30 March 2026

Information Paper for Intermediaries

Implementation of an Uncertificated Securities Market (USM) in Hong Kong

Versions

Publication Date	Version
2 October 2024	First version published
30 March 2026	Supplementary version published

Latest updates are highlighted in orange

Disclaimer

The information contained in this document is for reference only. HKEX and/or its subsidiaries have endeavoured to ensure the accuracy and reliability of the information provided in this document, but do not guarantee its accuracy and reliability and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracy or omission or from any decision, action or non-action based on or in reliance upon information contained in this document. Nothing in this document constitutes legal, tax, investment or other professional advice. This document has been issued in the English language with a separate Chinese language translation. If there is any conflict in the documents between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Table of Contents

INTRODUCTION 1
CHAPTER 1. OVERVIEW OF USM 3
CHAPTER 2. OPERATIONAL CHANGES RELATING TO CP UNDER USM 10
CHAPTER 3. OTHER OPERATIONAL CHANGES RELATING TO USM 25
CHAPTER 4. IMPLEMENTATION TIMETABLE 34
CHAPTER 5. WHEN PRESCRIBED SECURITIES BECOME PARTICIPATING SECURITIES 36
CHAPTER 6. MODERNISATION OF FEES FOR DEPOSITORY SERVICES 38
CHAPTER 7. ASR FEES IMPLICATION TO CPS 43
CHAPTER 8. CHANGES IN FUNCTIONS AND REPORTS IN CCASS RELATING TO USM 47
APPENDIX A 54
Operational Changes relating to IPs under USM 54
APPENDIX B 57
List of Consultation Papers and Conclusions relating to USM 57
APPENDIX C. 58
Current Operational Model 58
APPENDIX D. 59
Summary of Consequential Changes to Hong Kong Securities Market resulting from USM 59
APPENDIX E. 61
Comparison of Services for Non-Participating Securities and Participating Securities 61
APPENDIX F. 65
Details of Listed Issuers 65
DEFINED TERMS AND GLOSSARY 66

Introduction

1. Hong Kong law currently requires using of paper documents to evidence and transfer legal title to Hong Kong securities. Because of this limitation, and other practical business and operational considerations, most investors in listed securities hold and transfer their securities through the Central Clearing and Settlement System (CCASS) under HKSCC Nominees Limited (HKSCC-NOMS).

2. The Securities and Futures Commission (SFC) has been working with Hong Kong Exchanges and Clearing Limited (HKEX) and the Federation of Share Registrars Limited (FSR) on implementing USM in Hong Kong. The key objectives and benefits of USM are as follows:

   a) Option to enjoy both better Investor Protection and Trading Convenience
   Investors will have the option to hold participating securities in their own names without paper certificates. They will thus be able to enjoy full shareholder rights while also enjoying the convenience of managing and trading their securities electronically.

   b) Enhanced Corporate Governance and Investor Engagement
   Issuers will benefit from greater shareholder transparency as investors move towards holding participating securities in their own names. This will facilitate better investor communication and engagement, and in turn, enhance corporate governance.

   c) More Efficient, Digitalised and Greener Markets
   The removal of paper and manual processes will enhance efficiency for market participants, provide more opportunities for straight-through processing, and contribute to greener markets in line with global trends. Collectively, this will also further elevate Hong Kong's market infrastructure, thus reinforcing its competitiveness and status as an international financial centre.

3. In 2019/2020, the SFC, HKEX, and the FSR jointly consulted the market on the operational model for implementing USM in Hong Kong.

4. In June 2021, the USM Amendment Ordinance was enacted. This put in place the broad legislative framework for implementing USM. It also anticipated the introduction of subsidiary legislation which would set out relevant details, while taking into account the operational model that had been endorsed. Since then, the SFC, HKEX, and the FSR have been working on developing the technical details and specifications of the USM operational model.

5. In July 2024, the SFC published the consultation conclusions on proposed subsidiary legislation, code, and guidelines for implementing an uncertificated securities market in Hong Kong (July 2024 Consultation conclusions). In February 2025, the SFC published a consultation paper on proposed limits for certain fees following the implementation of an uncertificated securities market in Hong Kong (February 2025 Consultation). The consultation conclusions were published in June 2025 (June 2025 Consultation conclusions). A list of consultation papers and consultation conclusions papers relating to USM and published since 2009 are listed in Appendix B to this Information Paper for reference.

6. In April 2025, the relevant subsidiary legislation and legislative amendments were enacted to pave the way for the implementation of USM in 2026 subject to market readiness.

7. In February 2026, the SFC approved the corresponding amendments to HKSCC Rules, the Stock Exchange of Hong Kong Limited (SEHK)'s Trading Rules, and the Listing Rules, which will take effect upon the implementation of USM. These approvals represent a key milestone in the transition to the USM regime and pave the way for the implementation of USM.

8. This Information Paper aims to provide an overview of USM to Hong Kong Securities Clearing Company Limited (HKSCC) Participants and explains the process by which prescribed securities [1] become participating securities, the operational procedures for transferring participating securities[2] to and from HKSCC-NOMS, and technical changes under USM. The information provided in this paper is based on various SFC consultation papers and consultation conclusions, including the July 2024 Consultation conclusions on the proposed subsidiary legislation, code, and guidelines for implementing an uncertificated securities market in Hong Kong. Participants who would like further details of USM can use the following hotline or email address to contact us:

   Hotline: 2979 7111
   Email: ClearingPS@hkex.com.hk

9. A separate Information Paper issued by the FSR will provide issuers and shareholders with information on USM that is relevant to them. Participants who are also interested in reading that Information Paper can refer to the FSR's website.

10. Further information will be provided at different stages via updates to this Information Paper and as Frequently Asked Questions (FAQs). Following that, a market readiness programme, including briefings and practice session will be arranged. HKEX will continue to work together with the SFC and the FSR on a market education programme to prepare the market for the implementation of USM in Hong Kong.

11. To help the market better understand and prepare for USM, the SFC also launched a dedicated USM webpage.

12. Terms used in this Information Paper are defined in the Defined Terms and Glossary section at the end of the paper. Operational changes relating to Investor Participant (IP) are summarised in Appendix A.

[1] The six categories of securities that are: (i) listed on the SEHK; and (ii) may participate in the USM regime – see the Define Terms and Glossary.
[2] Prescribed securities that are USM-enabled – see the Defined Terms and Glossary.

Chapter 1. Overview of USM

1.1. Most of the major securities markets in the world operate either fully dematerialised securities markets, meaning no physical title instruments (e.g. certificates) are transferred, or operate a combination of certificated and uncertificated markets. By implementing USM, Hong Kong's financial market infrastructure will be further elevated, and market participants will also benefit. In particular:

a) investors will be able to enjoy both better investor protection and trading convenience;

b) issuers will benefit from greater shareholder transparency, thus facilitating investor engagement and enhancing corporate governance; and

c) for market participants, the removal of paper and manual processes will enhance efficiency, facilitate straight-through processing, and contribute to greener markets.

1.2. Under USM, investors will be able to hold participating securities in their own name in uncertificated form.

1.3. Given that USM would be new to Hong Kong, its implementation entails the introduction of new primary and subsidiary legislation and a new operational model. Consequential amendments will also be made to the HKSCC Rules, SEHK's Trading Rules, and the Listing Rules to implement the USM.

Regulatory changes for implementing USM

1.4. The USM Amendment Ordinance amends various pieces of primary legislation to set out the framework for implementing USM in Hong Kong. Details of the regime are expanded in subsidiary legislation, as well as through various codes and guidelines issued by the SFC. Please refer to the SFC's USM webpage for details of the regulatory changes. The key items of regulatory change are as follows:

a) The Securities and Futures (Uncertificated Securities Market) Rules (USM Rules) – This is a new piece of subsidiary legislation made under the Securities and Futures Ordinance (SFO). These rules provide for the regulation of operational, technical and procedural matters in the USM environment.

b) The Securities and Futures (Approved Securities Registrars) Rules (ASR Rules) – This is also a new piece of subsidiary legislation made under the SFO. These rules provide for the responsibilities, compliance requirements and regulatory arrangements in respect of ASRs.

c) The Securities and Futures (Stock Market Listing) Rules (SML Rules) – Part 4 of SML Rules is amended so that every listing applicant and issuer of prescribed securities will be required to appoint an approved securities registrar (ASR). It also provides that, in the event of a failure, the SEHK is obligated to suspend dealings in the prescribed securities of the issuers concerned. All issuers will be required to notify both the SFC and the SEHK of any intended or actual change in their ASR.

Schedule 5 and 8 of the SFO is amended in accordance with the new ASR regime and ASR Rules.

d) The Securities and Futures (Open-ended Fund Companies) Rules (Cap 571V) is amended to enable listed open-ended fund companies to participate in the USM regime.

e) The Stamp Duty Ordinance (SDO) (Cap. 117) is also amended under the USM Amendment Ordinance to enable HKSCC to provide the following arrangements to CPs approved by the IRD as APs:
   i. to declare that the transfer of participating securities to or from HKSCC-NOMS involves no change in beneficial ownership, i.e. NCBO

   ii. to opt to make electronic stamp duty payment to the IRD via CCASS for off-exchange transactions involving participating securities

f) The Code of Conduct for Approved Securities Registrars (ASR Code) – ASR Code builds on and replaces the SFC's existing Code of Conduct for Share Registrars to cater for the USM environment. It supplements the ASR Rules and expands on the standards and practices expected of ASRs.

g) Guidelines for Electronic Public Offers (eIPO) – The existing Guidelines for Electronic Public Offers is amended to incorporate the following:
   i. the provisions that describe the current eIPO process that is amended to address paper processes

   ii. the provision of eIPO services by ASRs that come within the scope of "securities registrar services" and regulated by the ASR Rules

   iii. the scope of the Guidelines that is aligned with the ASR Rules in regard to prescribed securities

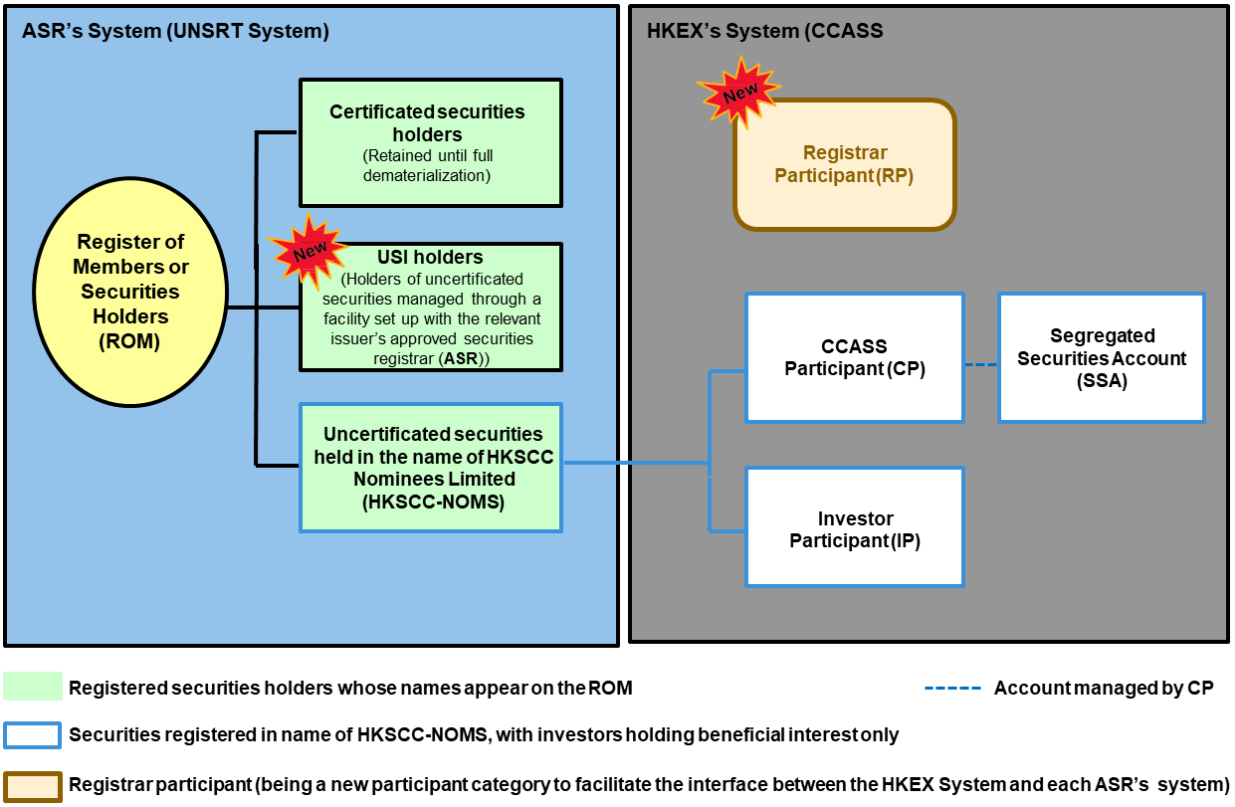
1.5. Separately, the SFC is also planning to issue further documents to provide guidance to the market, including guidance note for issuers regarding participation of their securities in USM. These will include information on the preparatory steps needed for securities to become participating securities, and information about ongoing obligations thereafter. The SFC also aims to include some sample provisions that issuers may refer to when considering how best to amend their articles/byelaws to cater for USM. Amendments to the HKSCC Rules, SEHK's Trading Rules and the Listing Rules have been approved by the SFC to facilitate the implementation of USM. The amendments will take effect upon the implementation of USM. A new participant type, RP, will also be introduced.

