. If an investor wishes to remain anonymous then that investor should be prepared to be put in the same position as someone who holds their shares through any custodian. As with other custodians, HKSCC Nominees should come to their own arrangements for disseminating corporate information to its clients and levy such charges as it sees fit. This function should no longer be discharged by the issuer.

- 8.7 Fees and Charges: The Consultation Paper indicates that consideration of changes to fees structures is beyond the scope of the paper and that this will be dealt with through the normal operation of market focuses. However, this area is of concern to issuers and should be borne in mind when considering the appropriate model, bearing in mind that CCASS is in a monopolistic position and, as the paper points out, there is likely to be a rationalisation of share registrars in the market, thereby reducing the number of registrars available.

Yours faithfully



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Corporation Secretary

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