

Fast Interface for New Issuance (FINI): Concept Paper Conclusions

Modernising Hong Kong's
IPO Settlement Process



Moving forward with FINI

In November 2020, HKEX published a Concept Paper setting out a vision for modernising Hong Kong's IPO settlement process. We proposed a new platform named **FINI** to address various bottlenecks and pain points in the "last mile" of a new listing: namely, the mechanics and technology of IPO subscription, allotment, regulatory review, settlement and admission to trading.

Our motivation was simple: faster settlement means less market risk exposure for all parties, while new and efficient collaboration tools can help our IPO market step firmly into the digital era.

We were pleased to see that so many of you shared our vision. A wide range of stakeholders wrote to us in response to the Concept Paper, of whom 90% expressed their support for the FINI proposal. Your support gives us a clear mandate to go ahead and implement this important reform.

Responding to market feedback

Respondents raised many valid suggestions for how to improve the design of FINI. We have incorporated a large number of these suggestions into FINI's revised operating model.

The most notable change we have made is to extend the baseline IPO settlement timetable from "T+1" to "T+2" to better accommodate various regulatory and operational requirements. We have also clarified expectations regarding public offer pre-funding, investor identification, digital placee list submission, and various other important aspects of the FINI process. We believe that the revised model is stronger as a result, and will provide Hong Kong's primary equity market with a robust and competitive technological foundation for many years to come.

Today, we are publishing two documents:

- The ***FINI Concept Paper Conclusions*** (this document) summarises respondents' feedback to the FINI Concept Paper and explains the main changes that HKEX has made to its IPO settlement reform in response to this feedback.
- The ***FINI Information Pack*** sets out, in more detail, the complete operational workflow of the FINI platform, including an updated and extended FAQ section. We trust that market participants will find the Information Pack to be a useful one-stop reference guide, and we will regularly update it on the HKEX website going forward.

As we begin the development of the FINI system, rule changes (subject to regulatory approval) and an extensive programme of market readiness, we recognise that this is not the end of the journey. We thank you for all your support so far, and we are proud and excited to be taking the next step.

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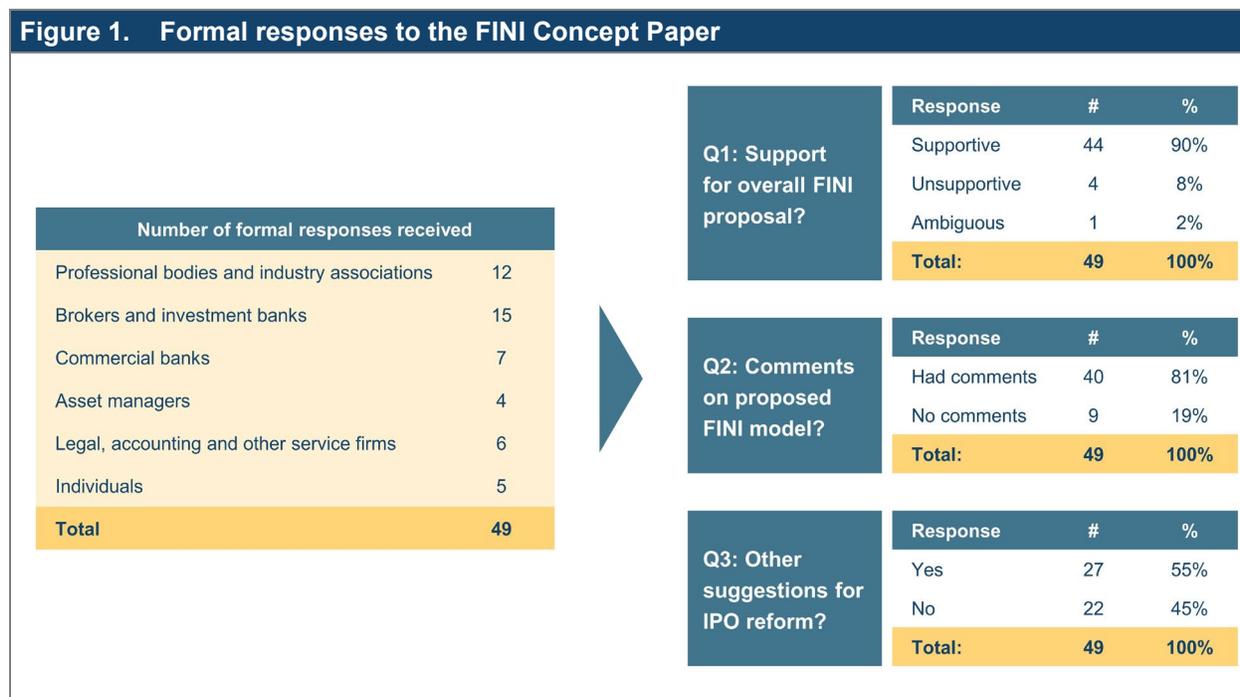
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1. Executive summary

1.1 Responses to the FINI Concept Paper

1. On 16 November 2020, HKEX published the FINI Concept Paper (the “**FCP**”), setting out a proposal for modernising the logic, mechanics and technology of Hong Kong’s existing IPO settlement process. The FCP sought the market’s views on FINI in the form of three questions:
 - i. *Do you support the overall proposal outlined in this Concept Paper?*
 - ii. *Do you have any comments or suggestions regarding specific aspects of the proposed reform or the functionality of the proposed FINI platform?*
 - iii. *Are there any other aspects of Hong Kong’s IPO process that are not featured in this Concept Paper, but which you would like to see included as part of this proposed reform?*
2. Since the publication, HKEX has engaged with over 200 market participants, including asset managers, investment banks, retail brokers, share registrars, settlement banks, law firms and members of industry associations that are active in Hong Kong’s IPO market. Over 30 briefing sessions, webinars and feedback meetings were held, in which stakeholders shared their valuable opinions and suggestions about FINI.
3. 49 formal responses to the FCP were received by HKEX, representing a broad group of IPO market stakeholders (see *Figure 1*).
4. **90% of respondents expressed support for the overall FINI proposal.** The vast majority of these respondents agreed that the introduction of FINI would benefit Hong Kong’s IPO market by reducing market risk, improving competitiveness and modernising participants’ interactions.



5. A majority of formal responses (81%) featured suggestions on how the FINI proposal could be improved or clarified, with certain themes recurring particularly strongly in the feedback, as summarised below. Respondents who were supportive of FINI urged HKEX to take these suggestions into consideration before finalising FINI's design and proceeding with its implementation. Of the four respondents who were not supportive of FINI, two provided comments that echoed similar suggestions made by supportive respondents, and indicated that, should the issues raised be resolved, they too would support the proposal.
6. Further, 55% of responses raised additional ideas for IPO settlement reform that were not explicitly included in the FCP. These suggestions have also been taken into consideration by HKEX.

1.2 Feedback and revisions to the FINI model

Breadth of industry support

7. There was near-unanimous support for shortening Hong Kong's "T+5" IPO settlement cycle, with one response summarising the general mood by calling the current market risk exposure period *"too long and out of step with most other major listing venues"*. Most analysis submitted by respondents centred on whether "T+1" or "T+2" IPO settlement would be the more appropriate outcome for Hong Kong to aim for.
8. The competitive importance of IPO settlement reform was widely recognised by stakeholders, who noted that a shorter IPO settlement process would reduce the impact of extraneous circumstances on IPO price discovery and allow IPO issuers and investors to better take advantage of market conditions. This may lead to more truthful reflection of IPO valuations and support investors' willingness to commit to equity offerings.
9. Many respondents supported the proposal to change the public offer pre-funding arrangement so as to reduce the "lock-up" of public investors' subscription money. Besides pointing out the large scale and inefficiency of this practice, responses highlighted its wider-economy implications, such as the impact on Hong Kong interbank rates, borrowing costs and rate-fixing for wider economic activities. It was noted that more efficient recycling of liquidity was becoming increasingly important given the strong pipeline of large listings coming to Hong Kong, as well as to shield the financial sector from unexpected economic shocks.
10. Numerous market participants expressed their support for the proposed digitisation of workflows, data and greater straight-through processing during the IPO process. Brokers noted their appreciation for more real-time data visibility and validation, while institutional investors, bookrunners and law firms welcomed the prospect of a more digital placee review process with less chance for human error. As one asset manager put it, FINI will be *"an example of technology helping to improve the efficiency of the marketplace, to the benefit of all market participants"*.
11. In addition, the role of FINI as a *"central repository of information and a useful monitoring tool for the functioning of an orderly market"* was noted by one industry group, who expressed their strong support for the work of the regulators in this regard.

Preference for a T+2 timetable

12. Numerous respondents were of the view that the "T+1" IPO settlement timetable proposed in the FCP, while desirable, was too tight operationally. In particular, the timeline for institutional trade allocation, pre-matching, placee vetting and settlement was considered insufficient by most market participants, who indicated that allowing more time for these sequential activities was important to avoid unnecessary settlement failures, especially in IPOs that feature heavy participation from overseas-based investors.

13. Regarding the timing of the public offer, some brokers noted that a 9.30am application cut-off would not leave much time for IPO subscribers to make use of the final day of the offer period. The time provided for settlement banks to confirm the sufficiency of their clients' application funds was also seen as too short.
14. A large number of respondents encouraged HKEX to launch FINI with a "T+2" timetable that would more comfortably accommodate regulatory requirements and market practices without introducing undue operational risk during IPO settlement. Further timetable shortening could then be considered over time.
15. **HKEX broadly agrees with these recommendations, and will therefore introduce FINI with a "T+2" IPO settlement timetable as the standard model, rather than the "T+1" model proposed in the FCP.** Details of the revised timetable and cut-off times for various activities are set out in [Section 2.1](#).
16. We have also taken on board respondents' recommendations to require all future Hong Kong IPOs to follow the same "T+2" settlement timetable unless the IPO issuer has consulted the Exchange in advance to seek consent to conduct its offering with a "T+3" or longer settlement timetable, or has been requested by the regulators to do so. HKEX will publish guidance materials to provide clarity and consistency to the market in this regard, so as to ensure that the main objective of this reform (faster IPO settlement) is not defeated.

Public offer pre-funding mechanism

17. While broadly supportive of the liquidity-saving mechanism proposed in the FCP, respondents from banks and brokers raised a number of questions about their expected roles and responsibilities under the new arrangement. In particular, there was uncertainty about whether banks would be required to play a larger role in credit intermediation, or to assume potential liability for money settlement on brokers' behalf.
18. Similar concerns were mirrored by some brokers' associations, who asked whether fully pre-funded IPO subscription services without the backing of margin lending may still continue after the introduction of FINI, rather than needing to follow the 90% credit / 10% cash pre-funding guideline mentioned in the FCP.
19. **In response to this feedback, HKEX has amended and clarified the public offer pre-funding arrangement and workflows that will take effect under FINI**, as set out in [Section 2.2](#). These include:
 - i. Arrangements for the designated banks of CCASS Participants ("**CPs**") to set aside their clients' required public offer pre-funding amounts;
 - ii. Explanation of how CPs may opt for a "compressed" pre-funding requirement in situations where their total demand for shares far exceeds the available supply of shares from the IPO issuer; and
 - iii. That there will be no prescription from HKSCC on client funding arrangements or the mix of funding sources for CPs, as long as each CP is able to meet its settlement obligations to the IPO issuer.
20. With these clarifications, HKEX fully expects that both cash-funded and margin-funded share subscription models will continue to successfully co-exist following the introduction of FINI, serving the needs of different groups of investors. These arrangements have also been revised to align with a "T+2" settlement timetable.

Investor identification

21. Respondents warmly noted HKEX's proposal to introduce a mandatory standard for investor ID information across all IPO subscription channels that are open to the public, thereby improving disclosure quality and enabling the detection of multiple subscriptions by the same investor. Clarity was sought on how this aligns with the contemplated introduction of an Investor ID regime at the trading level for the securities market in

Hong Kong (the “HKIDR”) recently proposed by the SFC¹, and whether it would be possible to reduce market participants’ adoption effort by aligning investor ID requirements across both regimes.