1.6. The relevant subsidiary legislation and legislative amendments were enacted[3] in April 2025 to pave the way for the implementation of USM subject to market readiness. On 30 May 2025, the SEHK issued an Information Paper to explain the changes to be made to the Listing Rules as a consequence of the implementation of USM.

The operational model for implementing USM in Hong Kong

1.7. The diagram below illustrates the model that was endorsed in the consultation in 2019/2020. The diagram below depicts an updated implementation arrangement. For comparison, a diagram of the current operational model is included in Appendix C.

[3] All USM-related primary law amendments had been enacted by end-2024, and the Legislative Council also completed its negative vetting process for all USM-related subsidiary legislation in April 2025. All USM-related legislation has yet to come into effect.



1.8. The key features of the Operational Model for USM are as follows.

a) Scope of securities covered: The USM regime will apply only to "prescribed securities". Issuers of prescribed securities must participate in USM by enabling such securities to become participating securities that can be issued, transferred, and held without paper. The table below illustrates the type of securities that are listed or to be listed on the SEHK which would fall within the scope of prescribed securities:

Products listed or to be listed on the SEHK	**Corresponding categories as prescribed securities**
▪ Equity securities	Shares[4]
▪ Hong Kong depositary receipts	Depositary receipts
▪ Stapled securities, such as units of a business trust and shares of a holding company/ operating company which are listed on the basis that they are legally bound together and cannot be transferred or traded separately	Stapled securities
▪ Warrants issued for capital fund raising purposes that entitle the holder to subscribe for securities (whether issued or unissued) that are shares, depository receipts, stapled securities or interests in authorised	Subscription warrants

[4] Other than shares that constitute interests in a collective investment scheme (CIS) authorized by the SFC. Note also that certain interests in authorized CIS are covered as prescribed securities under a separate category.

Products listed or to be listed on the SEHK	Corresponding categories as prescribed securities
collective investment scheme (authorized CIS) which, under their terms of issue of the authorized CIS, may be withdrawn from CCASS	
▪ Rights under a rights issue to subscribe for shares, depository receipts, stapled securities or interests in authorized CIS which, under their terms of issue of the interests in authorized CIS, may be withdrawn from CCASS	Rights under a rights issue
▪ Interests in authorized CIS which have been approved by the SFC under section 104 of the SFO that, under their term of issue, may be withdrawn from CCASS, such as Real Estate Investment Trusts (REITs)	Interests in authorized CIS, where its units can be withdrawn from CCASS and registered in an investor's own name
▪ Structured products, i.e. Callable Bull / Bear Contracts (CBBCs) and Derivative Warrants (DWs)	Not applicable
▪ Debt securities	Not applicable

Subscription warrants and rights under a rights issue must be in uncertificated form if, at the time of their issue, the underlying securities have become participating securities. For subscription warrants or rights under a rights issue that already existed when the underlying securities became participating securities, there is no obligation for them to become participating securities.

The table below illustrates scenarios of whether entitlements from corporate actions will be held in uncertificated form or certificated form:

	The issuer has participated in USM	The issuer has not yet participated in USM
Type of Entitlements	**(U) Uncertificated form / (C) Certificated form**	
Subscription warrants, e.g. registered warrants	U	C
Rights issue	U	C
Bonus securities	U	C
Bonus warrants	U	C

b) Central nominee structure retained: 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.

c) Introduction of UNSRT systems: it will be possible for legal title of participating securities to be evidenced and transferred without title instruments, but only through the UNSRT system operated by each ASR which will be explained further in later part.

How the prescribed securities become participating securities

1.9. To enable prescribed securities to become participating securities, i.e. issued, transferred and held without title instrument, issuers of prescribed securities should at least take the following steps:

a) appoint an ASR to:

i. provide and operate a UNSRT system for evidencing and transferring legal title to those securities with title instruments in respect of those securities; and

ii. maintain the register of members or holders (ROM) for those securities

the appointed ASR must have:

i. completed everything necessary to onboard the securities into its UNSRT system for legal title to those securities to be evidenced and transferred through its UNSRT system without title instruments; and

ii. confirmed to the issuer a date from when such evidencing and transferring through its UNSRT system may begin;

b) as appropriate, amend the terms governing the holding and transfer of the relevant securities (e.g. the Articles of Association or by-laws); and

c) in accordance with the Listing Rules, publish the specified date, the participation date and the relevant disclosure.

1.10. Detailed information on how prescribed securities become participating securities can also be found in section 3 of the Information Paper issued by the FSR.

1.11. The actions that issuers must take are set out in the Information Paper published by the SEHK on 30 May 2025.

Prescribed securities becoming participating securities

1.12. In relation to prescribed securities, the issuer of such securities must from the participation date issues new units of such securities only in uncertificated form and cease to issue new certificates in respect of any existing units of such securities, such as upon transfer of such securities.

1.13. After the applicable participation date, all units of those securities held in HKSCC vault must be converted into uncertificated form as soon as practicable. According to USM Rules, the securities held by HKSCC must be dematerialised within 6 months after the date on which those securities become participating securities. As such, HKSCC-NOMS will only hold participating securities in uncertificated form.

1.14. More details will be announced in the issuers' guidance note issued by the SFC.

How the investors hold participating securities?

1.15. Given CCASS' central nominee structure will be retained, the investors can hold their participating securities through CCASS. As today, they will hold a beneficial interest, and legal title will remain with HKSCC-NOMS.

1.16. Investors can also set up a USI profile at the relevant ASR's USI facility. If an investor holds multiple participating securities, and the issuers of such securities have appointed different ASRs, the investor will need to set up multiple USI profiles. Detailed information on the setup of the USI profile can be found in section 4 of the Information Paper issued by the FSR.

Securities registrars to become ASRs and Registrar Participants of HKSCC

1.17. Under the USM environment, securities registrars will be regulated by the SFO, the ASR Rules and the ASR Code covering ASRs' UNSRT systems and processes for provision of securities registrar services, and as ASRs. To provide securities registrar services for the prescribed securities, all securities registrars must obtain an approval from the SFC to act as an ASR upon and after the implementation of USM.

1.18. To facilitate electronic transfers of participating securities to or from HKSCC-NOMS, an electronic interface will be established between CCASS and UNSRT systems of each ASR. This interface will also be used for corporate action-related communications between HKSCC-NOMS and issuers (via their ASRs). To that end, HKSCC will introduce a new participant type, Registrar Participant for ASRs under HKSCC Rules.

1.19. Communication in relation to the following existing processes will also be made through interface between CCASS and UNSRT systems of each ASR:

a) Corporate action related instructions, such as elections, and subscriptions of rights or warrants;
b) Notifications for to-be-distributed scrip and cash entitlements;
c) ROM update and shareholding confirmations, including IPO allotment, placing with new shares and scrip entitlements; and
d) Notifications for payment refund and cash payment.

1.20. HKSCC-NOMS, as a USI holder, will conduct a daily reconciliation of those securities being held in uncertificated form based on the shareholding information received through the electronic interface files from each ASR to ensure the data integrity.

NCBO Declaration and Optional Stamp Duty Payment Service by HKSCC for Transfers of Participating Securities that involve change in beneficial ownership (CBO)

1.21. Under USM, when a CP's client transfers participating securities in uncertificated form to or from HKSCC-NOMS to effect a deposit or withdrawal, the CP must ensure that such transfer does not involve any change in beneficial ownership, i.e. NCBO, and is not subject to stamp duty, and must make a corresponding declaration. CPs must have measures in place to ensure that before any participating securities are deposited into or withdrawn from any of its stock accounts, the name and other particulars of the client(s) transferring the securities must match those of the client(s) for whose account the securities were or will be held in CCASS immediately before or after the transaction. The CP must also check or obtain its client's confirmation that such transfer does not involve any change in beneficial ownership.

1.22. Additionally, the CP must be approved as an AP to carry out transfers of participating securities in uncertificated form and to make the NCBO declaration. The approval process of APs will be administered by the IRD, and detailed information will be provided by explanatory notes issued by the IRD. To expedite the application process, the IRD will issue a letter to existing CPs inviting them to apply to be an AP. The application forms will be made available in June 2026, tentatively.

1.23. After USM implementation, a CP approved by the IRD as an AP may also opt to make electronic stamp duty payment to the IRD via CCASS in respect of SI transaction involving participating securities which is subject to stamp duty, in addition to other payment arrangement provided by the IRD.

1.24. On every business day, HKSCC is required to provide the NCBO information to the IRD and exchange the stamp duty payment related information with the IRD. For communication efficiency and security, HKSCC and the IRD will setup electronic linkage for such communication.

Highlights of the Information Paper:

1.25. After the implementation of USM, save from the arrangements highlighted in Appendix D, the arrangements and changes described in this Information Paper will apply to participating securities only. CPs should be aware of the timeline for the implementation of USM for listed issuers and prepare for the operational and technical change that may be required to support both participating securities and non-participating securities based on progress of the implementation of USM to the market. A comparison of the services processed by HKSCC for participating securities and non-participating securities is also illustrated in Appendix E. Please note below on the schedule relating to USM:

Date	**Description**
USM implementation date	• the date on which the USM regime comes into effect
Participation date	• in respect of each issuer of prescribed securities, the date published by that issuer as the date from which those prescribed securities become participating securities • some of the issuers may have the same participation date.

Chapter 2. Operational Changes relating to CP under USM

2.1. The following sections will cover the operational processes relevant to CP and the preparatory steps needed ahead of implementation of USM (such as system enhancements) as well as ongoing requirements and arrangements that might impact to CP.

2.2. The following table shows the differences in services offered by HKSCC in relation to prescribed securities:

	Non-participating securities	Participating securities
Legal Title	➢ Evidenced and transferred with *paper instrument*	➢ Evidenced and transferred electronically through UNSRT system
IPO	➢ Allotted with paper instrument, e.g. certificates	➢ Allotted in uncertificated form[5]
Share Depository	➢ Non-participating securities are physically maintained in HKSCC vault in certificated form	➢ Participating securities will be held by HKSCC in uncertificated form
Transfer securities into HKSCC-NOMS	➢ Deposit certificates, along with a duly signed and stamped instrument of transfer, into CCASS Depository for registration with certificates in name of HKSCC-NOMS	➢ For participating securities that are still in certificated form, deposit the certificates, along with a duly signed and stamped instrument of transfer, into CCASS for transfer into HKSCC-NOMS. These will then be dematerialised and recorded on the ROM under HKSCC-NOMS' name in uncertificated form. ➢ Participating securities in uncertificated form can be deposited via USI Transfer Request. The participating securities will then be electronically transferred on the ROM from investor's name into HKSCC-NOMS' name. Only AP may effect deposits of participating securities in uncertificated form into CCASS by submitting USI Transfer Request to deposit such securities from their stock accounts.

[5] The SEHK may permit IPO securities to be in certificated form during the first year following USM implementation, under exceptional circumstances. The relevant requirement is reflected in section 28(5) in Part 7 of USM Rules.

Transfer securities out of HKSCC-NOMS	➢ Withdraw certificates out of CCASS Depository, investor to deliver certificates to securities registrar, along with a duly signed and stamped instrument of transfer, for registration with new certificates in name of the investor	➢ Withdrawal of participating securities in certificated form from CCASS will only be available if (i) they are in the process of delisting as defined in Rule 2(2) of the USM Rules; or (ii) the SFC has granted an exemption from Rule 30 of the USM Rules pursuant to Rule 32 of the USM Rules, and subject to any procedure that HKSCC will no longer be available for participating securities. ➢ Participating securities in uncertificated form can be withdrawn via USI Transfer Request.

Handling of the Certificates of the Existing Participating Securities in HKSCC Vault

2.3. As mentioned in section 1.13, the securities held in HKSCC vault must be dematerialised within 6 months after the date on which those securities become participating securities. As set out in section 29 and 30 of Part 7 of USM Rules, participating securities must[6]:

a) not issue new units in certificated form; and
b) not issue title instrument.

2.4. The process of dematerialising securities held in HKSCC vault in the name of HKSCC-NOMS will involve HKSCC returning any certificates relating to the participating securities to the corresponding ASR for cancellation and recording in the ROM that they are held in uncertificated form. The legal title will remain with HKSCC-NOMS.

2.5. After dematerialisation, CPs will not be able to withdraw such participating securities from CCASS Depository in certificated form. HKSCC will provide sufficient notice before each dematerialisation exercise so that the CPs can make the arrangements with their clients for the dematerialisation as appropriate.

2.6. After the USM implementation date, there will be limited period (prior to the applicable participation date of the relevant prescribed securities) during which there will be special arrangements regarding the depositing and withdrawing of such securities into / out of CCASS. Please refer to Chapter 6 for details of such arrangements.

How to transfer the participating securities to and from HKSCC-NOMS?

Step 1: identify the list of participating securities

2.7. As set out in Part 7 of USM Rules, the prescribed securities incorporated in Bermuda, Cayman Islands, Hong Kong, and the PRC, referred to as specified prescribed securities must become participating securities within 5 years after the USM implementation date. Further, to ensure

[6] Exemptions are set out in section 32 of Part 7 of USM Rules.

