

Uncertificated Securities Market (USM) Frequently Asked Questions

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Note: This document will be updated from time to time to reflect the latest developments and please refer to the latest version for further details.

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General Questions

1 What is USM?

The Uncertificated Securities Market initiative (USM) aims to provide an efficient means for investors to hold and manage securities in their own names and electronically.

Key features of the Operational Model for USM are as follows:

1. Electronic transfer of legal title:
Legal title of participating securities to be evidenced and transferred without title instruments.
2. Retention of central nominee structure:
The CCASS central nominee structure will be retained. This means investors who hold their securities through CCASS will continue to hold a beneficial interest and legal title will remain with a central nominee, i.e. HKSCC-NOMS.
3. Scope of securities covered:
 - a. shares, other than shares that constitute interests in a collective investment scheme authorized by the SFC under section 104 of the SFO (authorized CIS);
 - b. depository receipts;
 - c. stapled securities;
 - d. interests in an authorized CIS which, under the terms of issue of the authorized CIS, may be withdrawn from a clearing and settlement system operated by, or on behalf of, HKSCC;
 - e. subscription warrants issued for capital fund raising purposes that entitle the holder to subscribe for securities (whether issued or unissued) that fall within a class or description of securities specified in sub-paragraphs (a), (b), (c), or (d) above; or
 - f. rights under a rights issue to subscribe for securities that fall within a class or description of securities specified in sub-paragraphs (a), (b), (c) or (d) above; and that are listed or to be listed on the SEHK.



These are collectively referred to as “prescribed securities”.

2 When will USM be implemented?

Implementation is currently scheduled for early 2026. The exact date will depend on market readiness, and will be announced by the SFC in due course.

HKEX is working on system upgrades and technical preparations. The SFC is also working with HKEX, and the Federation of Share Registrar Limited (FSR) on the more detailed operational and logistical arrangements for the launch. More information on these will be provided in due course.

3 How will prescribed securities become USM-enabled? What are participating securities?

The term “participating securities” refers to prescribed securities that are USM-enabled in the sense that all relevant procedures and formalities have been completed in order for investors holding those securities in their own names to be able to evidence and transfer them without paper documents. These procedures and formalities include the following.

- a. The issuer of the securities must have appointed an approved securities registrar (ASR) to: (i) maintain the register of holders of those securities; and (ii) provide a computer-based system for evidencing and transferring legal title to those securities without paper instruments (UNSRT system).
- b. The appointed ASR must have: (i) completed everything necessary for legal title to the securities to be evidenced and transferred through its UNSRT system; and (ii) confirmed to the issuer a date from when such evidencing and transferring through its UNSRT system may begin.
- c. The terms of issue relating to those securities (e.g. the articles of association in the case of shares) must have been amended so that they are consistent and compatible with requirements and obligations under the USM regime (e.g. the articles should not provide for the issue of title instruments in respect of participating securities).

4 What is meant by securities being in “uncertificated form” or in “certificated form”?

Securities are in “uncertificated form” if they can be held or transferred through a UNSRT system without paper documents. For securities to be in “uncertificated form”:

- a. no current certificate or other title instrument has been issued in respect of them; and
- b. they must be recorded in the relevant register of holders as being held in uncertificated form.

Securities that are not in “uncertificated form” are regarded as being in “certificated form”.

Issuers

1 Will all listed issuers have to participate in USM?

All issuers of prescribed securities will have to participate in USM to a certain extent.

Callable bull/bear contracts, derivative warrants and ETFs that are not withdrawable from CCASS are not prescribed securities and therefore will not fall within the scope of USM.

2 Can issuers of prescribed securities choose when to participate in USM?

Specific deadlines have been set for prescribed securities constituted under the laws of Hong Kong, Mainland China, Bermuda or Cayman Islands. Specifically:

- a. For prescribed securities that are first listed after USM is implemented (i.e. IPO securities), they will have to be in uncertificated form from the time they are first listed.
- b. For prescribed securities that are already listed when USM is implemented, a five-year timeline (from USM implementation) has been set within which they will have to become participating securities.