22. Several respondents raised concerns that an investor ID requirement in respect of public offer subscriptions might be complicated by client confidentiality barriers, because brokers might be reluctant to provide their clients’ identifying information to CPs through whom they may be submitting those clients’ orders to HKSCC.
23. For the convenience of market participants, HKEX intends to closely align the investor identification requirements for IPO subscribers in FINI with those set out in the proposed HKIDR. This will harmonise investor identification standards across the Exchange’s primary and secondary equity markets.
24. To preserve confidentiality, intermediaries may be permitted to identify subscribers for shares in public offers with a Broker-to-Client Assigned Number (“BCAN”) on an optional basis, pending the contemplated introduction of the HKIDR. Licensed Corporations (“LCs”) and Registered Institutions (“RIs”) who submit public offer applications through third-party CPs (such as lending banks) would therefore be able to protect their clients’ identity, while still enabling FINI to identify any actual or suspected multiple applications for shares at the end-investor level.
25. The synchronisation of FINI with the introduction of HKIDR, as well as the legal and operational implications for LCs, RIs and CPs, will be further studied by HKEX, pending the finalisation of the HKIDR regime. The feasibility of adopting the use of BCAN in FINI is subject to further study and discussion with the SFC. An update will be provided to market participants in due course. Further questions raised by respondents about investor ID can be found in *Section 2.3*.

Placee vetting and bookbuilding

26. With the introduction of FINI, the Listing Division intends to fully digitalise placee list submission. Many respondents asked about the logistics of this arrangement, such as the roles and responsibilities of relevant market participants, as well as their respective data access rights on the FINI platform. *Section 2.4* sets out further details and HKEX’s clarifications in response to questions raised on this topic.
27. Several respondents focused on the bookbuilding process and offered suggestions on how it could also be digitalised, streamlined or otherwise improved as part of, or alongside, the introduction of FINI. HKEX welcomes these comments. A number of policy initiatives are already happening in this area, including recent proposals by the SFC to introduce a code of conduct on bookbuilding and placing activities, and FINI will be ready to accommodate the final code requirements and consequential Listing Rules amendments based on the consultation conclusions of such proposals.² HKEX is also open to the idea of integrating FINI with electronic bookbuilding systems or adding other functionality to support straight-through placee submission, should there be broad market support for doing so in the future. At this time, HKEX believes that these questions are best addressed in a separate forum of stakeholders.

Other feedback

28. Several brokers’ associations flagged that the introduction of FINI may negatively affect their revenues, especially those related to interest income on IPO margin lending. HKEX acknowledges that a shorter settlement cycle may indeed have such an effect. On the other hand, as some respondents to the FCP pointed out, lower exposure to market risk, faster recycling of “locked-up” funding, a reduction in borrowing costs and better real-time information may all encourage investors to participate in a more active and informed way in the Hong Kong IPO market, leading to new business opportunities.

29. A range of other questions of a largely operational nature were raised in responses to the FCP. The main ones are covered in *Section 2.5*, and a more extended list can be found in the *FINI Information Pack*, which will be updated with new frequently asked questions (“**FAQs**”) going forward.

1.3 Revised FINI implementation schedule

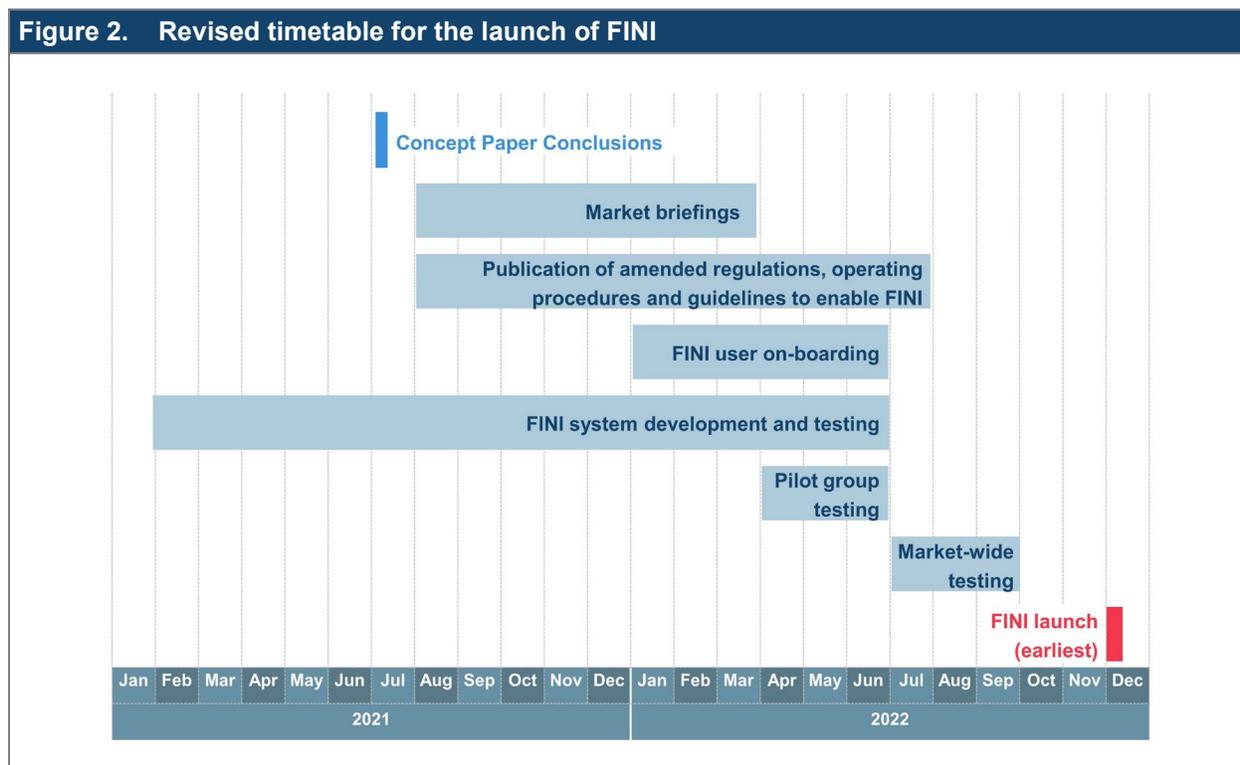
30. **With the support of the market, HKEX will proceed to build FINI as the mandatory platform for the settlement of all future Hong Kong IPOs.**

31. The revisions to IPO settlement workflows outlined in these *FINI Concept Paper Conclusions* entail some changes to the specifications of the earlier design of the FINI system. For this reason, the launch of FINI is expected to take place in the **fourth quarter of 2022**, at the earliest.

32. As indicated in the revised timetable in *Figure 2*, market briefings and user on-boarding for FINI are expected to begin around August 2021 and January 2022, respectively. In accordance with this timetable, HKEX will progressively publish relevant information for stakeholders on the FINI website, including:

- i. Educational materials about getting ready for FINI, including updates to the *FINI Information Pack*;
- ii. A FINI User Guide, including technical specifications, sample files and message formats;
- iii. The FINI Terms & Conditions for prospective users of the platform; and
- iv. Proposed changes to the CCASS Rules and Operational Procedures and other relevant regulatory documents, some of which may be subject to separate consultation.

33. Further details on these activities are covered in *Section 3*.



2. Revisions to FINI

2.1 T+2 timetable for all IPO issuers

34. Responses to the FCP indicated a very clear consensus among different stakeholders regarding the IPO settlement timetable that was proposed in the FCP. Respondents generally believe that:
- i. “T+1” is too tight and too risky given regulatory requirements and operational realities;
 - ii. An extension by one day to “T+2” is considered feasible and would be broadly welcomed; and
 - iii. HKEX should take measures to ensure that IPO issuers generally adhere to the ultimate settlement timetable that is adopted, so as to ensure consistency and clarity in market practice.
35. The accompanying arguments and HKEX’s views are discussed below.

Challenges of a “T+1” model

36. A majority of respondents focused on the tight timing of the international offer process under the proposed “T+1” settlement timetable. It was felt that the sequential nature of the activities needed to ensure successful share allotment and settlement required more time for completion, and that fitting them all into a “T+1” timetable would leave almost no operational buffer for contingency management.
37. Market participants held the view that, even with a more digital method for submitting placee information and reducing human error, the FINI platform would not, on its own, condense the time that is required for equity syndicates’ bilateral activities with global investors across both the front and back offices.
38. In particular, the following challenges of a “T+1” timetable were commonly highlighted by respondents:
- i. **Pricing.** Some IPOs may require beyond 10am on “T day” (the day after the public offer book-close) to be priced, especially if they are either undersubscribed or heavily oversubscribed. While meeting this deadline is generally feasible, this may not be the case in every deal, and the impact on downstream tasks should be considered.
 - ii. **Tranche sizing.** The clawback mechanism under PN18 of the Main Board Listing Rules (or PN6 of the GEM Listing Rules) means that a re-allocation of shares from the international offer to the public offer may need to take place, which can be time-consuming. A discretionary re-allocation under guidance letter HKEX-GL91-18 “*Reallocation of shares from placing tranche to the public subscription tranche in an initial public offer*”, exercise of an offer size adjustment option and over-allocation might also take place, and the timetable proposed in the FCP appeared to leave little time for these to happen.
 - iii. **Finalising allocations.** Allocations are confirmed with investors after pricing, and the process can take considerable time, sometimes well beyond the “T day” 2pm deadline contemplated in the FCP. Meeting the proposed deadline may necessitate an earlier book-close, which could in turn adversely impact demand and the success of an offering.
 - iv. **Pre-matching.** The time allowed for pre-matching and the booking of trades was similarly seen as too limited, especially for investors and custodians who are based in non-Asia time zones and may not be able to meet a same-day confirmation deadline. One respondent observed that this process was “*far more complicated*” than the balloting of the public offer tranche.

- v. **Placee submission.** As this process usually depends on finalised pricing and confirmed sub-allocations, a 2pm cut-off on “T day” is not considered feasible under current placing allocation practices. For subscriptions by connected clients, while a pre-vetting application process as set out in HKEX-GL110-21 “*Pre-vetting for placing to connected clients in an initial public offering*” (published on 5 March 2021) is seen as helpful, time would still be needed to obtain all relevant confirmations, finalise consents and allocations, where these are provided.
 - vi. **Confirmation of placees’ independence.** Part of the process of confirming the placee lists involves confirming the independence of placees, which is a regulatory obligation for which IPO sponsors bear the consequences. Obtaining such confirmations prior to listing adds time to placee submission, and poses a challenge to meeting the suggested timetable.
 - vii. **Regulatory review.** The three-hour window for regulatory clearance was questioned, as market participants’ past experience suggested that the regulators may request further information about placees that may take more time for distributors to provide.
 - viii. **Settlement.** Successful settlement of share allotments requires the timely arrangement of funding by investors and communication with their custodians following the issuance of placing letters. There were doubts whether this can be completed in a “T+1” timetable without a risk of failed trades, especially given the different locations and credit practices of the intermediaries involved.
 - ix. **Pricing supplement.** The pricing supplement currently forms the basis of a sales contract with investors, together with the preliminary offering circular. In a shortened timetable, there may be a risk that the pricing supplement is only communicated to investors after the start of trading, which may raise concerns about the contractual basis of the underlying transactions.
39. Respondents pointed out that, unless timelines in respect of the above were extended to a longer duration, there could be a higher incidence of settlement failure, as trades are not booked in a timely manner, placee information is not readily available for submission, or funding cannot be arranged in time.
40. A widely noted observation was that a “T+1” timetable, even if it could be met through wholesale changes to operational practices in the market, leaves little buffer for managing contingencies and missed deadlines, which could have both practical and regulatory consequences for the market participants involved. Frequent settlement failures and listing delays may also create reputational damage for Hong Kong’s IPO market.
41. As regards the timetable of the public offer tranche, retail brokers raised several suggestions:
- i. **Public offer book-close time.** Brokers urged HKEX to maintain the deadline for submitting electronic public offer subscriptions to FINI at noon (Hong Kong time) on the public offer book-close date. Some retail investors may subscribe on the final morning of the offer period, as this allows them to consider the latest market environment before submitting their application.
 - ii. **Confirmation of sufficient funds.** Additional time for banks to confirm the money positions of their clients was requested, recognising that FINI’s altered pre-funding confirmation mechanism may require more timely communication between CPs and their banks (see *Section 2.2*).
 - iii. **Refunding.** One respondent pointed out that the refunding of surplus subscription money should ideally reach investors who received an allocation of shares on the same day as it reaches those who did not, so as to avoid unequal treatment and potential complaints by investors.
 - iv. **Release of allotment results.** Brokers raised a concern that investors may not know their share allotment until the publication of the official allotment results announcement, which may be as late as 11pm on the night before trading starts. HKEX was asked to clarify whether retail brokers could proceed with client allotments upon the earlier completion of the public offer settlement envisaged under FINI.