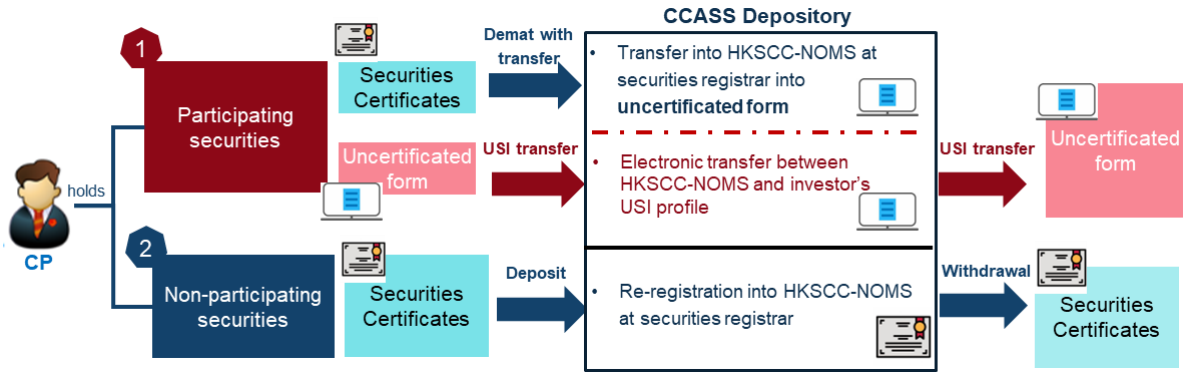
an orderly transition to full dematerialisation, all specified prescribed securities will be lined up in a queue so that each has its own specific deadline, referred to as specified date, (within the 5-year period) by when it must become participating securities. Each such deadlines will be determined jointly by the issuer's ASR, HKSCC and the SEHK. This timetable will be announced on the SFC and HKEX websites respectively from time to time.

2.8. To prepare the market, each issuer (of specified prescribed securities) must announce the specified date and the participation date in relation to those prescribed securities (on which date they become participating securities) and provide updates in accordance with Listing Rules.

2.9. After the implementation of USM, a list of prescribed securities with participation dates will be available on the HKEX's USM webpage. CCASS function "Enquire Stock List function" will be enhanced so that CPs can ascertain which securities are participating securities. The participating securities will be shown in the list screen, and the field "Eligible for Demat/USI Transfer" will be marked as "Y". In addition, a list of participating securities will be also available on the HKEX's USM webpage to help CPs to identify them.

Step 2: transfer the participating securities

2.10. Depending on the form of participating securities being held by the CP's client, the CP can facilitate the transfer of securities to/from HKSCC-NOMS, as shown in the below diagram below:



2.11. If the participating securities held by the CP's client are in certificated form (e.g. paper certificates), the CP would need to submit a dematerialise and transfer (demat with transfer) request together with the paper certificates to CCASS Depository, for transferring to HKSCC-NOMS and dematerialise such securities. If the participating securities held by the CP are in uncertificated form, transfer to or from HKSCC-NOMS will be made through USI transfer. The following table lists the transfer methods and corresponding CCASS functions:

Transfer Method	*CCASS Function*
1. Demat with transfer	Login Deposit/Demat Order
2. USI transfer	USI Transfer Request

Demat with Transfer

2.12. From the applicable participation date of the prescribed securities (i.e. when the prescribed securities become participating securities), registered holders would have options to hold the participating securities in uncertificated form either through:

a) submitting a dematerialisation request (with transfer, if applicable) to the relevant ASR. Please refer to the Information Paper issued by the FSR [7] for details on the dematerialisation and transfer procedures conducted through the ASR.

b) requesting their CPs to submit a demat with transfer request in CCASS.

2.13. After the implementation of USM, if registered holders deposit their participating securities in certificated form in HKSCC-NOMS through their CPs, the securities will be dematerialised and transferred into the name of HKSCC-NOMS. This process is referred to as "demat with transfer". As with the current procedure for deposits into CCASS, the registered holders need to hand over the title instruments (e.g. certificates) issued in respect of those securities, along with a duly signed and stamped instrument of transfer to the corresponding CP so that the CP can in turn submit a demat with transfer request to HKSCC. CCASS will launch a new function called "Login Deposit/Demat Order" to facilitate CPs making demat with transfer requests. The demat with transfer procedure is similar to the current CCASS depository procedure, where a CP must deliver the relevant certificates to the CCASS Depository counter within the timeline prescribed by HKSCC. Before doing so, the CP must submit a demat with transfer request in CCASS.

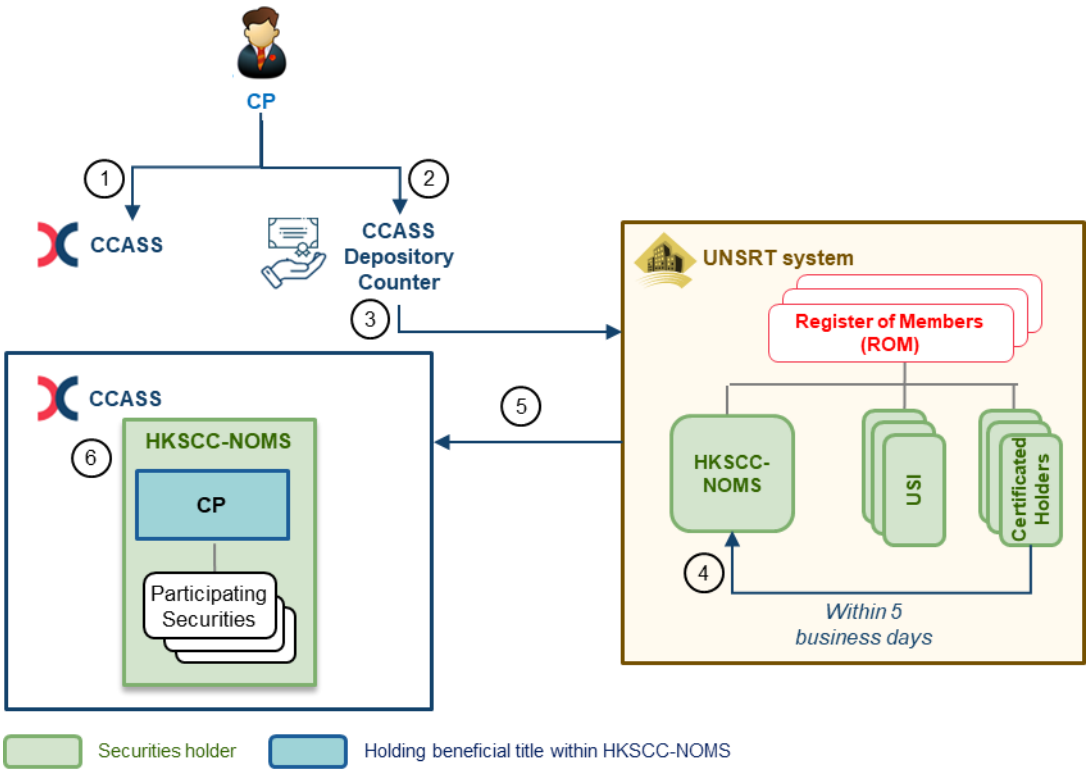
2.14. The CP who delivers the certificates to the CCASS Depository counter for demat with transfer is responsible for ensuring and indicating that such request involves NCBO. The certificates should be attached with an instrument of transfer, together with relevant endorsement and declaration on the instrument of transfer, confirming that the transfer has been duly endorsed and declared, and that:

a) HK$5 fixed stamp duty has been paid; and
b) the demat with transfer is not subject to ad valorem stamp duty.

2.15. Upon receipt of the certificates and the instrument of transfer from the CP, HKSCC will check the details of the respective certificates, update the demat with transfer request status, reflect the shareholdings onto CP's stock account and transmit the request to the relevant ASR through an electronic interface file. HKSCC will then arrange for the delivery of such certificates to the corresponding ASR to dematerialise the participating securities. These securities will be transferred to HKSCC-NOMS upon completion of dematerialisation process. The relevant ASR should complete any demat with transfer within 5 business days from the day on which it receives from the HKSCC the electronic interface file, the certificates and the instrument of transfer, together with the relevant endorsement and the NCBO declaration on the instrument of transfer.

[7] The relevant process can be referenced in section 5 of the Information Paper issued by the FSR.

2.16. The diagram below illustrates the demat with transfer process for CP:



1. A CP submits demat with transfer request in CCASS using the online function "Login Deposit/Demat Order" or batch upload with the following information:
   a. Participant ID
   b. ISIN or Stock Code
   c. Stock Account Number
   d. Total Number of Share(s)

   After the above information is validated by CCASS, the CP would need to input/confirm the following details with maker-checker mechanism in CCASS:
   e. Transferor Name (please be reminded that the inputted name must be an exact match with the name shown on the certificates. In the case of a name mismatch, HKSCC will reject the request when the certificates are delivered to the CCASS Depository counter.)
   f. Rush Service, the default input is "Normal" which means that rush service is not required. The CP must confirm the availability of the rush service with the respective ASR and pay the required fees before selecting the rush service in the request.
   g. Change of Beneficial Ownership, the CP is required to ensure that the transfer involves NCBO and make a NCBO declaration. If the transfer involves CBO, the CP will not be able to proceed with the request in CCASS.
   h. Request Withhold, the default input is "YES[8]"
   i. Certificate Details (max 99 entries to facilitate multiple certificates)
      i. Prefix
      ii. Certificate Number Range

[8] If Request Withhold is "YES", the availability of the securities will be subject to the demat with transfer process completed by the relevant ASR. If Request Withhold is "NO", the immediate credit will be provided based on current policy of HKSCC.

iii. Denomination

2. The CP delivers the corresponding certificates to CCASS Depository counter with a relevant print screen of the request in CCASS, prepared by the CP, indicating the reference no. of the authorized order, an instrument of transfer, together with relevant endorsement and declaration, indicating NCBO (the documentation).

3. HKSCC checks the certificates and updates the demat with transfer request status to "CONFIRM RECEIPT". A print screen will be provided by the CCASS Depository to the CP as evidence of receipt.

   If any discrepancies are identified between the certificates delivered and the details input in accordance to 1(e) to 1(i) above, CCASS Depository may return the certificates along with the request to the CP for amendment or rejection. Once CCASS Depository's checking process is completed, and no discrepancies are found, the order will be updated to "ACCEPTED" status, and the CP's stock account will be adjusted accordingly.

   CCASS generates an electronic interface file containing the demat with transfer requests to the respective ASR's UNSRT system. At the same time, HKSCC arranges delivery of the certificates, and the documentation to the respective ASR.

   The fees for demat with transfer, namely the transactional dematerialisation fee and the transfer and registration fee[9], charged by the respective ASR, will be debited from the CP's designated bank account on the first business day of the following week via EPI. CPs should check the payable amount in the corresponding CCASS report and ensure sufficient funds are available in the designated bank account for the debit. The transactional dematerialisation fee and the transfer and registration will be posted to the ASR fees report (please refer to Chapter 8 for details) at day end.

4. From the date on which the ASR receives the electronic interface file, certificates and the documentation, the respective ASR's UNSRT system will dematerialise the securities and transfers them to HKSCC-NOMS and records them in uncertificated form in the ROM within 5 business days from the date on which the ASR receives the electronic interface file, certificates and documentation.

   If any discrepancies are found, ASR will reject the request and return the certificates to the CCASS Depository. The CCASS Depository will then process the rejection, follow up with the CP regarding the rejection reason and certificate collection. The CP may submit another demat with transfer request afterwards.

5. Upon the completion of demat and transfer, UNSRT system of the respective ASR transmits the confirmation via the electronic interface file to CCASS.

6. HKSCC updates the CP's demat with transfer request status to "COMPLETED" in CCASS.

2.17. The following table summarises the roles of, and actions required to be taken by the following parties:

[9] The details of the transactional dematerialisation fee and the transfer and registration fee can be found in section 2.6 of the FSR's Information Paper, as well as Chapter 7 in this Information Paper.

Roles	Actions
Registered holder	• Requests its CP that its participating securities in certificated forms be transferred to HKSCC-NOMS. Relevant certificates are delivered to the CP together with supporting documents, such as instrument of transfer signed by the registered holder as transferor
CP	• Submits a demat with transfer request in CCASS. Certificates and supporting documentation are prepared and delivered to the CCASS Depository counter • Ensures that before any participating securities are deposited into its stock accounts, the name and other particulars of the transferring party (i.e. registered holder) match those of the client(s) for whose account the securities will be held in CCASS immediately after the transaction. • Checks or obtains its client's confirmation that such transfer does not involve any change in beneficial ownership. • Checks the CCASS report to ensure sufficient funds are available in the bank account for debiting the transactional dematerialisation fee and the transfer and registration fee.
HKSCC	• Validates and transmits the demat with transfer request to the respective ASR's UNSRT system through the electronic interface file and delivers the certificates and supporting documentation to the ASR. • HKSCC-NOMS will sign as the transferee in the instrument of transfer to the respective ASR • Updates the CP's stock account in CCASS
ASR	• Performs relevant validation and processes the demat with transfer in the ASR's UNSRT system. After the ROM is updated, HKSCC will be advised of the completion of the demat with transfer.

2.18. After the implementation of USM, if a CP delivers certificates for a demat with transfer request and the certificates are already in the name of HKSCC-NOMS[10], HKSCC will arrange for the certificates to be delivered to the corresponding ASR for dematerialisation and transfer. The ASR will then update HKSCC-NOM's shareholding record in the ROM to reflect the transfer change of the relevant securities from certificated form to uncertificated form. The transactional dematerialisation fee and the transfer and registration fee, charged by the respective ASR, will be applied and debited from the CP's designated bank account on the first business day of the following week via EPI. CPs should check the payable amount in the corresponding CCASS report and ensure sufficient funds are available in the designated bank account for the debit.

[10] What may happen is that the CP has withdrawn the certificates from the CCASS Depository but has not delivered them to the relevant securities registrar for registration. Accordingly, these certificates will remain in the name of HKSCC-NOMS.