In the case of (b) above, to ensure an orderly transition, a more detailed timetable will be worked out among securities registrars, Hong Kong Securities Clearing Company Limited (HKSCC) and the Stock Exchange of Hong Kong Limited (SEHK). This will include specific deadlines for each issuer, taking into account its size, number of title instruments in circulation, any upcoming or planned corporate actions, the need for amendments to its terms of issue, etc.

Issuers should engage with their securities registrars as soon as possible to reflect any concerns they may have regarding their specific deadline. While securities registrars will endeavour to take these into account, it may not always be possible to accommodate all requests.

As for prescribed securities constituted under the laws of other jurisdictions, we will work towards facilitating their participation within the five-year timeline as far as possible. However, in some cases (e.g. for shares of companies incorporated under UK law), this may require amendments to overseas laws, and hence may need more time.

3 What preparatory steps do issuers need to take, and by when? Do issuers need to start taking steps now?

Issuers will need to complete various formalities before their securities become participating securities. These include:

- a. amending the terms of issue of their securities (e.g. articles of association in the case of shares) so that they are compatible with the USM regime; and
- b. completing all necessary processes for onboarding their securities onto an approved securities registrar's UNSRT system.

Issuers should reach out to their securities registrars as soon as possible to understand what specific steps they need to take and by when. Issuers should also start the process of reviewing their terms of issue with a view to ascertaining what amendments are needed, and then initiate the process for making those amendments.

Investors

1 Will it be mandatory for investors to participate in USM?

For investors who currently hold prescribed securities in certificated (paper) form in their own names:

Investors may continue holding their existing securities in certificated form even after they become participating securities, i.e.:

- there is no obligation to dematerialize their existing holdings (i.e. convert them into uncertificated form); and
- existing certificates will not be invalidated.

However, once those securities become participating securities, no new certificates / title instruments will be issued. Consequently:

- If investors acquire additional units of the same participating securities, they will have to hold the additional units in uncertificated form.
- If investors transfer some of their existing units, they may need to dematerialize the units they have not transferred – e.g. if the units transferred and units not transferred are covered by the same certificate / title instrument.
- If investors lose or damage their certificate / title instrument, they will not be issued a replacement certificate / instrument, and will instead need to dematerialize the securities represented by the lost or damaged certificate / instrument.

For investors who currently hold prescribed securities through a Clearing Participant or Custodian Participant (CP) and in CCASS:

Investors may continue to hold their existing prescribed securities through a CP in CCASS, even after they become participating securities.

If investors acquire any other prescribed securities, they may also hold them in the same way, i.e. through a CP in CCASS.

Operation Changes for Intermediaries

1 Who is eligible to be an Authorized Person approved by the Inland Revenue Department (IRD)?

Participants of HKSCC, excluding Clearing Agency Participants, Investor Participants, Stock Pledgee Participants and newly introduced Registrar Participants under USM, would be eligible to be an Authorized Person approved by the IRD.

2 Will there be any changes on the current service hours at the depository counter?

The service hours of the CCASS Depository for securities deposits will remain unchanged: 9:30 a.m. to 3:45 p.m., Monday to Friday (except public holidays).

3 Will rush deposit services be available following the implementation of the USM?

Rush services will be available for the deposit of non-participating securities and for demat with transfer of participating securities. All rush services requests are subject to the availability of the ASR. CPs should confirm the availability of rush services directly with the respective ASR.

4 Will the “Jumbo Certificate Deposit” arrangement be available for USI transfer?

The Jumbo Certificate Deposit arrangement is not applicable to USI transfers, as the process will be electronic rather than paper-based.

5 What else does the USI holder need to do after requesting the broker to execute a trade?

After requesting the broker to execute a trade, the USI holder must transfer the respective securities to HKSCC-NOMS via their broker for subsequent settlement. To initiate the transfer, the broker (CP) needs to submit a "USI Transfer Request" in CCASS. The USI holder will then receive a notification from the respective ASR to affirm the transfer. For details on the affirmation process, please refer to the [FSR's Information Paper](#).

6 Is it necessary to verify the registered holder (USI holder)'s signature for USI transfers?

Since the USI holder is required to perform the affirmation through the respective ASR to confirm the validity of the transfer, no additional verification of the USI holder's signature is necessary. However, CPs should continue to follow their internal policies regarding signature verification where applicable.