42. Overall, it is clear from this feedback that market participants foresee considerable risks and challenges to imposing a “T+1” IPO settlement timetable on the market at the present time.

Support for “T+2” IPO settlement

43. Over 15 respondents advocated revising the FINI timetable such that IPO shares start trading on “T+2”. Arguments made in favour of this included:
- i. It should resolve the challenges identified with the “T+1” timetable in most circumstances.
 - ii. It would align primary and secondary market equity settlement from the buy-side perspective: allowing asset managers to raise funds on the day that allocations / trades are made, and settle them on the value / share delivery date with a minimum of disruption.
 - iii. It would align Hong Kong’s IPO market with those of New York and most of Europe, which generally settle IPOs on “T+2”, even if some allow conditional trading to commence on “T+1”.
 - iv. It would still represent a significant improvement over what can be achieved with existing settlement infrastructure. For comparison, as noted in the FCP (para. 140), the historic average time between *pricing* and *trading* of Hong Kong IPOs is 125 hours (+48 extra hours if a weekend falls in between), whereas a “T+2” timetable would cut this time period to as short as 45 hours.
44. There was considerable support for making “T+2” the standard settlement timetable for all Hong Kong IPOs when FINI is introduced, so as to provide consistency and clarity in market practice. Respondents argued that, without such a rule, some IPO issuers may deliberately opt for a lengthier settlement period, thus defeating one of the main goals of this reform. As one buy-side association observed, “*our members would not want to see a settlement cycle longer than T+2*”. At the same time, allowing too much variation between IPOs might also create undue commercial pressure on syndicates to achieve accelerated settlement for IPO issuers beyond what is realistically operationally feasible.
45. **HKEX agrees that a “T+2” timetable for IPO settlement is feasible and desirable. With the launch of FINI, all IPO issuers will therefore be required to follow this timetable.** This represents a 24-hour extension to the timetable proposed in the FCP. *Figures 3a* and *3b* set out the revised “T+2” timetable and a description of the key changes in various activities’ expected cut-off times.
46. By implication, the “T+1” settlement model proposed in the FCP will not be supported by FINI. However, many respondents noted that “T+2” need not be a permanent outcome, and agreed with HKEX’s vision for the market to eventually move towards “T+1” settlement in future, once the majority of market participants and infrastructures are ready. It was recognised that an initial transition to “T+2” with FINI could provide necessary practical experience to eventually enable shorter settlement times with the same platform.

Longer settlement timetable on a case-by-case basis

47. HKEX recognises that there may be circumstances in which a “T+3” or a longer IPO settlement period may be necessary due to the particular circumstances of the IPO issuer. **The FINI platform will therefore allow for IPOs to have a longer settlement period, but only upon advance request.** IPO issuers will be required to seek the Exchange’s consent in advance if they expect a settlement period of “T+3” or longer for their IPO, and this timetable should be included in their prospectus. Circumstances in which a prolonged settlement period may be justified could include: the timing of Hong Kong or overseas public holidays; upon a regulator’s request; or other reasons that will be assessed by the regulators on a case-by-case basis.

Figure 3a. Revised T+2 IPO settlement timetable with FINI

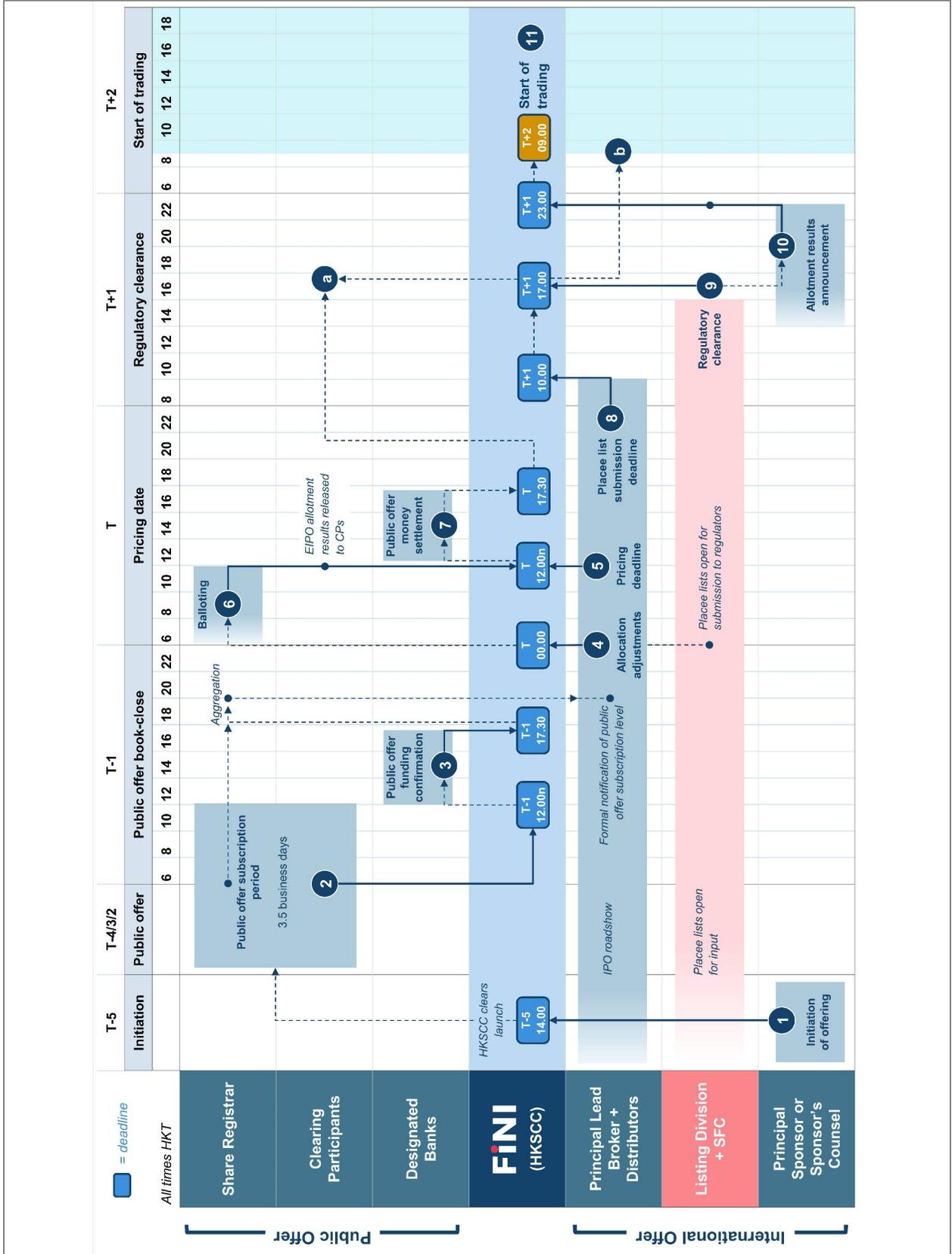


Figure 3b. Revised T+2 IPO settlement timetable with FINI (all times HKT)

| Step | Activity | Start time | Deadline | Pre-conditions |
|------------|---|------------------------|----------------|--|
| 1 | Initiation of offering | Post-Hearing Letter | T-5 14.00 | The principal sponsor or sponsor counsel has been on-boarded to FINI |
| 2* | Public offer subscription period | T-4 09.00 | T-1 12.00 noon | Step 1 done |
| 3* | Public offer funding confirmation | T-1 12.00 noon | T-1 17.30 | Step 2 done |
| 4* | Allocation adjustments | After Step 3 | T 00.00 | Step 3 done |
| 5* | Pricing deadline | During or after Step 1 | T 12.00 noon | - |
| 6* | Balloting | After Step 4 | T 12.00 noon | Steps 3 + 4 done |
| 7* | Public offer money settlement | T 12.00 noon | T 17.30 | Steps 5 + 6 done |
| 8* | Placee list submission deadline | After Step 4 | T+1 10.00 | Step 4 done |
| 9* | Regulatory clearance | After Step 8 | T+1 17.00 | Step 8 done |
| 10 | Allotment results announcement | After Step 9 | T+1 23.00 | Step 9 done |
| 11* | Start of trading | T+2 09.00 | | Step 10 done |
| a* | Deposit of public offer shares in the CSD | | T+1 17.30 | Steps 7 + 9 done |
| b* | Deposit of international offer shares in the CSD | | T+2 09.00 | Step 9 done |

* Denotes workflows whose allocated time has been extended, when compared with the "T+1" timetable in the FCP.

48. The start of trading in this "T+2" timetable occurs 24 hours later than what was proposed in the FCP. As such, an IPO with a public offer book-close on Monday noon ("T-1" day) would be expected to price by Tuesday noon ("T" day) in order to commence trading on the Exchange on Thursday morning ("T+2" day).
49. The most notable differences between the "T+2" timetable and the FCP reflect the suggestions and concerns raised by the market as follows:

INTERNATIONAL OFFER:

- i. Additional time is provided for **international offer allocation and approvals** (*Steps 4, 5, 8, 9 and 10*). The deadline for submitting placee lists to the Listing Division (*Step 8*) has been extended considerably, providing extra time for pricing, allotments, pre-matching, placee data collection and preparation of the associated funding and settlement instructions. Early submission of certain placee information is already encouraged by the Exchange, as explained in *Section 2.4*.
- ii. In addition to any mandatory clawback or claw-forward that may be triggered by the public offer subscription level, there may also be options to upsize, over-allot or re-allocate shares to the public offer available to IPO issuers under the terms of their offering. Such **allocation adjustments** should be exercised by midnight on “T day” (*Step 4*), so that balloting and settlement of the public offer may proceed on time. This will allow IPO issuers to keep existing share allocation flexibility under various offering subscription scenarios.
- iii. The deadline for **pricing** (*Step 5*) has been extended to noon on “T day”. A minority of respondents pointed out that some IPOs may take more time to price, and may therefore miss this deadline. In practice, the Exchange will consider granting a short extension (at the expense of the syndicate’s own time for placee list submission), or, if needed, the IPO issuer may be required to delay its listing by one day. The Exchange strongly encourages syndicates to manage their roadshow and book-close timings to allow for sufficient time to reach a pricing decision two days before the start of trading.

PUBLIC OFFER:

- iv. Public offers will **close at 12 noon HKT** (*Step 2*), consistent with current market practice. This will be FINI’s cut-off for accepting application lists from CPs.
 - v. **Public offer funding** for EIPO applications will need to be confirmed by CPs’ designated banks by 17.30 on “T-1”, five-and-a-half hours after the public offer book-close (*Step 3*). This time window is for the banks to lock their clients’ required pre-funding amount. The workflow for this step is further discussed in *Section 2.2*. Pre-funding checks in respect of “e-White” applications will continue to be handled by share registrars, approximately during the same time window.
 - vi. **Balloting** (*Step 6*) will be held based on the list of successfully pre-funded public offer applications (i.e. demand) and the final number of shares allocated by the IPO issuer to the public offer (i.e. supply), pursuant to *Steps 3 and 4*, respectively. This mirrors existing balloting practice. Share registrars may therefore begin their preparations for balloting as early as 18.00 on “T-1”. Balloting will need to be completed by noon on “T day”.
 - vii. **Allotment results** for CPs will be available for broadcasting to clients soon after balloting results are received by FINI, which will be around noon on “T day”.
 - viii. Public offer **money settlement** (*Step 7*): the value of shares allotted through the ballot will be debited from CPs’ designated banks, under instruction from HKSCC. The key difference from the sequence described in the FCP is that money settlement will be calculated based on the final IPO price, rather than the top of the IPO price range, such that no interbank refund run is required. Designated banks may release unused application funds back to their CP clients from this point.
 - ix. **Deposit of shares** in respect of the public offer (*Step “a”*) will take place at 17.30 on “T+1” following corresponding money settlement and regulatory clearance of placees (*Steps 7 and 9*).
50. The *FINI Information Pack* contains further detailed information on every step in this “T+2” timetable, and how the associated workflows and interactions will occur via the FINI platform in practice. This information will be updated by HKEX with further technical specifications during the next stage of the project.