USI Transfer[11]

2.19. Transfer of participating securities to/from HKSCC-NOMS in uncertificated form may only be made between HKSCC and USI holders. This process, known as USI transfer, will be conducted electronically through CCASS and the corresponding ASR's UNSRT system. USI holders must transfer their participating securities into / from CCASS through their respective CP, and such USI transfers must not constitute a change in beneficial ownership. Therefore, the CP must ensure these USI transfers as NCBO and make a NCBO declaration. As mentioned in section 1.21, the CP must be an AP in order to declare such USI transfers as involving NCBO.

2.20. CCASS's new function called "USI Transfer Request" will facilitate CPs to transfer participating securities to/from HKSCC-NOMS. After a CP receives the instructions from a USI holder, the CP must submit a USI transfer request with the corresponding USI holder's information and a NCBO declaration in CCASS. If the USI transfer request is submitted and validated in CCASS by 13:30 HK time, CCASS will transmit the USI transfer request to the UNSRT system of the corresponding ASR through the electronic interface file by batches on the same day. For any USI transfer request submitted in CCASS after 13:30 HK time, such request will be transmitted to the corresponding ASR only in the first batch on the following business day, which means the transfers will not be affirmed (or rejected) until such following business day at the earliest. The CP should ensure that its client completes the required tasks during the affirmation period, which is currently set to be within 5 business days from the date the ASR receives the electronic interface file, including affirming the transfer request and paying the ASR fee (if applicable) for the USI transfer request on a timely basis to avoid delay in any subsequent process. If the USI transfer request is intended to facilitate settlement for trading activities, the CP must ensure that its client completes the affirmation as soon as practicable before the settlement date. The details of the required tasks to be completed during the affirmation process in UNSRT system are provided in the section 5.3 of the Information Paper issued by the FSR.

2.21. It is important that accurate information is inputted in the USI transfer request. During the affirmation process, the USI holder is responsible for declaring NCBO and confirming the details of the USI transfer request, such as the USI holder's information, stock name and quantity, etc. After the USI holder affirms via the ASR's UNSRT system, the ASR shall complete the USI transfer request registration of the transfer as soon as practicable and in any case with 2 business day after the day of receiving affirmation. Once the transfer request is completed, the ASR's UNSRT system will send a confirmation of transfer to CCASS through the electronic interface file by batches. CCASS will process the confirmation, update the USI transfer request status and the CP's stock account. At the end of the day, CCASS will transmit to the IRD the declaration file with NCBO information in respect of USI transfers confirmed during that day.

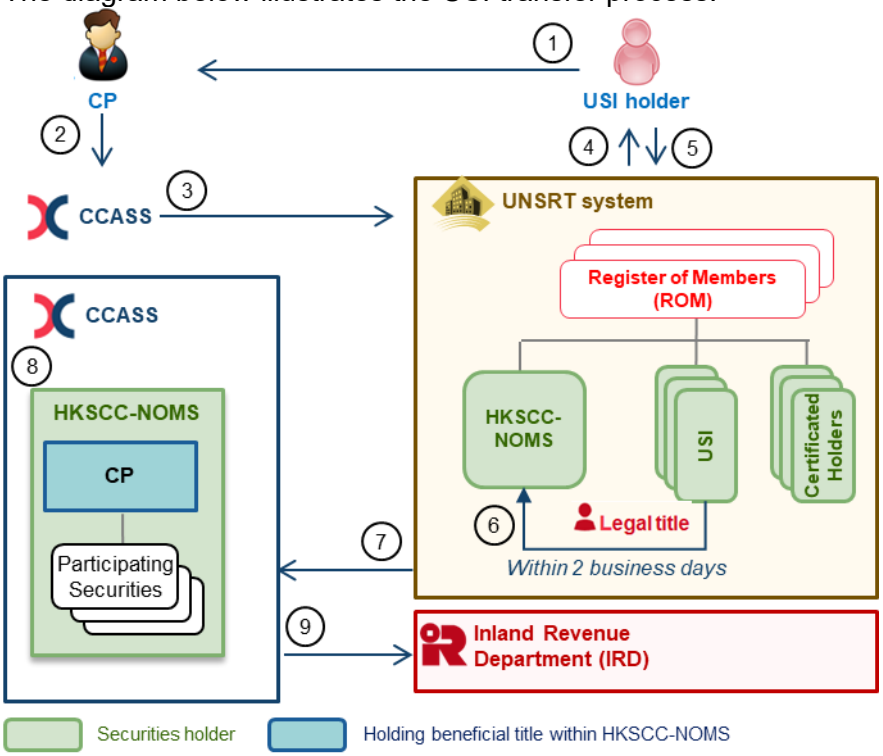
2.22. If the details of the USI transfer request do not match with ASR's record, the USI transfer request will be rejected and the corresponding ASR's UNSRT system will issue a notification to CCASS through the electronic interface file. CCASS will then update the USI transfer request status. If the USI holders do not response to the transfer requests in the ASR's UNSRT system within 5 business days, ASR will purge the transfer requests in the corresponding UNSRT system and transmit the notification to CCASS. Where an NCBO declaration is

[11] The relevant process can be referenced in section 5 of the Information Paper issued by the FSR.

suspected to be inaccurate NCBO declaration, the consequences may include inspection of records by the IRD and potential enforcement action.

2.23. As the processes will be electronic rather than paper-based, the current immediate credit facility will no longer be available when transferring participating securities that are in uncertificated form.

The diagram below illustrates the USI transfer process:



1. A USI holder instructs its CP to submit a USI transfer request to transfer its participating securities to/from HKSCC-NOMS.

2. After the CP receives the instructions from a USI holder, the CP must submit a USI transfer request in CCASS using the online function "USI Transfer Request" or batch upload with the following information:

   a. Participant ID
   b. Transfer Type, the default input is "RECEIVE" for transferring in HKSCC-NOMS, and "DELIVER" for transferring from HKSCC-NOMS
   c. ISIN or Stock Code
   d. Stock Account Number
   e. Transfer Quantity

   After the above information is validated by CCASS, the CP would need to input/confirm the following details with maker-checker mechanism in CCASS:

   f. Client (USI Holder Number) (Please be reminded that the inputted USI Holder Number of the client must be accurate, otherwise the ASR will reject the request after receiving the electronic interface file, and CCASS will update the request status upon receiving the rejection from the ASR.)
   g. Client USI Holder Name (Please be reminded that the inputted name must be an exact match with the name recorded on the USI profile. If the client is a joint USI

holder, the USI holder name sequence must follow USI profile as well. If the inputted name does not match with the name recorded USI profile, the ASR will reject the request after receiving the electronic interface file, and CCASS will update the request status upon receiving the rejection from the ASR.)

h. Change of Beneficial Ownership, the CP is required to ensure that the transfer involves NCBO and make a NCBO declaration. If the transfer involves CBO, the CP will not be able to proceed the request in CCASS.

3. After the maker-checker mechanism, CCASS will place the respective securities "on hold" if the transfer request type is "DELIVER". For the transfer requests submitted and passed the validation rules (e.g. stock code, and transfer quantity) in CCASS before 13:30 HK time, CCASS will transmit the transfer requests via the electronic interface file to the respective ASR's UNSRT system on the same day.

4. The ASR's UNSRT system should notify the USI holder to affirm the USI transfer through the ASR's UNSRT system.

5. The USI holder confirms the details of the USI transfer by affirming the USI transfer request with NCBO declaration in the ASR's UNSRT system. The USI holder will be required to pay a transfer and registration fee at the time of making the affirmation for USI transfer requests to transfer the participating securities to HKSCC-NOMS.

6. After the USI holder affirms the USI transfer in the ASR's UNSRT system, the ASR will process and complete the registration of the transfer as soon as possible, and in any event within 2 business days after the day of receiving affirmation.

7. The ASR's UNSRT system transmits to CCASS the confirmation on completion of the USI transfer to CCASS.

8. HKSCC updates the CP's shareholdings and request status to "COMPLETED" in CCASS. No fees will be charged by ASRs for transfers from HKSCC-NOMS. However, CPs will be required to pay a stock withdrawal fee for USI transfer requests to transfer the participating securities from HKSCC-NOMS to the corresponding USI holder. The fee will be debited from the CP's designated bank account on the first business day of the following week via EPI. CPs should check the payable amount in the corresponding CCASS report and ensure sufficient funds are available in the bank account for the debit. As per current practice, the stock withdrawal fee will be posted to the money ledger at day end.

9. HKSCC transmits the declaration file with NCBO information to the IRD

2.24. The following table summarises the roles of, and actions required to be taken by the following parties involved:

Roles	Actions
USI holder	• Requests its CP that its participating securities in uncertificated form be transferred to/from HKSCC-NOMS • Provides its USI holder number and name for the relevant ASR as well as other transfer details such as stock code and quantity to its CP • Confirms the details of the USI transfer request by affirming the transfer request with NCBO declaration in the ASR's UNSRT system

Roles	Actions
CP	• Ensures that the information of the requesting USI holder entered in CCASS must be an exact match with the record at the ASR's UNSRT system, and the transfer involves NCBO • Submits a USI transfer request with NCBO declaration in CCASS. The USI request should include the USI holder number and name of requesting USI holder • Ensures that before any participating securities are deposited into or withdrawn from any of its stock accounts, the name and other particulars of the person to or from whom the securities are to be transferred match those of the client(s) for whose account the securities were or will be held in CCASS immediately before or after the transaction. • Checks or obtains it client's confirmation that such transfer does not involve any change in beneficial ownership. • Checks the CCASS report to ensure sufficient funds are available in the bank account for debiting the respective fee.
HKSCC	• Validates and transmits the USI transfer request to the respective ASR's UNSRT system through the electronic interface file • Updates the CP's stock account in CCASS • Transmits the NCBO information to the IRD
ASR	• Performs relevant validation on the request in the ASR's UNSRT system, including that the USI holder number and name provided match and NCBO declaration. After the ROM is updated, HKSCC and the USI holder will be advised of the completion of the USI transfer
IRD	• Records the NCBO information in the IRD's system • Reserves the right to visit CP's firm to inspect CP's books and all other related records

Extension of Deposit Arrangement of non-participating Securities from Paper Form to Electronic Means

2.25. HKSCC will also take this opportunity to upgrade physical deposit of title instruments (e.g. certificates) by getting rid of the physical deposit forms in respect of non-participating securities upon implementation of USM. The same "Login Deposit/Demat Order" will also be used for depositing of certificates into CCASS Depository. The extension of the deposit arrangement for non-participating securities will not affect the existing deposit arrangements with the securities registrar, and deposit requests for non-participating securities will not be transmitted to securities registrars through the electronic interface.

2.26. Currently, CP must submit a physical deposit form along with certificates over the CCASS Depository counter to deposit such certificates into the CCASS Depository. HKSCC would then deliver the certificates to the relevant securities registrar for registration. Given that the USM regime aims to improve overall market efficiency, CCASS's new function called "Login Deposit/Demat Order" can facilitate not only demat with transfer requests for participating securities but also deposit requests in respect of non-participating securities. After the implementation of USM, CPs must submit deposit requests in CCASS. The information required for a deposit request is similar to that required for demat with transfer request. In the deposit request, the CP would need to input the following:

a. Participant ID
b. ISIN or Stock Code
c. Stock Account Number
d. Total Number of Share(s)

After the above information is validated, the CP further inputs/confirms the following details:

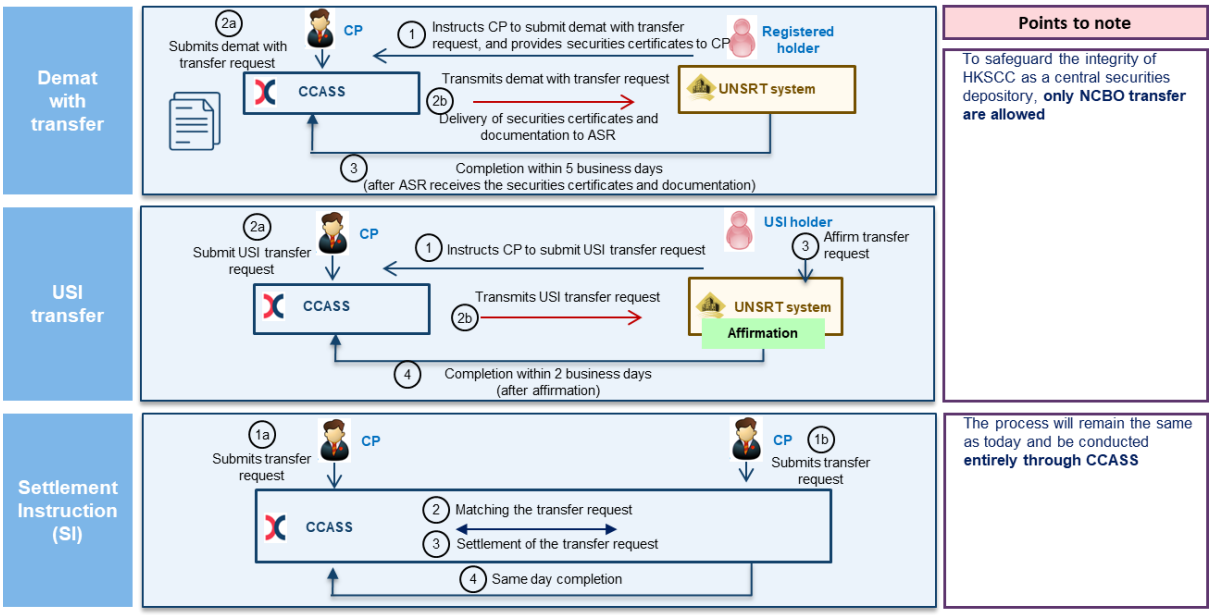
e. Transferor's Name (please be reminded that the inputted name must be an exact match with the name shown on the certificates. In the case of a name mismatch, HKSCC will reject the request when the certificates are delivered to the CCASS Depository counter.)
f. Rush Service, the default setting is "Normal" which means that rush service is not required CP would need to confirm with the respective ASR for availability of the rush service
g. Change of Beneficial Ownership (if the deposit involves CBO, the CP is responsible to fulfil the stamp duty obligation before submitting the deposit request)
h. Jumbo certificate deposit (the default setting is "NO" for deposits of non-participating securities)
i. Request Withhold, the default setting is "YES" and "NO" for option
j. Certificate Details (max 99 entries to facilitate multiple certificates)
k. Prefix
l. Certificate Number Range
m. Denomination

2.27. CP needs to arrange for certificates to be delivered to the CCASS Depository counter for registration. The rest of the procedures is the same as today.

