

香港中央結算有限公司
(香港交易及結算所有限公司全資附屬公司)

HONG KONG SECURITIES CLEARING COMPANY LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Concept Paper on Modernising Hong Kong's IPO Settlement Process

Enquiry: CCASS Hotline : 2979 7111/ E-mail : clearingps@hkex.com.hk

Hong Kong Exchanges and Clearing Limited (HKEX) has published a Concept Paper seeking market feedback on its proposal to comprehensively modernise and digitalise Hong Kong's IPO settlement process.

Under the proposal, HKEX will introduce a new web-based service called FINI (Fast Interface for New Issuance) that enables IPO market participants, advisers and regulators to interact digitally and seamlessly on the many steps that comprise the end-to-end IPO settlement process.

By modernising both the logic and the infrastructure of the Hong Kong IPO settlement, HKEX expects that the introduction of FINI will shorten the time gap between IPO pricing and trading from its current average of more than five business days to as little as one business day: reducing the settlement timeframe by as much as 80 per cent. This will give investors quicker access to new listings, reduce market risk and improve efficiency for all parties involved.

Key features of FINI:

- End-to-end IPO settlement, in one place. FINI will provide market participants and regulatory authorities with a consistent real-time 'golden source' view of every active Hong Kong IPO in one convenient place, as each deal progresses from launch to completion.
- Improved workflows and interactions. Dozens of separate tasks that are currently performed manually will be replaced by convenient and streamlined digital workflows on FINI. This will enable automation, operational precision and more robust risk controls throughout every IPO's settlement journey.
- Going paperless but staying inclusive. The IPO settlement process will go fully digital, meaning that paper-based documents, communications and payments will be replaced by more modern digital interactions. An open architecture will provide

integration options and innovative service opportunities for market practitioners, while allowing intermediaries to continue catering to those investors who prefer an offline interaction.

- Liquidity relief. FINI includes important alterations to the pre-funding mechanism for the Hong Kong public offer, whereby funds supporting IPO subscriptions will be validated at each broker's designated bank, with only the actual share allotment value of each broker collected by the issuer after balloting. This intends to alleviate the distortive impact that over-subscribed IPOs are known to have on Hong Kong dollar capital flows and interbank money markets.

If the proposed concept is supported by the market, HKEX will build FINI as the settlement mechanism for every Hong Kong IPO, fully replacing the existing "T+5" process.

The launch date of FINI will be subject to market support and readiness, and is envisaged to take place no earlier than the second quarter of 2022.

For further details, CCASS Participants and Designated Banks are encouraged to read the Concept Paper available at [this link](#). The deadline for responding to the Concept Paper via the feedback form available at [this link](#) is 6:00 PM on Friday, 15 January 2021.

To prepare for FINI, CCASS Participants and Designated Banks are requested to nominate two Project Coordinators (one Primary and one Secondary contact), and provide the relevant contact details (i.e. name, title, email address, contact number) to HKSCC via email to projectfini@hkex.com.hk, on or before 30 November 2020.

HKSCC will reach out to the Project Coordinators to provide updates on FINI on a regular basis, so CCASS Participants and Designated Banks are highly recommended to coordinate with the relevant teams to ensure the appropriate individuals are nominated.

Maria Leung
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Depository and Nominee Services