2.2 Public offer pre-funding mechanism

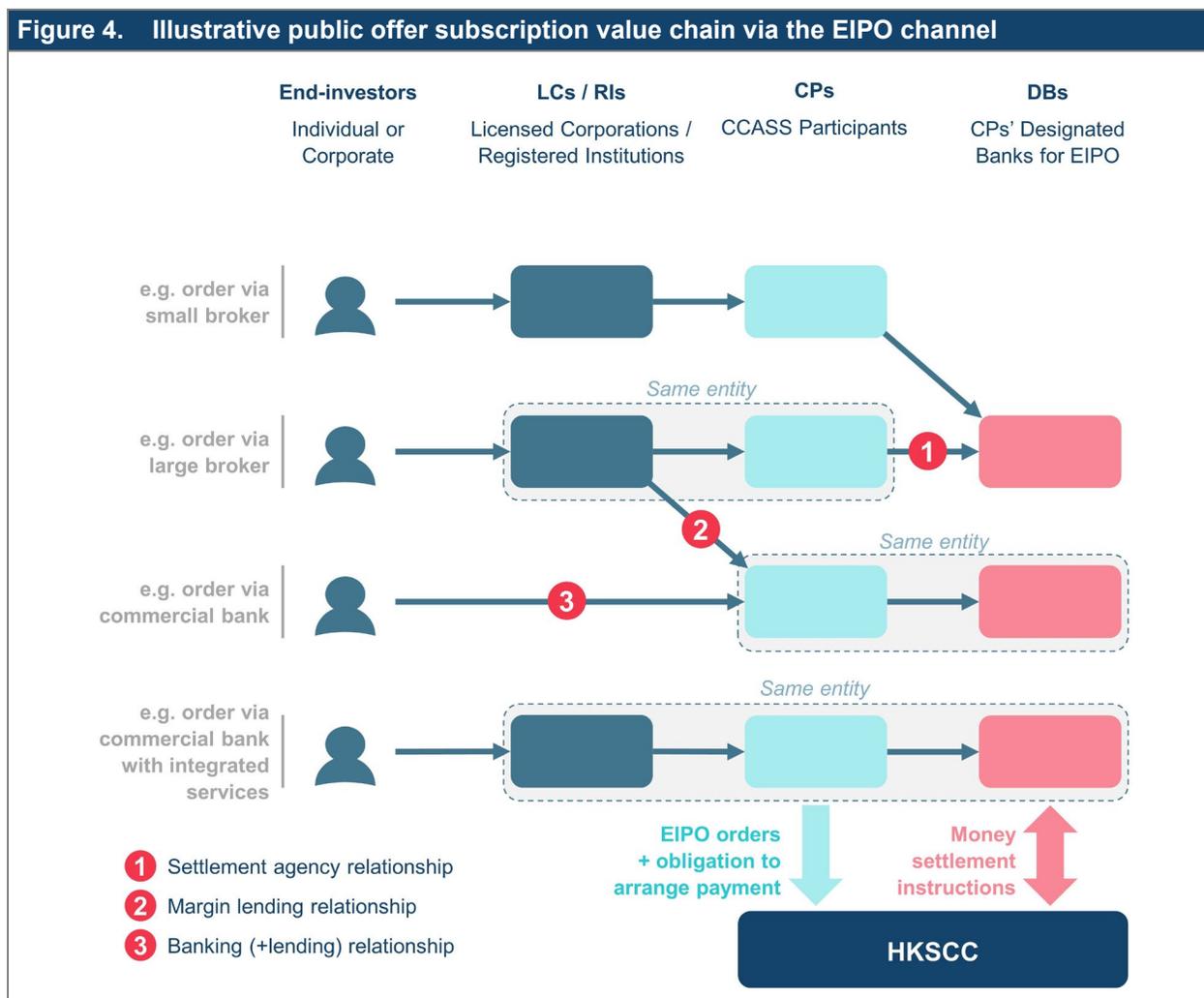
51. The FCP set out a proposed methodology to facilitate the alleviation of the large liquidity “lock-up” that has historically been associated with heavily oversubscribed Hong Kong public offers, and whose magnitude has increased in recent years. The proposal essentially put forward two key changes:
- i. **To confirm EIPO pre-funding without interbank transfers.**

Rather than needing to transfer application funds to the IPO issuer’s receiving bank as evidence of their sufficiency, CPs would instead be asked by HKSCC to ensure that these application funds are held on deposit with their own designated IPO settlement bank before the ballot. Only the portion of these funds required to settle each CP’s *actual* share allotment would then be collected by the receiving bank after the ballot. The intention is to reduce the **time required** and the potential counterparty and concentration **exposures** created during large transfers of application funds.
 - ii. **To cap CPs’ pre-funding requirements at their maximum allotment exposure.**

No CP would be required by HKSCC to hold on deposit in respect of a particular IPO an amount of funds that exceeds the CP’s highest possible settlement obligation to the IPO issuer (i.e. its allotment of shares if it receives all of the available supply, and nobody else receives anything). While expected to be triggered relatively rarely, this mechanism could help to significantly reduce the **amount** of liquidity “locked up” in the banking system during the largest / most popular IPOs.
52. In principle, the feedback to these proposals was encouraging. Respondents focused on the large amount of funds that are tied up with Hong Kong public offers, and the economic cost of this practice. At the investor level, direct and opportunity costs are incurred, while at the macroeconomic level there is an inefficient use of liquidity that could otherwise be recycled faster or used for other purposes. The potential knock-on effect on interest rates for wider economic activities was also noted by a few respondents. In particular, the proposals received support from respondents representing institutional investors, corporate governance professionals and several large banks who noted the positive intention and impact.
53. At the same time, a number of respondents from the banking and brokerage sectors pointed out that the proposed model left some open questions that needed to be addressed, in particular in the following areas:
- i. With regard to proposal (i), how CPs will be expected to prove that they are holding sufficient funds to support their applications; whether these funds need to be held in an escrow arrangement; and whether their designated EIPO bank under CCASS (“**DB**”) is taking on a new operational and legal responsibility in verifying each CP’s funding position to HKSCC.
 - ii. With regard to proposal (ii), the potential for increased credit exposures between CPs and their clients in a “compressed” pre-funding arrangement was raised, with much debate among respondents regarding how the proposed mechanism might affect commercial dynamics between various cash-funded and margin-funded public offer subscription channels available to investors.
54. HKEX appreciates that many of Hong Kong’s banks are engaged in the IPO business in various capacities, including as (i) providers of direct subscription services to end-investors; (ii) providers of margin financing to brokers, as well as to end-investors; (iii) providers of settlement agency services to CPs; and (iv) IPO issuers’ receiving banks. Similarly, retail brokers may serve their investors with or without the benefit of access to credit to support their IPO subscriptions. Responses to the FCP suggest that these groups have formed different interpretations of the proposed changes, which require clarification by HKEX.
55. Below, HKEX has set out amendments and clarifications to show how FINI’s public offer pre-funding mechanism is intended to work, in respect of (i) pre-funding confirmation, (ii) pre-funding compression.

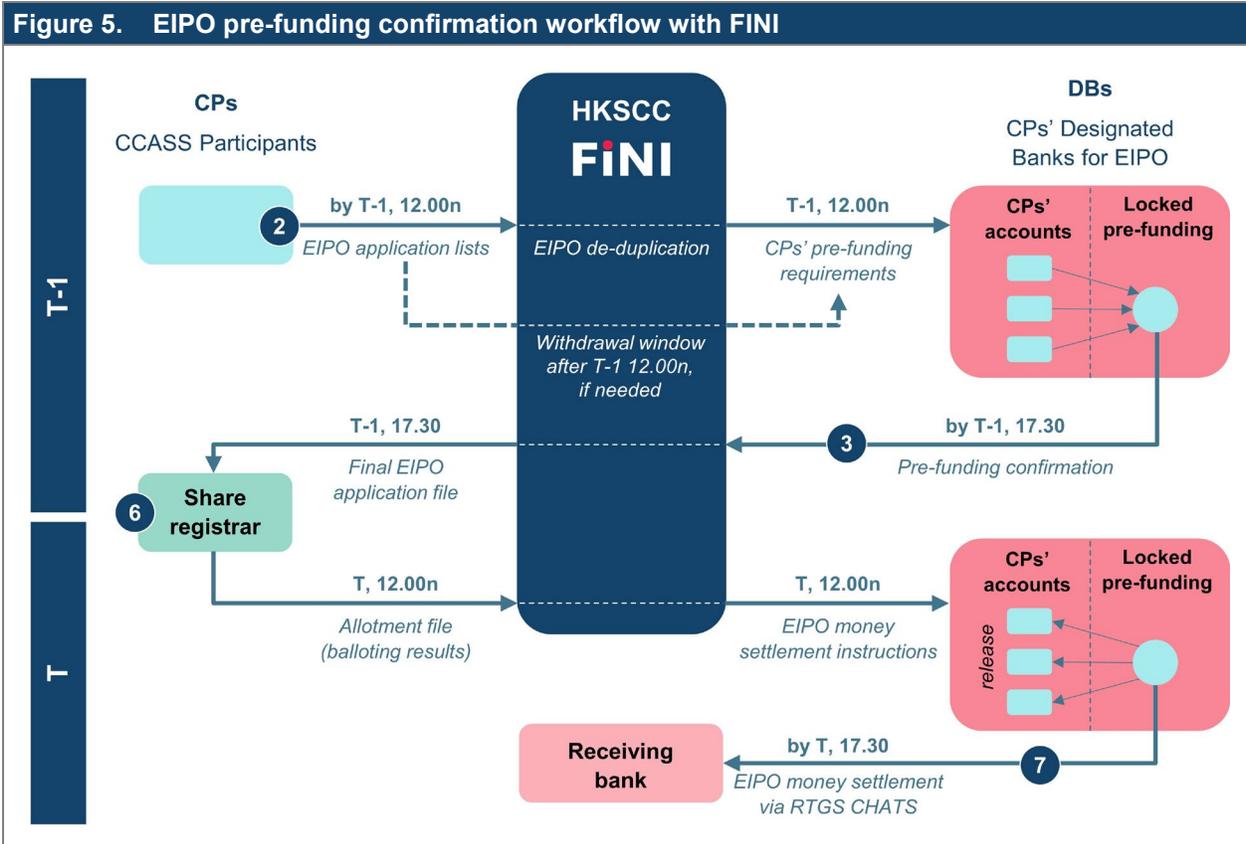
Pre-funding confirmation

56. Figure 4 illustrates a typical value chain for an investor subscribing for public offer shares through the HKSCC-operated EIPO (broker-based) channel that is currently used for over 99% of all public offer applications.³ This diagram shows several potential paths that an end-investor's order for shares might take:



57. Note that while the roles of the ~3,000 LCs/RIs, ~500 CPs and ~40 DBs involved are distinct in terms of responsibilities in this process, in practice many LCs/RIs and almost all DBs also have a CP membership with HKSCC, and may use the same legal entity to concurrently perform more than one of these roles.
58. **From a regulatory and contractual perspective, the introduction of FINI will not materially change the existing responsibilities of LCs/RIs, CPs and DBs in the EIPO process:**
- LCs/RIs may continue to distribute their EIPO orders across multiple CPs (in practice, multiple banks). However, each CP will continue to have only one DB for HKD money settlement purposes;
 - CPs will remain responsible for preparing the necessary pre-funding in respect of their EIPO application lists, and will instruct and authorise their DBs to arrange payment on their behalf; and
 - DBs will have no liability to HKSCC or to the IPO issuer if a CP that they serve fails to arrange sufficient pre-funding in accordance with the required procedures and regulations.