2.28. The withdrawal procedure for non-participating securities will remain unchanged after the implementation of USM. CPs must use the existing "Login Withdrawal Order" function of CCASS to submit a withdrawal request. The request status will be updated when the certificates are available for pick up. No fees will be charged by ASRs for transfers from HKSCC-NOMS. However, as with the current practice, CPs will be required to pay a stock withdrawal fee for the withdrawal of non-participating securities. The fee will be debited from the CP's designated bank account on the first business day of the following week via EPI. CPs should check the payable amount in the corresponding CCASS report, which will be available once the request status is updated to "ACCEPTED", and ensure sufficient funds are available in the bank account for the debit. As per current practice, the stock withdrawal fee will be posted to the money ledger at day end.

Share Movement Facilitation relating to Settlement in relation to Participating Securities involving CP and USI Holder

2.29. The table below summarises the various ways in which participating securities can be transferred in HKSCC-NOMS to facilitate settlement.



Transfer participating securities to HKSCC-NOMS – Demat with transfer and USI transfer

2.30. As illustrated in section 2.29 above, demat with transfer and USI transfer are related to the transfers of participating securities into a CP's stock account in CCASS by a USI holder or a registered holder with title instruments (e.g. certificates). Such transfer will result in a change in legal title.

2.31. To safeguard the integrity of HKSCC as a central securities depository, only NCBO transfer are allowed for demat with transfer and USI transfer. Therefore, the parties involved, CP and registered holders must indicate that the transfer is NCBO and is not subject to stamp duty. If the demat with transfer or USI transfer involves CBO, then such request will not be accepted in CCASS.

2.32. ASRs shall complete the demat with transfer within 5 business days upon the receipt of the electronic interface file, certificates and documentation. ASRs shall process and complete the registration of the USI transfer, as soon as possible, and, in any event within 2 business days after the day of receiving affirmation. CPs are responsible to remind their clients to complete the affirmation in the ASR's UNSRT system as soon as possible to ensure settlement obligation are met. CPs are also reminded to allow sufficient time to transfer participating securities to fulfil the settlement obligation.

Movement of participating securities between CPs – Settlement Instruction (SI)

2.33. SI refers to the movement of securities between different CP stock accounts in CCASS. The transfers will not result in any change in legal title as the securities remain registered in the name of HKSCC-NOMS.

2.34. The process for such transfers will be largely the same as today and will be conducted entirely within CCASS, with CP-to-CP transfers going through SI. The options for money settlement

will also remain unchanged if the transfers involve CBO and are subject to stamp duty, CPs can pay the associated stamp duty using the new optional service, "Stamp Duty Payment Request," available in CCASS.

Corporate Action (CA) Services

2.35. There should be no major change to the CA services provided by HKSCC to CPs after the implementation of USM. However, to facilitate the holding of virtual or hybrid general meetings, the existing CCASS function called "Corporate Representative/Proxy Instruction Maintenance" will be enhanced with a new field "Email Address for online meeting". CPs can provide their clients' email address so that the clients can receive the relevant virtual general meeting information. CPs and their clients must ensure that the email addresses entered are accurate and up to date, as HKSCC and the relevant ASR do not have the information to verify the email address. If the email addresses are inaccurate or not up to date, the relevant clients will not be able to receive the login details for the online meetings. This new field will be available for both participating securities and non-participating securities.

2.36. The securities entitlements arising from the participating securities will be in uncertificated form which will be distributed via the electronic interface between HKSCC and each ASR. The securities entitlements distribution is transparent to CPs, as they will be able to view the relevant holdings from the securities entitlement's distribution in their shareholding accounts in CCASS.

2.37. CPs wishing to participate in corporate actions via HKSCC should observe the corresponding time limits for depositing participating securities, whether in uncertificated form or certificated form, into CCASS.

2.38. In the case of participating securities in certificated form deposited into CCASS after the cut-off time for submitting transfer of securities in certificated form but before the commencement of the book close or record date[12], the relevant ASR may not be able to complete dematerialisation and registration of the securities in the name of HKSCC or its nominee, and the associated shareholder rights may continue to reside with the original shareholders until the completion of the registration process after the book close or record date. Hence, adjustments may be made to a CP's entitlement in respect of participating securities in certificated form that are deposited and credited to the CP's stock account under such circumstances. An example is provided for illustration:

[12] CP should always refer to the issuer's announcement regarding the cutoff date and time for demat with transfer requests.

<table>
<tr><th>Book Close – 5 days</th><th>Book Close – 4 days</th><th>Book Close – 3 days</th><th>Book Close – 2 days</th><th>Book Close – 1 day</th><th>Entitlement Scenarios</th></tr>
<tr><td>Cut-off date for demat with transfer[13]</td><td></td><td></td><td></td><td>Last Registration Date of Dividend</td><td></td></tr>
<tr><td colspan="6">Certificates Depository</td></tr>
<tr><td rowspan="2">Certificates deposit for demat with transfer <u>by</u> 12:00 noon</td><td></td><td></td><td></td><td></td><td>Scenario 1:

Transfer processed by ASR and entitlement being credited to relevant CPs in CCASS</td></tr>
<tr><td></td><td></td><td></td><td></td><td>Scenario 2:

Transfer rejected by ASR and no entitlement to relevant CPs in CCASS</td></tr>
<tr><td></td><td colspan="4">Deposit for demat with transfer <u>after</u> the cut-off date</td><td>Scenario 3:

No entitlement for the transferee of the deposited securities</td></tr>
</table>

2.39. Whenever necessary, HKSCC shall be entitled to recover from the CP any entitlements accruing to securities which are deposited into CCASS but are not yet registered in the name of HKSCC or its nominee by the relevant cut-off date, including by adjusting the instruction quantity submitted by the CP to reflect such entitlements, deducting from the CP's total entitlement balance an amount or number of securities representing such entitlement, or by requiring the CP to deposit a number of securities or pay an amount, in each case representing such entitlement.

[13] Demat with transfer for certificates that are registered in the name of HKSCC-NOMS will not be subject to deposit cut-off, except in the case of certain corporate actions, e.g. change in trading board (i.e. from GEM to Main Board), share consolidation or subdivision. However, if the CPs wish to participate in the corporate action via HKSCC CPs should pay attention to the circular issued at the time regarding the deposit arrangement.

Chapter 3. Other Operational Changes relating to USM

NCBO Declaration and Stamp Duty Payment Facilitation for SI Transactions of Participating Securities

3.1 As mentioned in section 1.21, CPs need to be approved by the IRD as APs in relation to NCBO declaration and stamp duty payment arrangements which will be introduced for participating securities:

- Mandatory - CPs are required to indicate NCBO for all USI transfers after USM implementation.

- Optional - For SI transactions involving participating securities with CBO that require stamp duty payments, in addition to existing stamp duty payment arrangement, CCASS will also launch a new function called "Stamp Duty Payment Request" to facilitate CP's payment of stamp duty electronically via CCASS.

Mandatory Arrangement

3.2 When CP submits a demat with transfer or USI transfer request in CCASS, the CP must confirm the "Change of Beneficial Ownership" field. The nature of the demat with transfer or USI transfer request will be treated as NCBO once the CP authorises the request in CCASS. It is important that:

i. CPs will therefore be taken to have indicated that the transactions are NCBO; and
ii. if CPs have any doubts as to the NCBO nature of the transaction, it would be their responsibility to follow up with the relevant client accordingly.

At day-end, CCASS will extract the NCBO information from the completed USI transfer requests and then generate and transmit an interface file to the IRD system.

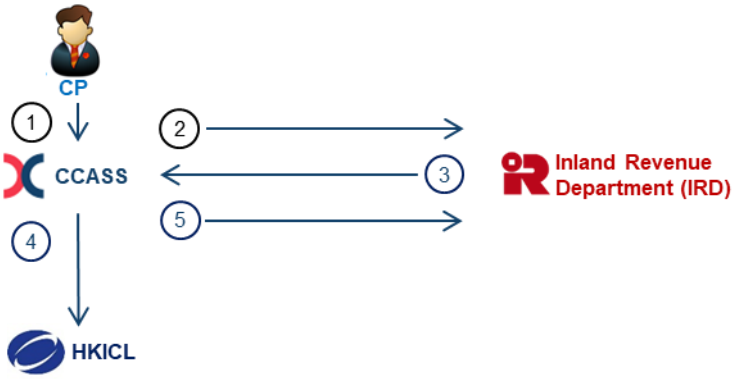
Optional Service

3.3 The "Stamp Duty Payment Request" will be a new CCASS function for making stamp duty payment, via CCASS, in respect of SI transactions of participating securities which is subject to stamp duty. The new function is an optional service and will only be available to CPs who are approved as APs by the IRD. This optional stamp duty payment service is in addition to other payment arrangements provided by the IRD. After a CP submits the request with the contract note details via CCASS, CCASS will send such information to the IRD for the stamp duty calculation. On the following day, the IRD shall revert by providing the calculated stamp duty payment amount to CCASS; then CCASS will generate an Electronic Payment Instruction (EPI) accordingly for the collection of stamp duty payment based on the IRD's calculation. The CP will be responsible for retaining relevant records of stamp duty payments made, and transfer information for the IRD's inspection.

3.4 The stamp duty payment, in form of EPI, will be settled by debiting from the CP's designated bank account; and crediting to the IRD's bank account in the morning following the day which the EPI being generated.

3.5 There is no change to the stamping requirement, including the deadline to pay stamp duty. To complete the stamping process, the CP must imprint the contract notes in accordance with section 5AA of the SDO.

3.6 The diagram below illustrates the stamp duty payment process:



1. CP submits a stamp payment request in CCASS using "Stamp Payment Request" function with the following information:
   a. ISIN or Stock Code
   b. Name of Transferor in English
   c. Name of Transferee in English
   d. Date of Contract Note
   e. Type of Contract Note, the default setting is "BUY" and the options are "SELL" and "BOTH[14]"
   f. Effected In, the default setting is "HONG KONG", and the option is "E – ELSEWHERE" for option
   g. Number of Shares under Transfer
   h. Total Consideration in HKD

2. CCASS generates and transmits the stamp payment request information to IRD for stamp payment calculation.

3. On next morning, IRD will transmit the calculated stamp payment amount to CCASS. The stamp payment amount will be recorded to the respective stamp payment request in CCASS.

4. CCASS will generate one EPI per stamp payment requests and insert the EPI reference to the stamp payment request for CP's reference. Once the EPI is generated, the respective stamp payment is deemed to be paid by the CP (AP); then CP (AP) can proceed with the securities transfer. The EPI will transmit to HKICL for payment processing at day end. CP (AP) should ensure their designated banks will properly effect the EPI payment.

   To complete the stamping process, the CP (AP) must imprint the contract notes in accordance with the SDO. IRD will issue guidance notes to elaborate the stamp payment arrangements and requirements for participating securities in a later stage. The CP (AP) shall keep complete and true records of information relating to its Stamp Duty Payment Requests for a period of no less than 6 years.

[14] For "BOTH" option, the IRD will calculate the stamp duty for both buy and sell sides

3.7 The table below summarises the roles of, and actions required to be taken by the following parties:

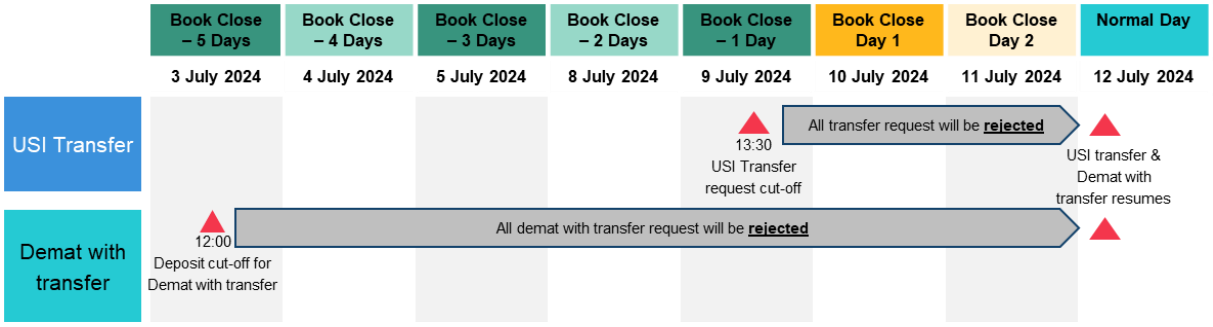
Roles	Actions
CP	• Submits stamp duty payment request in CCASS • Ensures sufficient money in its designated bank account to fulfil the EPI • Imprints the contract notes in accordance with the SDO.
HKSCC	• Transmits the stamp duty payment request to IRD for stamp payment calculation • Generate and transmits the EPI per stamp payment request for stamp collection
IRD	• Calculates and transmit the stamp payable amount to CCASS
HKICL / Designated Banks	• Processes the stamp payment, i.e. EPI

Arrangements before the Closure Period of ROM

3.8 According to USM Rules[15], the closure period of ROM (also known as the book close period) for participating securities will be limited to no more than two consecutive business days. Securities registrars recommend the following cut-off time for demat with transfer and USI transfer requests submission:

Types	Recommended cut-off time
Demat with transfer	5 business days before book close period[16]
USI transfer	1 business day before book close period

The following diagram illustrates the cut-off time taking an example of book close period falling on 10 – 11 July 2024:



3.9 If the corporate action does not involve a book close period, i.e. it has a record date only, CPs should ensure that the USI transfer request is completed on or before the record date, and that

[15] The enacted USM Rules can be found the SFC's USM webpage, and the relevant provisions in this context are section 9 of Part 2.