7 What is the expected processing time for demat with transfer, and how will this affect book closure periods?

The relevant ASR is expected to complete any demat with transfer within 5 business days from the date it receives the electronic interface file, the securities certificates, and the instrument of transfer.

According to the USM Rules, the book closure period for participating securities will be limited to no more than two consecutive business days. To support this timeline, securities registrars recommend that submissions for demat with transfer be made at least five business days prior to the book closure period.

8 Apart from delisting, are there any scenarios in which securities can be rematerialized?

There would not be an option to rematerialize securities that are in uncertificated form in any circumstances, except delisting.

IPO

1 Under the USM regime, how will investors receive securities in connection with allotment for an IPO in uncertificated form?

Applications made via HKSCC EIPO channel: Same as current practice, the allotted shares will be held in HKSCC-NOMS' name and credited to the CCASS stock account of the relevant CPs. Investors will see the balance of the allotted shares reflected in their securities accounts with their brokers (CPs), allowing the shares to be traded on the first day of listing.

Application made via White Form eIPO service: The allotted shares will be issued in the name of the investors. Investors will see the balance of the allotted shares reflected in their USI profiles within the relevant ASR's USI facility on the first day of listing.

2 Do investors need to set up a USI profile with the respective ASR for IPO purposes?

For applications made via HKSCC EIPO channel, investors will make IPO applications with their brokers (CPs) and are not required to setup their USI profiles.

For applications made via White Form eIPO service, investors should set up their USI profiles with the respective ASR to receive the allotted securities in uncertificated form. Without USI profiles, the registered holder will become a provisional system-member, and access to these securities may be restricted.

Corporate Actions

1 If the registered holder is holding the securities certificates of participating securities, how can they receive bonus shares in uncertificated form during CA events?

If the registered holder has not yet set up a USI profile, the issuer's ASR will set up a temporary or provisional USI profile in the investor's name, thus safeguarding the investor's right to receive the participating securities concerned and any entitlements flowing from such securities. However, the investor will be restricted from viewing or transferring such entitlements until they have completed the necessary procedures and formalities to set up a USI profile.

2 How can registered holders of participating securities inform their brokers to sell bonus shares, and what information needs to be provided?

If the registered holder needs to sell the bonus shares that are being held in his/her USI profile, he/she needs to ask his/her broker (CP) to submit a USI Transfer request in CCASS to transfer such securities to HKSCC-NOMS. The registered holder must provide his/her USI profile name and USI holder number to his/her broker (CP) for the USI transfer.

Stamp Duty (Transfer of securities to/from HKSCC-NOMS via USI Transfer/Demat with Transfer)

- 1 What are the stamp duty requirements (e.g., the HK\$5 Transfer Deed Stamp Duty) and the available payment channels for USI transfers?**

Only transfers involving No Change of Beneficial Ownership (NCBO) are permitted for demat with transfers and USI transfers to or from HKSCC-NOMS.

- 2 Will Exchange Participants (EPs) continue to pay stamp duty through the existing process, or will they use the new CCASS function?**

Yes, EPs will continue to pay stamp duty through the existing process. There would be no change to EPs' existing stamp duty process. Separately, for an SI transaction involving a CBO transfer (hence stampable), CPs which are authorised by the Stamp Office will have the additional option of paying stamp duty for such SI transaction via the new "Stamp Duty Payment Request" function on CCASS.

Stamp Duty (Transfer of securities to/from HKSCC-NOMS via USI Transfer/Demat with Transfer)

- 1 Can the new CCASS function "Stamp Duty Payment Request" be used for Bought/Sold Notes?**

The new CCASS function will facilitate the stamp duty payment in respect of SI transaction of participating securities which is subject to stamp duty.

Investor Participant (IP)

- 1 What are the anticipated effects of the USM on Investor Participants?**

Operational changes relating to Investor Participant (IP) are summarised in Appendix A of the [Information Paper](#).

Fees and Tariffs

- 1 What changes are expected in the overall fee structure under the USM?**

HKSCC has been in consultation with the regulator and stakeholders to review the fee structure to fit for the USM operating model. More details will be provided in due course.