59. However, FINI does change the operational workflow regarding the confirmation of CPs' pre-funding. Below, HKEX has set out in more detail a revised sequence of activities, so as to better reflect each party's intended role and obligations. This workflow has also been aligned with the "T+2" FINI timetable presented earlier in *Figures 3a / 3b*, where it corresponds to *Steps 2, 3, 6 and 7*, as shown below:



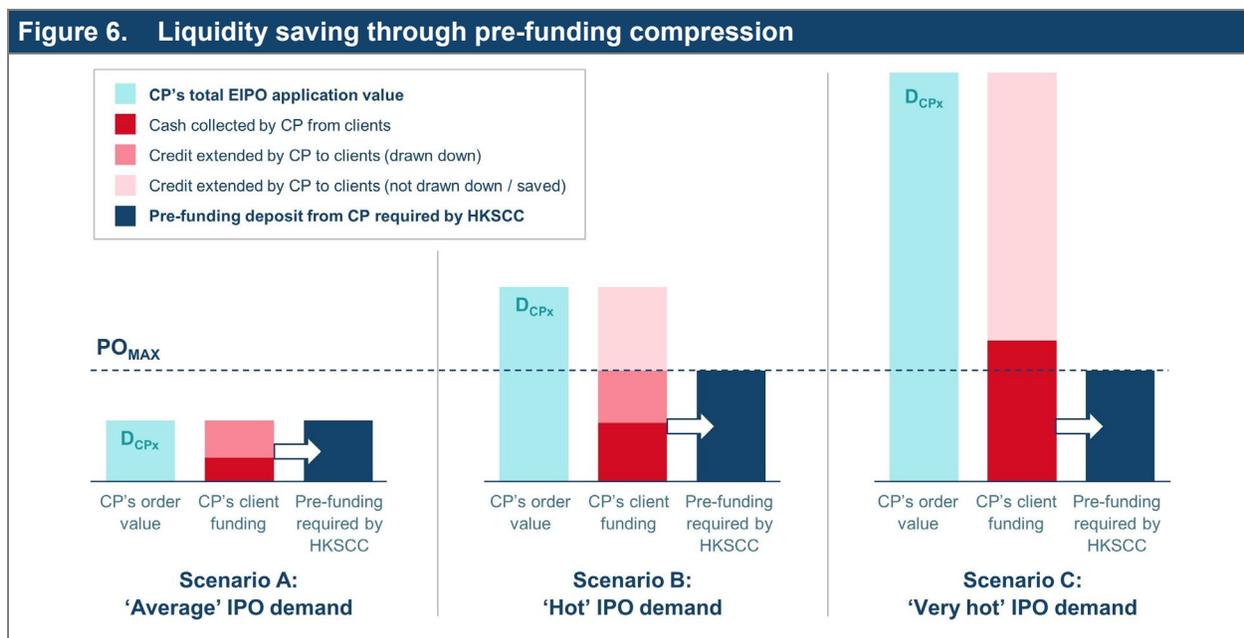
| Timing (HKT) | Party | Workflow | Additional information |
|---|-------|---|---|
| From T-4 09.00 to T-1 12.00n <i>In the overall IPO timetable: Step 2</i> | CPs | EIPO application lists: CPs submit EIPO applications to HKSCC using FINI during the public offer period. | The submission of EIPO applications is treated as the giving of instructions to HKSCC to apply for public offer shares on the CP's behalf, and is irrevocable once the public offer is closed. Submission is also an undertaking by the CP to arrange the required funds to support its pre-funding requirement, as determined by HKSCC. |
| T-1 12.00n | HKSCC | Each CP's pre-funding requirement ("PFR") is calculated by FINI and notified to the CP and its DB. The PFR is a cash requirement, and paragraph 72 describes how it is calculated. | The relationship between each CP and its appointed DB is known to HKSCC and mapped automatically into FINI. Any multiple applications identified in the EIPO channel will not be subject to pre-funding, and will be removed from further processing. |

| | | | |
|---|-----------------|--|---|
| T-1 by 17.30 <i>In the overall IPO timetable: Step 3</i> | DBs | Pre-funding: DBs must lock the required PFR amount based on funds available in the CP's respective bank account. Confirmation: DBs must provide a message response to HKSCC (via FINI web interface or API) to confirm successful / failed PFR locking with respect to each CP they serve. EIPO applications with confirmed pre-funding will be taken forward into the public offer ballot. | In case of insufficient funds during this confirmation process, a CP may be permitted to amend and reconfirm its EIPO application list via FINI, whereupon the DB will be notified. At the 17.30 deadline, a missing or negative confirmation from its DB (i.e. failed pre-funding) will invalidate and remove the CP's EIPO applications from the ballot. |
| T by 12.00n <i>In the overall IPO timetable: Step 6</i> | Share Registrar | Allotment file: results of balloting are provided by the share registrar and disseminated by HKSCC to CPs for onward broadcasting to their clients. | Any EIPO applicants that were removed from the ballot by the share registrar (i.e. for reasons other than being duplicates within the EIPO channel) will receive zero allotment, and the reason for removal will be provided to the relevant CP. |
| T by 17.30 <i>In the overall IPO timetable: Step 7</i> | HKSCC + DBs | Money settlement instructions: Shortly after T 12.00n, HKSCC generates instructions via RTGS CHATS to debit each CP's EIPO share allotment value from its DB, and credit it to the IPO issuer's receiving bank(s) by T 17.30. | CPs' unused PFR is released by their DB concurrently with EIPO money settlement. CPs' EIPO shares are subsequently deposited in CCASS around 17.30 on T+1. |

60. In effect, the above arrangement is similar to the current practice of “locking” EIPO application funds in the banking system. However, rather than needing to move all of the “locked” funds into the IPO issuer's receiving bank, under the new arrangement such funds will instead be “locked” with each CP's DB until the portion of those funds that is necessary for settling the CP's allotted public offer shares is ultimately collected. HKEX believes that the new arrangement has several advantages over the current practice:
- i. It will enable faster release of unused pre-funding by DBs back to CPs, as there is no need to wait for an interbank refund settlement run for the funds to be returned. In particular, the recycling of CPs' liquid funds for IPOs closing on the subsequent business day will become achievable: something that is entirely impossible under the current interbank pre-funding arrangement;
 - ii. It will allow for more orderly management of EIPO pre-funding among CPs and DBs. As one respondent pointed out, under current practice DBs are sometimes required to arbitrarily downsize CPs' EIPO orders or determine towards which IPOs to allocate CPs' insufficient bank balances; and
 - iii. It will reduce the systemic concentration of EIPO-related liquidity in a single receiving bank.
61. The extremely small but plausible risk of money settlement failure in *Step 7* was discussed in the FCP, and remains relevant in this revised operational arrangement. If such a scenario occurs, HKSCC will contact the defaulting CP and its DB and consider (i) issuing a new payment instruction for partial settlement if the value difference is minor; (ii) attempting the payment again in the next settlement window; (iii) if the CP's settlement obligation to the IPO issuer cannot in fact be met, promptly notify the IPO sponsor and principal lead broker of a reallocation of the defaulted CP's public offer shares to the international offer tranche. The CP will be considered to be in breach of HKSCC Rules, and punitive action may subsequently be taken.
62. Following the publication of these *FINI Concept Paper Conclusions*, HKEX will engage further with the DB community to refine operational practices and expectations in respect of the new FINI pre-funding arrangement. The *FINI Information Pack* will be updated with the agreed details in due course.

Pre-funding compression

63. The motive for introducing a pre-funding compression mechanism in FINI is to reduce extreme levels of liquidity “lock-up” in the largest and most popular Hong Kong IPOs. It is unnecessary for HKSCC to require a CP with \$3 billion of EIPO applications to pre-fund *all* of that money, if the public offer size in question is only \$100 million, and the CP’s allocation within that public offer is almost certain to be even lower.
64. In the FCP, HKEX introduced the concept of **PO_{MAX}**: the value of an IPO’s entire public offer tranche, if the highest tier of clawback set out in the issuer’s prospectus was to be triggered. **PO_{MAX}** represents the highest mathematically possible share allotment that any one CP could possibly receive from the IPO issuer, in the extreme case that all of the shares available in the public offer are allotted by ballot to clients of that CP, while all other CPs do not receive any shares.
65. From the perspective of the IPO issuer, so long as each CP has pre-funded the entire value of its applications (**D_{CP}**) up to an upper limit of **PO_{MAX}**, then every possible allotment permutation is fully funded for settlement. HKEX therefore proposed that a CP should no longer be *required* to pre-fund all of its **D_{CP}** if this number, as calculated at the end of the public offer period, exceeds the fixed value of **PO_{MAX}**.
66. This mechanism does not change the existing onus on each CP to determine whether it is willing to allow, and, if so, prepared to manage its risk exposure to its own underlying clients, who may comprise thousands of orders ranging from one board lot all the way up to (typically) 50% of **PO_{MAX}**. CPs are responsible for making this business judgement and exercising disciplined risk management accordingly, which means either requiring their clients to pre-fund their orders in full, or collecting a percentage of clients’ order values as margin and providing credit to cover the rest, alongside appropriate collateral and lien arrangements over any shares that may be allotted to those clients. In other words, CPs must still ensure that their clients have sufficient funds (cash or credit) to be able to support the settlement of their respective public offer subscription in full, when accepting their orders. *The key difference in the FINI model is that not all of the funding that is arranged by CPs to support their clients’ applications will necessarily be required to be fully drawn down and deposited with its DB in order to meet that CP’s PFR, as calculated by HKSCC.*
67. It is HKEX’s belief – and one widely echoed to us by market participants – that this mechanism will allow many brokers and banks to support their clients’ demand for shares with **considerably smaller** “lock-up” of liquid funds in “mega” IPOs, which may potentially also translate into lower IPO funding costs that more realistically reflect the actual credit consumption involved. This is illustrated conceptually in *Figure 6*.



68. Feedback to the FCP suggested that many stakeholders, while supportive in principle, felt two main areas of uncertainty about this proposal, which they urged HKEX to clarify.
69. The first uncertainty was whether **all** CPs using FINI would be expected to provide a credit-based IPO subscription service to their clients, so as to benefit from pre-funding compression. Respondents noted that such an expectation may give rise to uncertainty about the availability of sufficient bank credit in the market, potential disruption to market participants' existing business models, and competitive dynamics.
70. **HKEX clarifies that pre-funding compression will be optional for CPs.** Only CPs who are able and willing to assume and manage their counterparty exposure to their own clients should consider whether they wish to avail themselves of this mechanism. This is ultimately a commercial choice for intermediaries to make. HKSCC will not prohibit or penalise a CP for depositing full D_{CP} or any other amount greater than its calculated PFR, with its DB, if it wishes to do so.
71. To effect this arrangement, every CP will be offered the option by HKSCC to **opt in** to using the compressed PFR calculation for all of its EIPO application lists at the point of on-boarding to FINI. Once opted in, the opt-in will cover all IPOs, without the CP needing to make an election every time. CPs who do not opt in during on-boarding to FINI may do so at any time thereafter, in which case their PFR calculation methodology will be revised in respect of all future IPOs, except those whose public offer period has already started at the time of the opt-in request. CPs may, of course, opt out at any time.
72. HKSCC will subsequently calculate a CP's PFR in respect of each IPO as follows:
- i. **If the CP has opted in to compressed pre-funding, $PFR_{CP} = \min(D_{CP}, PO_{MAX})$**
 - ii. **If the CP has not opted in to compressed pre-funding, $PFR_{CP} = D_{CP}$**
73. The second uncertainty expressed by respondents was whether HKSCC was seeking to dictate the funding arrangements that CPs should follow with respect to their own clients: the FCP suggested that a 10% cash / 90% credit mixture may be an appropriate benchmark, judging from prevailing market practice.
74. HKEX acknowledges that dictating CPs' client funding arrangements, or how exactly they should meet their PFR, is not its intention. The management of clients' money and the conduct of IPO lending activities are governed by existing regulations and guidelines under the auspices of the SFC (in respect of LCs and RIs) and the HKMA (in respect of RIs), and this remains unchanged under FINI.
75. As described in the pre-funding confirmation workflow set out in paragraph 59 above, **HKSCC's PFR for each CP in respect of its public offer applications will be a cash requirement, and this requirement may be fulfilled only by way of a confirmation from the CP's DB.**
76. Based on the comments and preferences expressed by numerous respondents to the FCP on this subject, HKEX fully expects that, with these clarifications, both cash-funded and credit-funded IPO subscription models will continue to successfully co-exist following the introduction of FINI, serving the needs of different groups of investors and the different business models of various brokers and CPs, just like they do today.

Public offer money settlement

77. In the FCP, HKEX proposed settling public offer share allotments via RTGS CHATS, thus discontinuing the use of the current EPI mechanism. Respondents who commented on this were generally supportive.
78. One respondent suggested that HKSCC should consider directly collecting and transferring money between CPs' DBs and the IPO issuer's receiving bank(s). At this time, however, HKSCC is not proposing to create or assume a central counterparty clearing role in the public offer subscription process.