[16] It is at the ASR's discretion to provide rush services for demat with transfer before the book close period. CPs should check directly with the relevant ASR regarding the availability of rush services.

the delivery of certificates for demat with transfer to the CCASS Depository counter should be completed before noon on the deadline set by the issuer to be eligible for the corporate action.

3.10 Demat with transfer for certificates registered in the name of HKSCC-NOMS will not be subject to the deposit cut-off, except in the case of certain corporate actions e.g. change in trading board (e.g., from GEM to Main Board), share consolidation or subdivision. CPs should pay attention to the circular issued at the time regarding the deposit arrangement.

Arrangements under Half-Day Trading Day

3.11 The SEHK has scheduled Christmas Eve, New Year's Eve and Chinese New Year's Eve to trade half-day only. Securities settlement will not occur on any of these days. The USI transfer and demat with transfer request will be processed as usual under half-day trading day.

Change of ASRs of Participating Securities

3.12 If an issuer plans to change its appointed ASR for its participating securities, the issuer must notify the SFC and the SEHK at least three months in advance[17]. Cut-off time will be imposed for USI transfer and demat with transfer, including demat with transfer for certificates registered in the name of HKSCC-NOMS before the change of ASR. The cut-off time would follow the book close arrangements, namely 1 business day prior to the change of ASR for USI transfer, and 5 business days prior to the change of ASR for demat with transfer, including demat with transfer for certificates that are registered in the name of HKSCC-NOMS.

Arrangement for Delisted Securities

3.13 According to USM Rules and ASR Rules, the obligations of issuers and ASRs in respect of delisted securities are as follows:

	Obligation
Issuers	• Before the securities are delisted, the issuer updates the ROM to reflect that the securities are no longer in uncertificated form. If the issuers are required to issue title instruments: • After updating the ROM, the issuer must issue title instruments to the registered holders, unless the terms of issue of the securities do not require title instruments to be issued. • Clarify to registered holders whether they are entitled to receive a title instrument, and if so, explain the steps to obtain it.
ASRs	• Within 7 days of the delisting or of the ASR's ceasing to be the securities registrar for those securities, the ASR should issue an annual statement to the securities holder that reflects the holder's uncertificated balance at the point of delisting.

[17] There are two exceptions to the notification requirement in the SML Rules: (a) the securities in question cease to be prescribed securities; and (b) in the case of subscription warrants and rights issued under a rights issue if (i) the ASR ceases to act only by virtue of the warrants or rights having lapsed or expired; (ii) the ASR continues to act as securities registrar for the underlying securities (i.e. the securities that can be acquired by exercising the warrants and rights); and (iii) such underlying securities are prescribed securities.

USI holder	• After the delisting, the delisted securities will no longer be participating securities. Thus, USI holders will no longer be able to transfer the delisted securities by USI transfer through their CPs.

3.14 Depending on the articles of association and the laws of the home jurisdiction of the listed issuers, title instruments may or may not have to be issued in respect of delisted securities. HKSCC will implement the following arrangements to facilitate the withdrawal of delisted securities from the CCASS Depository:

If no title instruments are to be issued following delisting:

- If no title instruments are to be issued to HKSCC-NOMS, HKSCC will provide a signed instrument of transfer to CPs and a copy of the relevant Stock Withdrawal Receipt to facilitate the transfer of the delisted securities from HKSCC-NOMS to the CP's relevant client.
- Once the delisted securities are withdrawn from HKSCC-NOMS, the respective CP or the CP's relevant clients should contact the delisted issuers directly to arrange the transfer of the delisted securities from HKSCC-NOMS to the CP's relevant clients, as necessary.

If title instruments are to be issued following delisting:

- According to Rule 27 of USM Rules (Rematerialisation in contemplation of delisting), the issuer must, before the securities cease to be listed, rematerialise the subject units by removing from the ROM all records indicating that the subject units are held by the registered holder in uncertificated form. Additionally, if required by the governing provisions of those securities, the issuer must also issue one or more title instruments covering the subject units to the registered holder as soon as reasonably practicable after the rematerialisation.
- To facilitate the withdrawal of delisted securities out of CCASS, HKSCC will request CPs to provide the number and denomination of title instruments required to enable the securities to be withdrawn from CCASS and transferred to the relevant CP or CP's clients whom the securities belong.

Any impact on other HKSCC Services

3.15 The process of FINI will remain unchanged. Processes in relation to issuance of title instruments will be replaced with electronic updates of ROM record in HKSCC.

3.16 There will be no change to other HKSCC services, including Stock Connect arrangement. However, CPs are reminded to complete the transfer of participating securities into CCASS with the timeline determined by HKSCC's discretion before settlement period to ensure investors meet relevant timelines and obligations.

Arrangements under Severe Weather Trading (SWT)

3.17 The Severe Weather Trading (SWT) arrangement for the Hong Kong securities and derivatives market has been in effect since 23 September 2024. The SWT arrangements are applicable to T8 or above, black rainstorm warning signal and "extreme conditions" issued by the Government. The participation date of the issuer will remain unchanged notwithstanding any severe weather conditions on the participation date.

3.18 Arrangements relating to the deposit or withdrawal of participating securities, or to any corporate actions in respect of participating securities under SWT would generally follow existing SWT arrangements, except those services for demat with transfer, including demat with transfer for securities registered in the name of HKSCC-NOMS will not be available on an SWT day. This is because the physical outlets of HKSCC and ASRs will be closed and unable to accept the submission of physical documents such as title instruments. CPs may continue to submit deposit, demat with transfer, including demat with transfer for certificates that are registered in the name of HKSCC-NOMS request via "Login Deposit/Demat Order" function in CCASS. However, these requests will not be processed until the respective certificates and documents have been delivered to the CCASS Depository on the next business day following the SWT day.

3.19 If an SWT day falls on the deposit cut-off day for demat with transfer requests prior to the book close period (see sections 2.37 to 2.39 above), HKSCC would follow the latest corporate action announcement issued by the issuer to determine the deadline for receiving the relevant deposits at the CCASS Depository.

3.20 There will be no change to the process of USI transfer and stamp payment service on an SWT day.

3.21 If HKEX effects market closure in exceptional circumstances, CCASS will not be in operation. During such periods, the functions 'USI Transfer Request' and 'Login Deposit/Demat Request' will be unavailable. Similar to an SWT day, the physical outlets of HKSCC and ASRs will be closed, and the submission of physical documents such as title instruments will not be accepted. For demat with transfer, including demat with transfer for certificates that are registered in the name of HKSCC-NOMS, CPs may only deliver relevant certificates to CCASS Depository on the next business day following the market closure. For USI transfer requests submitted prior to the market closure, HKSCC will update the respective shareholdings in the CPs' stock accounts in CCASS upon receipt of confirmation from the ASR on the following business day when CCASS is in operation after market closure.

3.22 CPs may also refer to the SEHK Practice Note 8[18] for the emergency share registration arrangements during adverse weather conditions.

Deposit of new or existing shares in new listing under USM

3.23 In the event of new listing, new or existing shares (e.g. borrowed shares[19] and sale shares[20]) will be deposited into CCASS for clearing, settlement and custody purposes. The current process for placing of new shares or placing of existing shares in new listings usually involve the deposit of physical certificates into CCASS. The issuer's agent[21] also submits a placement/pre-deposit form via FINI, detailing the settlement arrangements, including the number of new and/or borrowed and/or sale shares to be deposited into CCASS. The relevant securities registrar then issues certificates for the existing (borrowed or sale) shares and/or the new shares in the name of the major/selling shareholder (or their nominees) and HKSCC-

[18] The SEHK Practice Note 8, including the approved amendments to cater for USM, can be found in the HKEX website.
[19] Borrowed shares are used to cover over-allocations in the international offering and are later returned once the over-allotment option is exercised or stabilisation ends.
[20] Sale shares are existing shares offered for sale by selling shareholders as part of the IPO structure and require disclosure of selling shareholder undertakings in the prospectus.
[21] The issuer's agent is usually the overall coordinator or the sponsor in new listing.

NOMS, respectively. On the listing day, these certificates are delivered to HKSCC. Upon receipt of these certificates, HKSCC will credit the designated CP's stock account based on the placement form/pre-deposit form submitted via FINI. The issuer's agent, through the designated CP, then allocates the placement shares within CCASS by way of SIs.

3.24 With the implementation of USM, this process will become fully electronic. For new shares, the issuer's agent submits a placement/pre-deposit form via FINI, indicating the number of new shares to be issued in the name of HKSCC-NOMS and deposited into the designated CP's stock account in CCASS. On the listing day, the relevant ASR sends the ROM update confirmation to HKSCC early in the morning. Upon receipt of the ASR's ROM update confirmation, HKSCC will credit the designated CP's stock account, allowing the issuer's agent, through the designated CP, to allocate the new shares within CCASS by way of SIs. For existing shares, the issuer's agent should instruct the designated CP[22] to initiate a USI transfer request in CCASS to transfer the shares from the existing shareholders to the designated CP on the listing day (please refer to section 2.19 to 2.24 for USI transfer details) Once HKSCC receives the relevant ASR's confirmation that the transfer to HKSCC-NOMS has been registered, CCASS will credit the designated CP's stock account, enabling the issuer's agent, through the designated CP, to allocate the existing share within CCASS by way of SIs.

Deposit of new shares in follow-on placing under USM

3.25 A follow-on placing is a post-IPO fundraising where shares are placed with selected investors through placing agents. In relation to the placing of new shares in follow-on placing, currently this also involves deposit of physical certificates into CCASS. The placing agent initiates this process by submitting allotment documents (e.g. placement form and board resolution) to HKSCC. The securities registrar then issues certificates for the new shares in the name of HKSCC-NOMS and delivers them to CCASS depository counter for deposit to CCASS on the issue date. Upon receipt of these certificates, HKSCC credits the designated CP's stock account based on the placement form.

3.26 The placing agent may also initiate this process by submitting allotment documents (e.g. deposit form and board resolution) to the relevant securities registrars. The securities registrars will then issue certificates for the new shares in the name of the placing agent. These certificates will be delivered to the CCASS Depository counter for normal deposit into CCASS on the issue date. Upon receipt of these certificates, HKSCC will reply on the deposit form and follow the regular deposit procedures to transfer the relevant shares to HKSCC-NOMS.

3.27 After the USM implementation, the follow-on placing process for non-participating securities will remain largely the same as today, except that if the process is initiated by the placing agent and the relevant certificates are issued in the name of the placing agent for deposit into CCASS, the designated CP will need to submit the deposit order[23] in CCASS before delivery such certificates to the CCASS Depository counter. Please refer to paragraph 2.25 to 2.28 for details. For participating securities, the placing agent may follow the current practice by initiating the follow-on placing process through submitting the placement documents to HKSCC and ASR, and by arranging with the ASR to issue the new shares in the name of HKSCC-NOMS. Upon receipt of the ASR's ROM update confirmation early in the morning of

[22] The designated CP must also be approved as an AP to carry out transfers of the shares from the existing shareholders in uncertificated form and to make the NCBO declaration.

[23] A transfer and registration fee charged by the relevant ASR will be incurred if the new shares are issued in the name of placing agent and then deposited into CCASS.

the issue date, HKSCC will credit the designated CP's stock account in CCASS, allowing the issuer's agent, through the designated CP, to allocate the new shares within CCASS by way of SIs.

3.28 Alternatively, the processes for new shares of participating securities can be fully electronic (i.e. only board resolution is required to ASR) if the placing agent has its USI profile ready. The placing agent can arrange with the relevant ASR for the placing shares to be registered in uncertificated form in placing agent's name. On the issue date, the placing agent, through the designated CP, initiates a USI transfer request (please refer to section 2.19 to 2.24 for details) to transfer the shares from the placing agent to HKSCC-NOMS. Once HKSCC has received the ASR's confirmation that the transfer to HKSCC-NOMS has been registered, CCASS will credit the designated CP's stock account, enabling the placing agent, through the designated CP, to allocate the placing shares within CCASS by way of SIs.

Repurchase of shares

3.29 A share repurchase is a transaction whereby an issuer buys back its own shares from the marketplace. The repurchase can be conducted by directly buying shares from the market or by offering shareholders the option to tender their shares to the issuer at a fixed price.

3.30 Currently, issuers instruct their designated CPs to repurchase shares from the market. Afterwards, CPs are required to withdraw the respective securities certificates from CCASS and submit them to the relevant securities registrar for share cancellation. Starting from 11 June 2024, the Listing Rules have been amended to remove the requirement to cancel all repurchased shares. A new framework has been introduced to allow issuers to hold repurchased shares as treasury shares and to regulate the resale of these treasury shares. Further details on treasury shares can be found in the Guidance Letter issued in April 2024.

3.31 Under USM, the arrangements for share repurchase will remain unchanged. If an issuer wishes to cancel repurchased shares and the corresponding security is a participating security, the designated CP must submit the request via a USI transfer request in CCASS, selecting the transfer type as "Share Movement" and providing the issuer's instruction reference number. CCASS will then transmit the request to the relevant ASR for the share cancellation. Subject to the ASR's usual procedures, the relevant ASR will cancel the corresponding shares upon receiving the "Share Movement" request from CCASS and the matching instruction from the issuer.

3.32 As mentioned in above section 3.31, the issuers are allowed to hold repurchased shares as treasury shares. If the laws of an issuer's place of incorporation (e.g. Bermuda and the Cayman Islands) require repurchased shares to be held in the issuer's own name in order to be classified as treasury shares, then, after the USM implementation, the issuer of the participating security should, upon completion of the share repurchase, transfer the repurchased shares from HKSCC-NOMS to its USI profile via a USI transfer request submitted by a designated CP in CCASS. Please refer to sections 2.19 to 2.24 for the USI transfer process.

3.33 On the other hand, where the laws of an issuer's place of incorporation, (e.g. the PRC) do not require treasury shares to be held in the issuer's name, shareholders' rights attached to the shares will be suspended under the laws once the shares are repurchased by the issuer, irrespective of whether they are held in the name of the issuer of its nominee. In such case, the issuer may continue to hold the repurchased shares as treasury shares in a segregated

account in CCASS. After the USM implementation, the arrangement for holding treasury shares in CCASS will remain unchanged.

Parallel Trading Arrangement under USM

3.34 Parallel trading occurs primarily to facilitate the transition between old and new stock codes or share structures, especially during corporate actions such as share consolidation, subdivision, or changes in board lot size[24]. Following the implementation of USM, special arrangements will be in place for USI transfers, and demat with transfers, including demat with transfers for certificates registered in the name of HKSCC-NOMS. CPs should pay attention to circulars to be issued by HKSCC on such corporate actions, which will set out the arrangements for USI transfers and demat with transfers.

[24] A change of board lot size may or may not require parallel trading, subject to the need for new share certificates. The duration of parallel trading usually lasts at least three weeks. For further details, please refer to the guide on trading arrangements for selected types of corporate actions. In addition, if the shares are participating securities, then in the event of a change of board lot size, the existing certificates will remain valid and no new certificates will be issued.

Chapter 4. Implementation Timetable

When USM will be implemented in Hong Kong

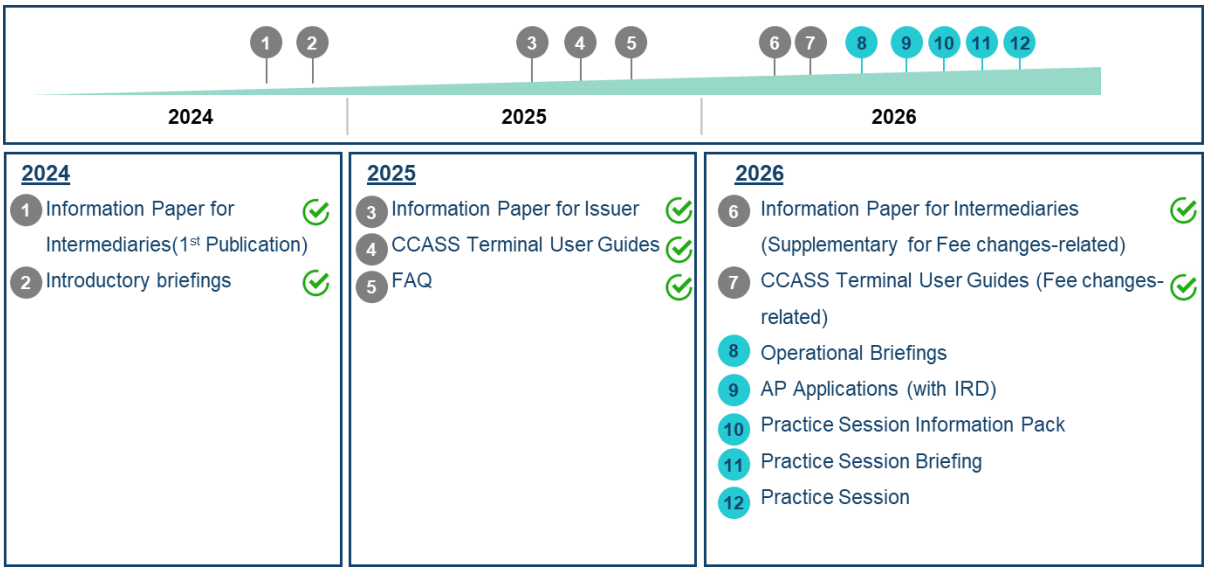
4.1. From the USM implementation date onwards, IPO of prescribed securities will be required to participate in USM and in uncertificated form.

4.2. Issuers of prescribed securities will be required to participate in USM, and their prescribed securities must become participating securities in phases. Each issuer will be given a deadline, which is specified by the issuer's ASR, HKSCC and the SEHK, by which they must complete their transition to USM by ensuring that their shares become participating securities (i.e. the participation date).

4.3. The USM will begin with the securities whose home laws are compatible with the USM regime. This will cover all prescribed securities constituted under Hong Kong law, the PRC, Bermuda and the Cayman Islands. Implementation of USM by listed issuers incorporated in these four jurisdictions will achieve dematerialisation for around 98% of the prescribed securities listed on the SEHK. The prescribed securities from these jurisdictions must become participating securities within 5 years[25] from the implementation of USM. Please refer to Appendix F of the details of listed issuers in Hong Kong.

CP's Preparation Timeline

4.4. A series of market education and engagement activities has been arranged, to facilitate the market migrating to the USM regime gradually. In October 2024, these activities commenced, including the issuance of an Information Paper, briefings, CCASS Terminal User Guides and FAQs for HKSCC Participants to become more familiar with the USM regime and prepare for the changes as part of the market education programme with the SFC and the FSR. HKSCC will soon conduct various activities, including practice sessions, to further enhance CP's understanding of and familiarity with operations under the USM regime. CPs should prepare themselves with the following activities for the implementation of USM accordingly.



[25] The overarching 5-year timeline and sequencing arrangement for requiring existing specified prescribed securities to become participating securities are reflected in the USM Rules.

4.5. There will be a detailed timetable/schedule for prescribed securities to become participating securities, and each prescribed securities will have its own participation date which will be announced at least 3 to 6 months in advance. CPs should pay attention to announcements of the participation date of each prescribed securities and follow the operational arrangement for participating securities and non-participating securities. To keep the market informed of when prescribed securities will become participating securities, HKEX will maintain a running list of the prescribed securities that are scheduled to become participating securities, and their respective participation dates. The list will be published on HKEX's USM webpage, and updated every quarter to include securities scheduled to become participating securities in the following quarter. Any change in respect of details already in the list will be updated immediately based on the issuer's announcement.

Key points for CP

4.6. CPs are advised to consult their Information Technology support units or system vendors for necessary preparation in relation to implementation of USM. CPs are reminded to review their systems and internal operational procedures given the operational and fee changes arising from USM.

4.7. CPs **must** ensure that the particulars of the register holder are the same as the particulars of the client for who account the securities were/will be held in CCASS and that transfer involves NCBO. It is the responsibility for the registered holder and his/its CP(s) to ensure the accuracy of USI holder information such as USI holder number and name provided for the USI transfer requests in CCASS.

4.8. CPs are reminded that the transfer of participating securities to HKSCC-NOMS must be completed in time (i.e. before the end of T+2 settlement period) to ensure that relevant settlement timelines and obligations are met. Timely affirmation of the USI transfer instruction by CP's clients is a crucial part of the transfer and CPs should ensure that their clients approve the relevant USI transfer request on a timely basis to avoid delay in any subsequent process.

4.9. CPs **must** be approved by the IRD as APs to be eligible for handling the transfer of participating securities between HKSCC-NOMS and their respective clients' USI profile which should be NCBO.

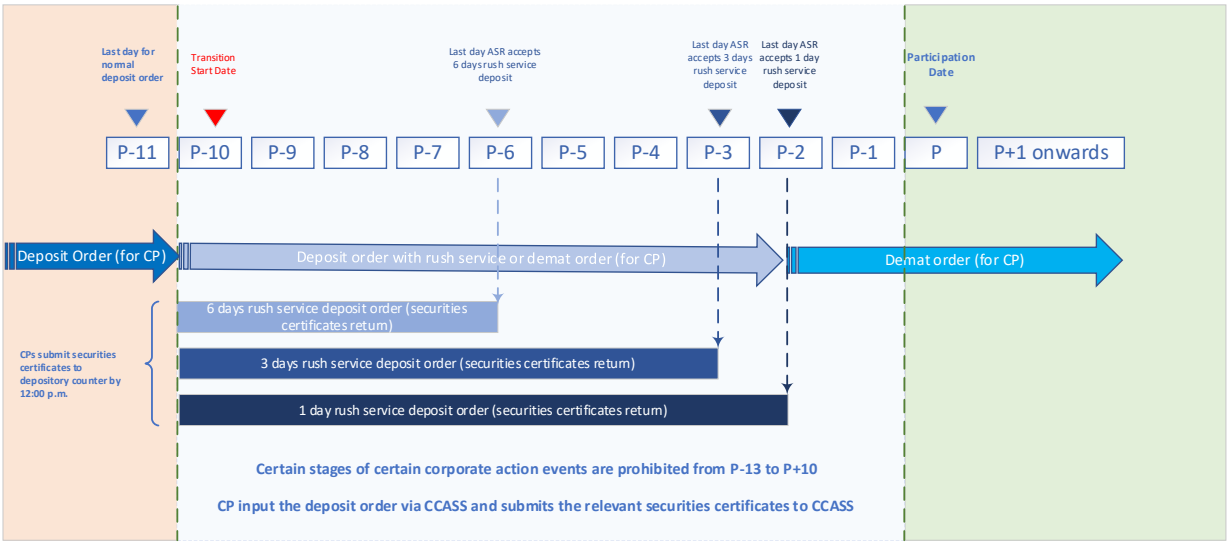
4.10. CPs are reminded to review their client agreements to ensure that operational and fee changes under the USM regime such as USI transfers, demat with transfers, and stamp duty payment services are appropriately incorporated, where necessary. CPs should also consider whether related rights, obligations and other implications (e.g. responsibilities to meet certain timeline and the consequences of failing to do so) need to be suitably reflected in their agreements.

Chapter 5. When Prescribed Securities Become Participating Securities

5.1. The transition of specified prescribed securities to participating securities will occur in batches, following a sequence specified by HKSCC, the ASR for the relevant securities and the SEHK. The actions required to be taken by listed issuers can be referenced in the *Information Paper on Rule Amendments to Implement an Uncertificated Securities Market and "Issuer Platform"* issued in May 2025.

5.2. As mentioned in section 1.13, all units of relevant securities held in HKSCC vault must be converted into uncertificated form as soon as practicable after the date on which those securities become participating securities. To facilitate the participation of the prescribed securities, special arrangements will be in place for deposit and withdrawal services during the 10-day period preceding the participation date for such securities. CPs should look out for circulars to be issued by HKSCC relating to such deposit and withdrawal arrangements.

5.3. HKSCC deposit services before the participation date (Day P):



- On or before Day P – 11 business days (HKSCC's cut off time to CPs), HKSCC will continue to provide normal deposit services to CPs and send the certificates to the ASR by Day P – 10 business days for registration and issue of certificates in the name of HKSCC-NOMS. After Day P-10 business days, ASR will no longer accept requests (except requests for rush services) for issuing new certificates.

- From Day P – 10 business days to Day P – 1 business day inclusively:
  a. Rush deposit services (optional): HKSCC will offer deposit services during this period but only if: (i) the respective ASR provides a rush transfer service; and (ii) the certificates are deposited in time for registration to be completed by Day P – 1 business day.

  b. Demat with transfer services: HKSCC will accept demat with transfer request from CPs.
     - Certificates received between Day P – 10 business days and Day P – 5 business days will be sent to the ASR on Day P – 4 business days, and the dematerialisation, transfer and registration into the name of HKSCC-NOMS will be completed on Day P.

- Certificates received between Day P – 4 business days and Day P will be sent to the ASR on Day P + 1 business day, and the dematerialisation, transfer and registration into the name of HKSCC-NOMS will be completed on Day P + 5 business days.

The requests to ASR and confirmations from ASR will be transmitted through interface files.

c. The availability of physical withdrawals before Day P will be subject to certificates availability in HKSCC vault and the splitting service provided by the respective ASR.

5.4. Arrangement from Day P and onward:

a. Deposit participating securities into CCASS:

- For participating securities in certificated form, CPs are required to submit a demat with transfer request in CCASS. Please refer to section 212 to 2.18 for details.
- For participating securities in uncertificated form, CPs are required to submit a USI transfer request in CCASS. Please refer to section 2.19 to 2.24 for details.

b. Withdraw participating securities from CCASS:

- To withdraw participating securities from, CPs are required to submit a USI transfer request in CCASS. The process is the same as that for depositing participating securities in uncertificated form into CCASS.
- HKSCC will no longer allow physical withdrawal, unless the exemption stated in USM Rules

5.5. To facilitate a smooth and orderly transition to USM, issuers should not schedule corporate actions close to the participation date. In particular, issuers should avoid certain key dates (such as record dates and last registration dates) falling within 13 business days before, or 10 business days after, the participation date, unless otherwise agreed with their ASR and HKSCC. Similarly, conversion effective dates and parallel trading periods relating to share consolidations, sub-divisions or changes in trading board (e.g., from GEM to Main Board) should be scheduled outside the period from 13 business days before to 10 business days after the participation date, unless otherwise agreed with the issuer's ASR and HKSCC. An issuer that wishes to conduct any urgent corporate, that involves a reference to or a change its ROM or the determination of its entitlements during the period of 13 business days before to 10 business days after the participation date, should consult its ASR and HKSCC in advance on a case-by-case basis.