79. One respondent suggested that HKEX should help to reform existing market practice on IPO issuers' receiving banks arrangements, including:
- i. Limiting the number of receiving banks per IPO to one; and
 - ii. Reducing the number of settlement accounts per receiving bank from three to one.

HKEX appreciates that (a) the introduction of the *Paperless Listing & Subscription Regime*⁴, and (b) the public offer pre-funding reform under FINI may potentially reduce some of the motives that an IPO issuer may have to appoint multiple receiving banks. At the same time, we believe this is the IPO issuer's decision to make, and FINI will not prevent issuers from appointing more than one IPO receiving bank.

80. Several respondents requested further clarification on the detailed operational arrangements for managing payment rejections and partial settlement workflows under FINI. HKEX is formulating principles in this regard, and expects to release these details during FINI's development phase.
81. Given the novelty of the FINI public offer pre-funding arrangement and the operational practice changes involved, HKEX will conduct extensive market education with investors, brokers, CPs and DBs as part of the FINI market readiness and on-boarding programme throughout 2021 and 2022 (see *Section 3*).

2.3 Investor identification

82. As part of the FINI reform, HKEX proposed to harmonise the identity information that is collected from investors subscribing for shares in the public offer tranche of a Hong Kong IPO, regardless of whether they apply via a CP or via a share registrar. HKEX believes that the introduction of FINI presents an opportunity to considerably improve the identification and invalidation of multiple subscriptions by the same investor, which is a regulatory requirement intended to ensure consistency and fairness to all investors.
83. Respondents raised a number of questions in this regard:
- i. What identification details of IPO subscribers will intermediaries need to provide to FINI?
 - ii. How will brokers or other LCs/RIs be able to protect their clients' identity from third-party CPs (e.g. lending banks) who might be submitting EIPO applications to FINI on their behalf?
 - iii. How will FINI identify and treat actual or suspected multiple subscriptions by the same investor?
 - iv. For what purposes could investors' personal data be used by the IPO issuer or by HKSCC?

Definition of investor ID requirement

84. As several respondents to the FCP pointed out, the introduction of FINI is likely to coincide, timing-wise, with the proposed introduction of an *Investor identification regime at trading level for the securities market in Hong Kong* (the **HKIDR**) that was announced for market consultation by the SFC on 4 December 2020, two weeks after the publication of the FCP. In fact, the client identification data ("**CID**") requirements for investors set forth in the FCP and the HKIDR proposal are almost identical. Respondents asked whether the requirements of the two regimes could be aligned, for ease of adoption by intermediaries.
85. In follow-up briefings, it was also noted that, once the HKIDR is introduced, successful IPO applicants who hold their allotted shares through a broker will need to have been on-boarded by that broker to the HKIDR anyway, if they wish to subsequently sell their shares in the secondary market. Stakeholders saw this as

an additional motive to synchronise Hong Kong’s primary and secondary equity market investor ID requirements.

86. **For the convenience of market participants and the alignment of primary and secondary market standards, HKEX intends to closely align the investor identification requirements for all IPO subscribers with those set out in the proposed HKIDR, subject to the finalisation of the HKIDR.**

87. This means that (subject to the HKIDR’s finalised standards and requirements) submitting the information shown in the table below would become mandatory for investors who subscribe for shares in *either the public offer tranche (EIPO or “e-White” channels) or the international offer tranche* of a Hong Kong IPO via FINI. IPO subscribers in either tranche may also be required to provide certain additional details that may be prescribed and / or announced to the market by the regulators from time to time.

| For individual subscribers | For corporate subscribers |
|--|--|
| <ul style="list-style-type: none"> ▪ Full name as shown on their identity document. ▪ Identity document’s issuing country or jurisdiction. ▪ Identity document type, with order of priority: <ul style="list-style-type: none"> i. HKID card; ii. National identification document; iii. Passport; and ▪ Identity document number. | <ul style="list-style-type: none"> ▪ Full name as shown on its identity document. ▪ Identity document’s issuing country or jurisdiction. ▪ Identity document type, with order of priority: <ul style="list-style-type: none"> i. LEI registration document; ii. Certificate of incorporation; iii. Business registration certificate; iv. Other equivalent documents; and ▪ Identity document number. |
| <p>Also note:</p> <ul style="list-style-type: none"> ▪ The subscriber’s primary name as shown on their identity document should be used. Either English or Chinese names (or both, if available) will be accepted by the FINI system. ▪ If the subscriber is a trust, the CID of the trustee, as set out above, will be required. ▪ If the trust is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund which has opened a trading account with the broker will be required, as above. ▪ In a joint account application, the above details for up to four joint holders of that account will be required. | |

88. Several respondents asked about the meaning of an “order of priority” or “hierarchy” of identity document types. In the case of individual subscribers, “order of priority” will mean that investors who hold a valid HKID **must** use that HKID number (rather than, say, a passport number) when subscribing for shares, while in the case of corporate subscribers, the company’s LEI number must be used if it has one. Intermediaries whose clients elect to use a non-HKID identity document to make an application for public offer shares will be required to seek client confirmations that they do not possess a valid HKID as part of their initial know-your-client checks and ongoing monitoring.

89. Some respondents asked whether FINI would restrict certain groups of investors from applying for shares, based on the issuing country or jurisdiction of their identity document. The eligibility of investors to subscribe for IPO shares is determined by the IPO issuer and will be set out in the prospectus – for example, an IPO issuer might prohibit anyone who is a “natural person” of a certain jurisdiction from subscribing for its shares. Subscribers are expected to undertake (as part of the terms of their application) that they are not in contravention of any such restrictions as set out in the IPO issuer’s prospectus, and the IPO issuer’s share registrar may also further analyse the public offer application lists in this regard, consistent with current practice. The FINI system will not carry out checks or impose restrictions in this regard.

Anonymisation of investors' identity

90. A number of brokers, banks and industry associations noted that mandating the declaration of CID through the long public offer subscription value chain (see *Figure 4*) could pose serious commercial sensitivities for some intermediaries, as they would be compelled to reveal the CID of their clients all the way “down the value chain”, including to the CP who ultimately submits their EIPO application list to HKSCC.
91. Conversely, a CP that receives CID of investors who are not its direct clients is likely to be required under prevailing regulation and its own internal policies to perform manual sanctions and anti-money laundering checks on each of those investors, who may number in the tens or even hundreds of thousands in just one IPO. This could impose an unrealistic operational burden, especially during times of heavy subscription volumes, such as during the last few hours of a public offer period.
92. Respondents urged HKEX to devise a way for FINI to keep CID confidential as it travels “down the value chain”, without compromising the ability of the end-investor’s “original” intermediary to communicate such CID information directly to HKSCC for regulatory purposes. Unless such a mechanism can be provided, some respondents predicted the inability of certain CPs to continue offering EIPO subscription services, as well as a potential decline in public offer subscriptions altogether. HKEX would consider such outcomes, if they eventuated, to be unintended and undesirable.
93. **To preserve confidentiality between intermediaries, HKEX may allow LCs and RIs who submit public offer applications through third-party CPs to identify their end-investors with a BCAN, instead of enclosing the investors' full CID details in their application.**
94. This measure would address data-sharing concerns among intermediaries, while still enabling HKSCC and / or the IPO issuer’s share registrar (in the conduct of their respective public offer processing responsibilities) to securely retrieve the underlying identity information of the investor and thereby identify any actual or suspected multiple applications in the public offer, or between the public and international offers, as the applicable regulations may require (see paragraphs 97-99).
95. HKEX believes that the close alignment of investor identity standards and CID masking infrastructure across Hong Kong’s primary and secondary equity markets will reduce the operational, technological and legal readiness efforts of market participants for the planned introduction of the HKIDR and FINI reforms.
96. Work remains to be done on aligning the relevant BCAN-CID mapping file specifications and submission mechanism; obtaining the necessary client consent by intermediaries; and distinction of the purpose of data collection, usage and retention. HKEX will further study the feasibility of adopting the use of BCANs in FINI, pending the finalisation of the HKIDR regime, and further discussion with the SFC, and will update the market in due course.

Treatment of actual and suspected multiple applications

97. With a view to fairness and consistency, Main Board Listing Rule 10.09 (or GEM Listing Rules 13.21 to 13.24) prohibits multiple applications by the same subscriber in the public offer tranche. HKEX has noted many incidents of multiple applications for shares in IPOs despite this regulatory restriction and believes that FINI will be able to effectively tackle this conduct. Many respondents asked how FINI would do this, and some offered their suggestions in this regard.
98. FINI will help IPO issuers and their share registrars address multiple applications by subscribers in the public offer tranche. FINI will firstly run an algorithm after the public offer book-close (i.e. the end of *Step 2* in *Figures 3a / 3b*) to identify any instances of multiple applications in the EIPO application list, based on the CID of each subscriber as described in the table in paragraph 87 above. If any actual or suspected multiple applications are found, the affected applications will be removed from further processing and

flagged to the IPO issuer's share registrar by HKSCC in the EIPO application file. The share registrar will perform an analogous process within the e-White application list, and between the EIPO and e-White application lists using the same algorithm, such that all instances of actual or suspected multiple applications in the public offer tranche are detected and removed before balloting.

99. For subscriptions to the **international tranche** of an IPO, FINI will adopt the following approach:
- i. If individual placees (or beneficial owners of corporate placees) are found by FINI to have already been submitted by *the same* distributor in the same IPO, these will be flagged by the system to the submitting distributor, principal lead broker and the regulators. The distributor will be permitted to amend the relevant placee entries in FINI, if needed (without the need to re-upload the entire file). If no amendment is made and the relevant placee submissions are considered by the regulators to represent the same investor, these placees will be treated as being one placee when determining whether the IPO issuer meets the requirements under the Listing Rules relating to an adequate spread of shareholders, and the minimum number of placees and shareholders, among others;
 - ii. If individual placees (or beneficial owners of corporate placees) are found by FINI to have already been submitted by *a different* distributor in the same IPO, these will be flagged by the system to the relevant submitting distributors, principal lead broker and the regulators. The procedure in 99(i) will be followed; and
 - iii. If individual placees (or beneficial owners of corporate placees) are found by FINI to have already been *allotted* shares in the public offer tranche of the same IPO, then the affected subscribers' allotment in the public offer tranche will take precedence and remain valid, while their placee list submission will be invalidated and the relevant distributor and principal lead broker will be notified. This is to avoid having to re-ballot the public offer tranche, which would cause a delay to the IPO issuer's listing timetable. The syndicate will be responsible for re-allocating any shares that have been provisionally allocated to a placee that has been invalidated in this manner.

Use of investor data submitted to FINI

100. Some respondents raised concerns about whether IPO subscribers' data provided to FINI during the course of IPO settlement would become available online or may otherwise be used by HKSCC, the IPO issuer, or any of the IPO issuer's advisers for purposes beyond IPO settlement.
101. The purpose for which IPO subscribers' data will be used by HKSCC, as the operator of the FINI system, is to facilitate IPO settlement. Consistent with current market practice, such data may be provided to the Exchange, the SFC, the IPO issuer and its advisers/agents (sponsors, sponsor counsel, issuer counsel, and share registrar), as the case may be, for either regulatory purposes or to enable them to carry out their responsibilities during the IPO settlement process. In any event, no personal information will be made available online unless otherwise required by the applicable rules and regulations (including any guidance issued by the regulators) and in full compliance with the PDPO. For the convenience of market participants, the data privacy and usage policy applicable to all of their interactions with FINI will be set out in the FINI Terms and Conditions. To enable HKSCC, as the operator of FINI, to comply with the PDPO, as the operator of FINI, these Terms and Conditions will require intermediaries who submit IPO subscribers' data to FINI to have obtained all necessary consents and authorisations under applicable laws and regulations prior to the submission of such data to FINI.
102. One respondent asked whether responsibility for publishing "IPO information" will shift from sponsors to FINI under the proposed model. HKEX wishes to clarify that the publication of an announcement of the results of an IPO, with specified information, continues to be a regulatory requirement. As further set out in the *FINI Information Pack*, the FINI system will generate the relevant data table to assist the IPO issuer and

its advisers and agents to prepare such an announcement, but FINI will not autonomously publish the announcement on an IPO issuer's behalf.

2.4 Placee vetting on FINI

103. Many respondents asked about the submission, vetting and approval of placee lists “going digital” on FINI. In particular:
- i. **Roles and responsibilities** of sponsors, sponsor counsel, and distributors. Respondents enquired whether these will change; which parties will be responsible for submission of documents, and for the accuracy and completeness of the information submitted via FINI; and
 - ii. **Workflows and deadlines** for placee list and related document submissions. Given the shorter time period when compared with current market practice, respondents wondered to what extent the placee list information and submission procedures would be simplified or facilitated by the FINI system; and whether placee submission deadlines could be extended in practice.
104. HKEX has set out the below information to in response to the main questions raised by the respondents. Further details of the placee vetting workflow can be found in the *FINI Information Pack*.

Roles and responsibilities

105. The roles, responsibilities and obligations of the parties involved in an IPO will not change in any fundamental way following the introduction of FINI. Their access and permissions as FINI users will reflect their existing roles and responsibilities. If any parties wish to participate in the placing process as a distributor, they will need to register as a FINI user, and be subject to the on-boarding requirements.
106. **Sponsors.** Once FINI is live, all Post-Hearing Letters with no objection will include a unique “FINI Key” that allows the principal sponsor (so long as they have been on-boarded to FINI) to initiate the offering for that IPO (*Figure 3a, Step 1*). The principal sponsor may delegate this task to the sponsor counsel, if they wish to, in which case the principal sponsor will be able to view (but not edit) the relevant offering initiation information as it is entered into FINI by the sponsor counsel (so as to avoid the same parties inputting or editing the same information concurrently). The offering initiation process includes inviting relevant syndicate members, advisers and agents (e.g. principal lead broker, distributors, share registrar, other sponsor(s), and the IPO issuer's legal counsel) to access that IPO on FINI to and perform certain tasks related to each party's respective role. The principal sponsor or sponsor counsel may update the FINI user list throughout the IPO settlement process, including adding or removing distributors. All information submitted to the Exchange through FINI, including the offering initiation information, should be accurate and complete in all material respects. Sponsors are ultimately responsible for the accuracy of this data, and for ensuring that only authorised parties can access the IPO via FINI, even if the task has been delegated to the sponsor counsel.
107. **Sponsor counsel** will be able to input, submit and amend the required documents and legal undertakings generated by FINI from time to time only when the task is delegated to them. In line with current practice whereby the sponsor counsel is able to submit documents to the Exchange on behalf of the sponsors, it will be able to do the same on FINI.
108. **The principal lead broker** is responsible for managing the number of shares placed to sub-distributors at any level, and responsible for the overall control list for the placing. These functions will be available, in digitalised form, on FINI.

109. **Distributors** (and sub-distributors). Due to client confidentiality, only the respective distributor will be able to have the details of their placees submitted via FINI. No party will have complete access to all information on FINI regarding an IPO except for the regulators. For example, sponsors, sponsor counsel and the principal lead broker will not be able to view the placee lists that have been submitted by individual brokers, but they can view the submission status of each broker and the corresponding number of shares submitted. Non-syndicate distributors can also be invited to FINI during the IPO settlement process by the principal sponsor or sponsor counsel.

Workflows and deadlines

110. Some respondents raised concerns about the ability of distributors to prepare placee lists in the shortened time period envisaged by FINI, and enquired whether placee lists could be submitted after listing.
111. HKEX understands that the submission of placee lists requires constant communications between different parties and could be potentially time-consuming. To a large extent, the revision of the proposed FINI IPO settlement timetable to “T+2” (see *Section 2.1*) should help to address these concerns.
112. To further facilitate and streamline the process, the FINI system will also have some new workflow features, as described below, to help reduce the need for manual reconciliation that might otherwise occupy valuable time during the placee submission, vetting and approval process:
- i. FINI will track and reconcile the total number of shares being submitted by each distributor against a dynamic control list, so that any gaps or inconsistencies can be quickly identified to the relevant parties;
 - ii. FINI will check placee lists upon submission to ensure that mandatory fields have been filled. This will save time for both distributors and regulators on communicating back and forth, and will help to avoid last-minute delays. FINI will flag any incomplete fields to the relevant distributor;
 - iii. Distributors will “tag” placees as (for example) connected clients / connected persons of the IPO issuer, or placees that are non-SFC authorised funds. Supporting information will then be required to be uploaded through FINI where applicable to meet regulatory requirements;
 - iv. Cases where an individual placee (or beneficial owner of a corporate placee) is found by FINI to be a suspected or actual duplicate of another prospective placee or successful public offer subscriber in the same IPO will be handled as described in paragraph 99;
 - v. The regulators will provide any comments on the placee lists directly via FINI to distributors and, where required, to the principal sponsor (or all sponsors) and the principal lead broker. Comments will be viewable by the Listing Division and the SFC, which will eliminate duplicate comments, and the distributors can address comments directly back via FINI;
 - vi. The regulators will receive notifications when distributors submit placee lists, and similarly, distributors will be notified when regulators raise comments and approve placee lists;
 - vii. Outstanding placee lists will be flagged to the principal lead broker, distributors and regulators (via on-screen notification messages and by e-mail) at pre-set time intervals before the submission deadline, saving the manual effort of reminding parties;
 - viii. FINI will automatically generate relevant statistics based on placee lists submitted by distributors, and will determine placee and subscription concentrations in terms of the number of shares held by different categories of placees;

- ix. FINI will automatically generate marketing statements (inclusive of any independence declarations) for distributors, based on their submitted placee lists. These can be signed electronically directly via FINI;
 - x. Immediately after the clearance of placee allocations, FINI will generate a bilingual allotment results data table for the IPO issuer’s advisers for review and amendment, if necessary. The finalised allotment results announcement should be submitted to the regulators via FINI and made available on the e-Submission System (“**ESS**”) after obtaining clearance from the regulators; and
 - xi. Some respondents asked whether FINI and ESS would be integrated to allow direct publication. This feature is not planned at the initial launch of FINI (ESS will remain the centralised place for an IPO issuer to publish all its announcements with the relevant directors’ responsibility statement), although HKEX may consider adding such a feature later on.
113. **Deadline extensions.** As noted in *Figures 3a / 3b*, the deadline for submitting final placee lists will be 10.00am HKT on the day before the start of trading (*Step 8*). Where necessary, the Exchange may grant time extensions on a case-by-case basis to the extent that the overall “T+2” IPO settlement timetable is not affected. However, market participants should be aware that certain deadlines cannot be extended, as doing so may delay downstream processes and result in a delay to the IPO issuer’s listing.
114. **Pre-vetting of connected clients.** On 5 March 2021, the Listing Division published HKEX-GL110-21 “*Pre-vetting for placing to connected clients in an initial public offering*” to encourage lead brokers and distributors to submit, in advance, applications seeking prior written consent for placings to their connected clients. Distributors are encouraged to submit such applications for pre-vetting, as soon as the IPO issuer publishes its post-hearing information pack on HKEXnews. This will allow the Listing Division to review such applications before the relevant placees are formally submitted for approval later on. This pre-vetting measure is currently available, and is not dependent on the introduction of FINI.

2.5 Other feedback

115. This section contains HKEX’s responses to a number of miscellaneous questions and comments raised by respondents to the FCP. Further clarifications and other topics are covered in the *FINI Information Pack*.

User management in FINI

116. Several respondents asked about HKEX’s plans for the assignment, delegation and delineation of users’ permissions and rights to view or amend data in the FINI system.
117. FINI will use the same identity management framework as HKEX Client Connect, which provides a high degree of flexibility and control over who can do what in the system. This framework has three tiers:
- i. *Entity level.* A single entity (a FINI user) may play multiple roles, for example, acting as a distributor in some IPOs, a sponsor in others, and / or a CP in others. Each FINI user organisation will need to choose which role(s) it wishes to be enabled for during the FINI on-boarding process. These rights can be varied later by request to HKSCC.
 - ii. *Individual level.* Within a FINI user’s organisation, specific individuals or groups (teams) may be assigned by the FINI user’s administrators to one or more of the roles for which that user is enabled, meaning that some people may be able to access certain functions that their colleagues cannot. This will enable the preservation of internal “Chinese walls”, data segregation arrangements and access controls.

The administrators appointed by FINI users will perform user creation and maintenance functions and manage a FINI user's permissions in these first two tiers. Existing users of HKEX Client Connect may retain their existing administrators, for whom the above options will become enabled upon on-boarding to FINI.

- iii. *Deal level.* Each IPO on FINI will further have its own permissioning structure, whereby specific teams from on-boarded FINI users may be assigned to roles in a particular IPO, meaning that their access rights are enabled. This tier will be managed by the principal sponsor and / or sponsor counsel (where delegated to do so); see *Step 1 in Figures 3a / 3b.*

118. A fourth tier of permissioning at the *task level* is built directly into the design of the FINI application, and will vary depending on the task or activity being undertaken, its status (e.g. pending / submitted), the overall IPO settlement timetable, and the role of the user involved (e.g. the principal lead broker will not be able to confirm the final allocation of shares to the public offer tranche until the public offer period has closed). These arrangements will become apparent to FINI's users during platform testing, market rehearsals, and the FINI User Guide that will be released by HKEX on the FINI website in due course.

Roles and responsibilities of share registrars

119. The division of responsibilities between HKSCC and the IPO issuer's share registrar under the FINI model has been agreed between HKEX and the Federation of Share Registrars as follows:

| Share registrars' responsibilities | Interaction with the FINI system |
|---|---|
| <ul style="list-style-type: none"> ▪ Operating "e-White" channel application facilities, including all associated pre-funding, settlement, notification and other client service arrangements. | <ul style="list-style-type: none"> ▪ Share registrar will submit aggregate "e-White" subscription data to FINI for reference. |
| <ul style="list-style-type: none"> ▪ Handling any preferential or employee offers that may be conducted as part of a Hong Kong IPO. | <ul style="list-style-type: none"> ▪ Share registrar will submit aggregate preferential or employee offer subscription data to FINI for reference. |
| <ul style="list-style-type: none"> ▪ Reviewing the public offer application list, agreeing the basis of allotment with the IPO issuer and conducting balloting. | <ul style="list-style-type: none"> ▪ Share registrar will submit the public offer allotment file to FINI for downstream processing. |
| <ul style="list-style-type: none"> ▪ All other IPO-related services that may be provided by the share registrar to the IPO issuer, such as operating an allotment results notification service to subscribers of the public offer tranche. | <ul style="list-style-type: none"> ▪ Share registrar will have access to IPO data via FINI, as necessary to perform its duties to the issuer. |

120. As per paragraph 98 above, the IPO issuer's share registrar will continue to be responsible for screening public offer application for potential ineligible or duplicate subscribers. FINI will support share registrars in this task through timely data sharing and operational alignment.

Improvements to book-building

121. Several respondents focused on the bookbuilding process and offered suggestions on how it could be digitalised, streamlined or otherwise improved as part of, or alongside, the introduction of FINI. Comments focused on both bookbuilding conduct and logistics / technology.
122. From a conduct perspective, HKEX notes that the SFC has published a consultation paper on (i) the Proposed Code of Conduct on Bookbuilding and Placing Activities in Equity Capital Market and Debt Capital Market Transactions and (ii) the “Sponsor Coupling” Proposal on 8 February 2021.⁵ Changes to the bookbuilding process, if any, will be subject to the conclusions of this consultation paper, and FINI may be adapted to accommodate such changes as far as they relate to the objective of FINI.
123. HKEX is generally open to the idea of integrating FINI with electronic bookbuilding systems or adding other functionality to support straight-through placee submission, should there be broad market support for doing so in the future. At this time, HKEX believes that these questions do not need to hold up the roll-out of FINI, and may be best addressed in a separate forum of stakeholders.

Commercial impact on brokers

124. A number of industry associations asked about the expected cost of adopting FINI for brokers. HKEX believes that the answer will depend on the degree of integration that a FINI user may wish to achieve between its own systems and FINI.
 - i. Every function on FINI has been deliberately designed to be usable with just a web browser and an internet connection. This is intended to reduce the cost of access for smaller or less frequent users to a bare minimum. For such users, the main adoption effort is expected to be ensuring that they are inputting information into FINI in the correct format (templates and sample files will be provided by HKEX in due course) and at the correct time (training will be provided as well).
 - ii. For more sophisticated users who wish to integrate their systems with FINI using API messaging for the most frequently used functions, the cost of adoption may be higher, depending on their own development capabilities and costs. Users should consider the frequency and nature of their expected usage of FINI, and the technical specifications that will be published by HKEX, in order to arrive at an assessment of their expected cost of adoption.
125. A few brokers flagged that the introduction of FINI may negatively affect their revenues, especially those related to interest income on IPO margin lending. HKEX acknowledges that a shorter settlement cycle may indeed have such an effect, as the duration over which margin loans can occur is naturally going to be shorter than it is under the current “T+5” IPO settlement practice.
126. On the other hand, the shortening of the overall IPO settlement cycle is expected to boost the structural competitiveness of Hong Kong’s capital markets, as evidenced by the breadth and depth of market support for the FINI reform. Lower exposure to market risk, faster recycling of “locked-up” funding, a reduction in borrowing costs for brokers and end-investors alike in the largest “mega” IPOs, and better real-time information may all encourage investors to participate in a more active and informed way in the IPO market, leading to new business opportunities for brokers in the long term.

Technology-related questions

127. Several respondents asked about the system access and security measures that will be used for FINI.

As is the case for all HKEX-operated core market systems, FINI will feature technology-based controls over data access, storage and usage. Access to FINI will take place through a centralised authentication service, with controls to ensure that only relevant information is accessible to authorised, pre-registered and successfully authenticated users. Web interface access will be subject to two-factor authentication, while API access will be subject to JSON Web Token authentication, following OAuth protocol. Security measures in the infrastructure design and data encryption will also be in place throughout the platform.

As the FINI software is still in the development stage (as of July 2021), further information about the platform's technical specifications will be released by HKEX to prospective users via the FINI website in due course, as per the timetable described in the next Section.

3. Next steps

3.1 Implementation schedule

128. **Due to the strong market support, HKEX will proceed with the implementation of FINI, with the amendments and clarifications set out in these *FINI Concept Paper Conclusions*.**
129. As illustrated in *Figure 2*, the implementation process for FINI is divided into phases, which broadly include system development and testing, as well as market readiness arrangements. The market readiness work can be further broken down into **pilot group testing, market-wide testing, user on-boarding and market rehearsals**. These activities and their tentative high-level timeline are set out below.

System development and testing

130. The development of the FINI platform has already started and will continue throughout 2021. Internal testing will be performed during the first half of 2022.
131. **Q3-Q4 2021:** briefing sessions will be held by HKEX to provide the latest updates on the development and timeline for the market readiness arrangement. Updates will also be provided on the FINI website.

Pilot group testing

132. The purpose of having a contained pilot group is to make sure that the functional development of FINI meets the requirements of its ultimate users. HKEX will also fine-tune the educational and technical materials based on our communication with the pilot group of users. Market participants will be invited to express their interest to HKEX to be part of the pilot group.
133. **Q1 2022:** HKEX will communicate with the pilot group to share the schedule of activities, including a training session, technical session and testing session. Technical sessions will be held to explain the technical requirements of FINI. Technical specifications documents and sample messages will be shared to facilitate the development work of the pilot group. The testing arrangement, including connectivity details, access credentials, and mock data setup will be provided.
134. **Q2 2022:** a testing environment will be available for pilot users to access. HKEX will collect feedback from the pilot group users in order to prepare for the market-wide testing.

Market-wide testing

135. Upon the completion of pilot group testing, HKEX will arrange market-wide testing which all prospective FINI users will be invited to join.
136. **Q1 2022:** HKEX will share the timetable for market-wide testing on the FINI website. Technical specifications documents (including API and file transfer) will also be shared on the FINI website to facilitate users' preparation work. Briefing sessions will be held to explain the details.
137. **Q2 2022:** an information pack relating to the market-wide testing (connectivity details, test scenario, mock data and testing environment availability) will be shared via the FINI website. For API users, the API certification test scenario and the certification process will be shared on the FINI website. Briefing sessions will be held to explain the arrangement.
138. **Q3 2022:** a testing environment will be available for all users to access. API users will be required to complete their API certification testing on the testing environment.

User on-boarding

139. **Q1 2022:** HKEX will provide on-boarding requirement communications and documents for all users. On-boarding information will be published on the FINI website and Client Connect website. Collection of users' on-boarding documentation will begin. The on-boarding period is expected to last for approximately six months. User credentials will be distributed in batches.

Market rehearsal

140. The market rehearsal aims to verify the readiness of all users (in the FINI production environment) before the actual launch of services. All FINI users will be invited to join the market rehearsal session.
141. **Q3 2022:** an information package will be shared on the FINI website regarding the arrangement of the market rehearsal.
142. **Q4 2022:** market rehearsal sessions will be held over multiple weekends before the roll-out of services. Production roll-out will be arranged upon the successful completion of market rehearsals.
143. Upon service launch, FINI will be the mandatory settlement platform for all Hong Kong IPOs. Therefore, HKEX will carefully determine the optimal timing of cutover from CCASS and other existing communication channels, and will perform substantial testing to ensure a smooth migration.

3.2 Legal framework and rule changes for FINI

144. The Exchange will prepare the necessary amendments to the Listing Rules (which may require a separate market consultation) and existing guidance, and will publish new guidance to facilitate the implementation of the FINI platform and its operations that follow from the conclusions discussed in this paper, subject to the necessary regulatory approvals. These will include:
 - i. specifying the mandatory nature of FINI and that it will be the only settlement mechanism available to IPO issuers, once it is formally implemented;

- ii. proposed changes to undertakings and IPO issuer's authorisations to provide that certain documents / forms shall be submitted through FINI. Pending further legal advice, the Exchange will publish the specific signature requirements applicable under the Electronic Transactions Ordinance;
- iii. consequential changes as a result of the shortened settlement process and digitalised placee list management, e.g. deadlines for certain document submissions, communication through FINI, and other logistical matters; and
- iv. guidance materials on the operational workflow.

145. In respect of CPs, it is expected that the General Rules of CCASS and CCASS Operational Procedures will be amended in view of the new IPO settlement process. These will include:

- i. the operational workflow for submission of EIPO applications;
- ii. the pre-funding and money settlement requirements (including the pre-funding compression option), and arrangements expected to be entered into between CPs and their EIPO designated banks;
- iii. the investor ID requirements in respect of CPs' clients; and
- iv. consequential changes as a result of the new IPO settlement process and other logistical matters.

146. For IPO issuers, amendments will be made to the terms and conditions governing the admission of eligible securities into CCASS and the operating procedures associated with the admission process. IPO issuers will also be required to agree, under a revised EIPO agreement with HKSCC, to authorise the use of FINI by its syndicate members and relevant advisers, and to be bound by the regulatory submissions made by such users via FINI on its behalf.

147. For other FINI users (including sponsors, share registrars, principal lead brokers, distributors and legal counsels), they will be required to submit an application form to HKSCC to subscribe for the access and use of FINI and agree to the Terms and Conditions of FINI. Users of FINI will need to evaluate their own cases as to whether any change to their contractual terms with IPO subscribers, finance providers or other third parties may be required as a result of their adoption of the FINI platform. For EIPO designated banks, new terms will be incorporated into the designated bank agreement in relation to the pre-funding confirmation arrangement.

A. Glossary of terms

| | |
|--|---|
| API | Application Programming Interface |
| BCAN | Broker-to-Client Assigned Number |
| CCASS | The Central Clearing and Settlement System operated by HKSCC |
| CID | Client Identification Data |
| CIS | Collective Investment Scheme |
| Client Connect | A web-based services portal provided by HKEX to CPs |
| CP | CCASS Participant of HKSCC other than an Investor Participant (for the purposes of this document) |
| CSD | Central Securities Depository |
| DB | Designated EIPO Bank of CP |
| D_{CP} | A CP's total application value for public offer shares, submitted using the FINI system |
| EIPO | Electronic Initial Public Offering, a service offered by HKSCC for public offer share subscription |
| Electronic Transactions Ordinance | An ordinance to facilitate, among other things, the use of electronic transactions for commercial and other purposes. |
| EPI | Electronic Payment Instruction |
| ESS | e-Submission System |
| FCP or Concept Paper | The FINI Concept Paper ("Modernising Hong Kong's IPO Settlement Process"), published by HKEX on 16 November 2020 |
| Federation of Share Registrars | Federation of Share Registrars Limited, an organisation approved and governed by the SFC under Section 12 of the Securities and Futures (Stock Market Listing) Rules |
| FINI | Fast Interface for New Issuance: the IPO settlement platform proposed in the FCP |
| FINI Information Pack | A document of the same name published by HKEX on the FINI website |
| FINI Key | Passcodes to be included in all Post-Hearing Letters that would allow the principal sponsor or sponsor counsel that have been on-boarded to FINI to initiate the offering for that IPO via FINI |
| FINI User Guide | A user manual to be published by HKEX closer to the launch date of FINI |
| FINI website | https://www.hkex.com.hk/fini?sc_lang=en |
| FAQs | Frequently Asked Questions |
| GEM | GEM of SEHK |
| HKD | Hong Kong Dollar |
| HKEX | Hong Kong Exchanges and Clearing Limited |
| HKEXnews | The website operated by HKEX for publishing issuers' regulatory information |
| HKEX Client Connect | A web-based services portal provided by HKEX |
| HKICL | Hong Kong Interbank Clearing Limited |
| HKID | Hong Kong Identity Card issued by the Immigration Department of the government of the Hong Kong Special Administrative Region |
| HKIDR | The investor identification regime proposed by the SFC on 4 December 2020, as defined in "Consultation on proposals to (1) implement an investor identification regime at trading level for the securities market in Hong Kong and (2) introduce an over-the-counter securities transactions reporting regime for shares listed on the Stock Exchange of Hong Kong" |
| HKMA | Hong Kong Monetary Authority |
| HKSCC | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEX |
| HKT | Hong Kong Time |
| ID | Identification or identity |
| IdP | Identity provider |
| international offer / placing | The portion of a Hong Kong IPO that is initially offered to institutional and professional investors |
| Investor Participant | Investor Participant of HKSCC |
| IPO | Initial Public Offering |
| JSON | JavaScript Object Notation, a data-interchange format |
| LC | A corporation (that is not an authorized financial institution) which is granted a licence to carry regulated activities under section 116 of the SFO |
| LEI | Legal Entity Identifier |
| Listing Division | The Listing Division of SEHK |
| Listing Rules | The Main Board Listing Rules and GEM Listing Rules of SEHK, as the case may be |
| Main Board | Main Board of SEHK |

| | |
|-----------------------------|--|
| OAuth | An open-standard authorisation protocol |
| PFR | Pre-Funding Requirement (applicable to CPs using FINI to submit EIPO applications) |
| PN18 | Practice Note 18 of the Listing Rules “ <i>Initial Public Offer of Securities</i> ” |
| PO_{MAX} | The value of the IPO’s entire public offer tranche, if the highest tier of clawback set out in an IPO issuer’s prospectus was to be triggered |
| public offer | The portion of a Hong Kong IPO that is initially offered to members of the Hong Kong public |
| RI | Registered Institution, an authorized financial institution which is registered with the SFC under section 119 of the Securities and Futures Ordinance |
| RTGS CHATS | Clearing House Automated Transfer System, an interbank payment system operated by HKICL |
| SEHK / Exchange | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of HKEX |
| SFC | Securities and Futures Commission |
| Terms and Conditions | Terms and conditions that will govern the use of the FINI platform by market participants |

¹ SFC website, “*Consultation on proposals to (1) implement an investor identification regime at trading level for the securities market in Hong Kong and (2) introduce an over-the-counter securities transactions reporting regime for shares listed on the Stock Exchange of Hong Kong*”, 4 December 2020.

² SFC website, “*Consultation Paper on (i) the Proposed Code of Conduct on Bookbuilding and Placing Activities in Equity Capital Market and Debt Capital Market Transactions and (ii) the “Sponsor Coupling” Proposal*”, 8 February 2021.

³ HKEX analysis, by number of public offer applications in a sample of 262 Hong Kong IPOs completed between January 2019 and September 2020.

⁴ HKEX website: “*Consultation Conclusions Paper on Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display*”, 18 December 2020.

⁵ SFC website, “*Consultation Paper on (i) the Proposed Code of Conduct on Bookbuilding and Placing Activities in Equity Capital Market and Debt Capital Market Transactions and (ii) the “Sponsor Coupling” Proposal*”, 8 February 2021.

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