5.6. The corporate actions that should be avoided around the time of the participation date (as discussed in section 5.5 above) include any that involve referencing or changing the register of holders, or the determination of entitlements (e.g. payment of dividends) and determination of entitlements to attend meetings or to vote.

Chapter 6. Modernisation of Fees for Depository Services

6.1. With the operational changes introduced throughout Chapter 2 to 4 of this Information Paper, HKSCC has been reviewing its fee structure to align with the new operating model under the USM regime. HKSCC has identified three fees that would be impacted by USM: (1) stock withdrawal fee, (2) stock custody fee, and (3) registration and transfer fee (also known as "scrip fee"). This section outlines the changes to these fees that will come into effect when USM is implemented and better align it the objectives of USM.

6.2. HKSCC currently facilitates the physical deposit and withdrawal of securities certificates for registered Eligible Securities held under the custody of HKSCC-NOMS by CPs. While deposit fees are currently waived, a withdrawal fee of HK$3.50 per board lot is charged. This fee applies exclusively to registered Eligible Securities.

6.3. For the safekeeping of registered Eligible Securities with the CCASS Depository, HKSCC currently imposes a stock custody fee of HK$0.012 per board lot per month, capped at HK$100,000 per month per CP. IPs are subject to the same rate, with a minimum fee of HK$20 and a maximum of HK$3,000 per month.

6.4. Since 1998, HKSCC has charged a scrip fee to CPs at each book-close date. Following a revision in 2005, the fee is now levied at HK$1.50 per board lot on net increases in aggregate holdings of registered securities in a CP's stock account since the last fee collection date. Increases of less than one board lot are also charged at HK$1.50.

6.5. The following table outlines the current fee structure:

Type of Fee	Current Fee Structure
1. Stock withdrawal fee	• HK$3.50 per board lot, applicable to Eligible Securities • If the quantity of withdrawn shares is less than one board lot, it is also charged at HK$3.50
2. Scrip fee	• HK$1.50 per board lot on net increase in aggregate holdings between two book-closed dates • If the net increase is less than one board lot, it is also charged at HK$1.50
3. Stock custody fee	• CP: HK$0.012 per board lot per month, subject to a maximum of HK$100,000 per month per CP • IP: HK$0.012 per board lot per month, subject to a minimum fee of HK$20 and maximum fee of HKD3,000 per IP

6.6. The current fee structure has remained unchanged since 2005. As a result, it may no longer reflect prevailing market practices or expectations, particularly when compared to international Central Securities Depositories (CSDs). In light of this, HKEX is leveraging the implementation of the USM as a pivotal opportunity to modernise the fee structure to ensure:

i. Simplicity and predictability for market participants
ii. Fairness in cost distribution
iii. Alignment with USM objectives, particularly in reducing barriers for investors to make transfers

6.7. To modernise the existing fee structure, an extensive comparative analysis has been conducted to ensure the type of fee and the fee rate are in line with international markets. The following table outlines the principles adopted for the modernisation and the fee changes that will come into effect:

<table>
<tr><th>Type of Fee</th><th>Principles</th><th>Fee Changes</th></tr>
<tr><td>1. Stock withdrawal fee</td><td>• Low fees for withdrawals involving securities with low market value.

• Modernisation from a board lot-linked structure to an ad valorem basis, making it easier for the market to adopt and aligning with international markets.</td><td>• The stock withdrawal fee will be restructured to ad valorem rate of 0.015% (1.5 basis points) of the gross value, subject to a minimum fee of HK$10 per security per withdrawal order for CPs. This applies to registered Eligible Securities (excluding Foreign Securities or China Connect Securities).

• The restructured stock withdrawal fee will be introduced across all relevant securities simultaneously at the time of USM implementation, rather than in phases.

Notes:
The gross value of registered Eligible Securities (other than Debt Securities) refers to their closing price on the trading day immediately preceding the date they are debited from the stock account, and for Debt Securities refers to their nominal value.

The stock withdrawal fee will be debited on the day the securities are debited from the stock account.</td></tr>
<tr><td>2. Stock custody fee

3. Scrip fee</td><td>• Fairer, deterministic and predictable fee, removing legacy components such as board lot-linked structure.

• Simplified fee structure by removing the scrip fee.

• Align with international practices.</td><td>• The scrip fee will be removed.

• The stock custody fee will be restructured to accrued daily at fixed cumulative percentage per annum on the CP’s total daily stock portfolio value of registered securities as follow:

<table>
<tr><th>Tier #</th><th>Total daily stock portfolio value (HK$)</th><th>Annual Rate (%)</th></tr>
<tr><td>1</td><td>≤10bn</td><td>0.00625%</td></tr>
<tr><td>2</td><td>>10-20bn</td><td>0.0060%</td></tr>
<tr><td>3</td><td>>20-30bn</td><td>0.0050%</td></tr>
<tr><td>4</td><td>>30-40bn</td><td>0.0045%</td></tr>
<tr><td>5</td><td>>40-100bn</td><td>0.0035%</td></tr>
<tr><td>6</td><td>>100-500bn</td><td>0.0030%</td></tr>
<tr><td>7</td><td>>500-1,000bn</td><td>0.0020%</td></tr>
</table>
</td></tr>
</table>

<table>
<tr><th>Type of Fee</th><th>Principles</th><th>Fee Changes</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td>8</td><td>>1,000-3,000bn</td><td>0.0015%</td></tr>
<tr><td>9</td><td>>3,000bn</td><td>0.000875%</td></tr>
</table>

The restructured stock custody fee will accrue and be calculated daily based on the daily portfolio value which will be determined by reference to: (i) the registered securities in the CP's stock accounts at the end of each calendar day; and (ii) the latest available closing prices of such securities as at the end of that day.

The stock custody fee accruing in any calendar month will be aggregated and debited on the first business day of the following calendar month.
The stock custody fee will be only charged in respect of registered securities held in CCASS other than (i) Exchange Fund Notes, (ii) Government Bonds, (iii) Specified Instruments, (iv) CMU Instruments, (v) Foreign Securities and (vi) China Connect Securities.

</td></tr>
<tr><td>4. CCASS membership fee</td><td>Align with international practices.
Tiered membership fee to fairly accommodate CPs of different portfolio sizes.</td><td>

Introduce a new annual membership fee for CSD services provided by HKSCC for CPs
The annual fee will be based on the average of the daily stock portfolio value of registered securities (excluding China Connect Securities) in the CP's stock accounts over the preceding calendar year (average portfolio value), and charged at the following rates:

<table>
<tr><th>Tier #</th><th>Average Portfolio Value (HK$)</th><th>Annual Fee (HK$)</th></tr>
<tr><td>1</td><td>≤1bn</td><td>12,000</td></tr>
<tr><td>2</td><td>>1-20bn</td><td>50,000</td></tr>
<tr><td>3</td><td>>20bn</td><td>150,000</td></tr>
</table>

To ease CPs' financial burden when transitioning to USM, HKEX is pleased to waive the tier 1 membership fee for the first 12

</td></tr>
</table>

Type of Fee	Principles	Fee Changes
		calendar months following USM implementation. Notes: The membership fee will be debited on the first Business Day of the following calendar year. The daily stock portfolio value will be determined by reference to: (i) the registered securities in the CP's stock accounts at the end of each calendar day; and (ii) the latest available closing prices of such securities as at the end of that day. For the year in which a CP is first admitted, (i) the applicable fee tier shall be determined based on the CP's average portfolio value over the period from the date of the admission to the end of the calendar year, and (ii) the membership fee will be pro-rated based on the number of calendar months during which the CP is admitted. For the year in which a CP's participantship is terminated, (i) the applicable fee tier shall be determined based on the CP's average portfolio value over the period from the start of the calendar year to the date of termination, and (ii) the membership fee will be pro-rated based on the number of calendar months during which the CP was admitted. Such fee will be debited on the first Business Day of the calendar month following such termination. *Transitional arrangement:* For the period from the implementation date to 31 December 2026, (i) the applicable fee tier shall be determined based on the CP's average portfolio value over such period, and (ii) the membership fee will be pro-rated based on the number of calendar months between the implementation date and 31 December 2026. This arrangement shall not apply to a CP admitted on or after the implementation date. For the CPs who admitted on or after the implementation date, (i) the applicable fee tier shall be determined based the

Type of Fee	Principles	Fee Changes
		CP's average portfolio value for the period from the admission date to 31 December 2026 and (ii) the membership fee will be pro-rated based on the number of calendar months between the admission date and 31 December 2026. For the avoidance of doubt, if a CP is admitted on any day other than the 1st calendar day of a month, that month will still be treated as a full calendar month.

The corresponding amendments to the HKSCC Rules relating to the fee changes were approved by the SFC in February 2026. and These amendments, together with the above fee structure, will be implemented upon the launch of the USM. A draft of such amendments is available on the HKEX's USM webpage.

Chapter 7. ASR Fees Implication to CPs

7.1. On 24 February 2025, the SFC issued a consultation paper proposing ceilings on certain fees[26] that may be charged by ASRs following the implementation of USM. Three types of fees charged by ASRs will be passed down to the CPs concerned, namely:

(i) transactional dematerialisation fee charged for dematerialising participating securities that remain in certificated form when they are deposited into CCASS;

(ii) transfer and registration fee ("T&R fee") charged for processing and registering transfers of prescribed securities to HKSCC-NOMS; and

(iii) one-off set up fee charged for dematerialising securities already held in CCASS and for setting up facilities to manage securities held in CCASS in uncertificated form. HKSCC will put in place arrangements to facilitate the collection of such fees from CPs and the onward passing of the same to ASRs.

7.2. An overview of ASR's fees to be passed down to and paid by CPs is summarised as below:

Fee Types & Nature	ASR Fee to be paid by CPs
One-off set-up fee The one-off set-up fee refers to the fee that the relevant ASR may charge when any prescribed securities held in CCASS become participating securities. This fee is for: (i) dematerialising all units of those securities held in CCASS immediately before the participation date; and (ii) setting up a facility with such ASR through which HKSCC may hold and manage any units of those securities held in CCASS in uncertificated form.	The one-off set-up fee is charged on a per participating security (i.e., per stock code) per CP basis, and the amount payable in respect of each CP will be determined based on the CP's average portfolio value of the CP's stock accounts (excluding China Connect Securities) over the preceding calendar year as follows: • HK$50 for CPs whose average portfolio value up to HK$1 billion • HK$100 for CPs whose average portfolio value above HK$1 billion and up to HK$20 billion • HK$560 for CPs whose average portfolio value above HK$20 billion Notes: The daily stock portfolio value will be determined by reference to: (i) the registered securities in the CP's stock accounts at the end of each calendar day; and (ii) the latest available closing prices of such securities as at the end of that day. This fee (i) is to be paid once per prescribed securities on its participation date; and (ii) shall be paid by each CP who

[26] The 2 types of fees that may be charged by ASR on individual investors and capped by the SFC are USI set-up fee and transactional dematerialisation fee. The 3rd fee that may be charged by ASR, the transfer and registration (T&R fee) is subject to a cap by the SFC. The consultation paper and consultation conclusion paper on proposed limits for certain fees following implementation of an uncertificated securities market in Hong Kong can be accessed at:
Consultation Paper: https://apps.sfc.hk/edistributionWeb/api/consultation/openFile?lang=EN&refNo=25CP1
Consultation Conclusions Paper:
https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=25CP1

	holds any units of such prescribed securities in CCASS at the end of the business day immediately preceding the participation date. In relation to each prescribed securities, this fee will be debited in HK dollar by EPI or such other method as shall be acceptable by HKSCC. Subject to the transitional arrangements below, in respect of a CP that is admitted in the calendar year of or preceding the relevant participation date, the one-off set-up fee shall be determined based on the average of the CP's daily stock portfolio value over the period from the date of its admission to: (i) the end of the calendar year of its admission; (ii) where such calendar year has not yet ended, the last day of the calendar month immediately preceding the relevant participation date; or (iii) where the calendar month of its admission has not yet ended, the day immediately preceding the relevant participation date. Transitional arrangements: In respect of a CP admitted before the implementation date: (i) for a participation date that falls during the period from the implementation date to 31 December 2026 (inclusive), this fee shall be determined based on the average of the CP's daily stock portfolio value between the implementation date and the last day of the calendar month immediately preceding the relevant participation date; and (ii) for a participation date that falls during the period from 1 January 2027 to 31 December 2027 (inclusive), this fee shall be determined based on the average of the CP's daily stock portfolio value between the implementation date and 31 December 2026.
Transactional dematerialisation fee	The transactional dematerialisation will be charged at the rate of HK$5 per certificate,

The transactional dematerialisation fee refers to the fee that the relevant ASR may charge for dematerialising participating securities that are still in certificated form when being deposited into CCASS. The transactional dematerialisation fee will also be charged in respect of prescribed securities that are deposited into CCASS shortly before their participation date. The market will be informed in advance of the participation date, and the period before it during which the transactional dematerialisation fee will be charged.	subject to a minimum of HK$20 per transaction. Notes: The transactional dematerialisation fee will be debited in HK dollar by EPI on the first business day of the week following the submission of the dematerialisation documents to the ASR.
Transfer and registration fee The transfer and registration fee charged by the relevant ASR to process and register transfers of prescribed securities. Where the securities are in certificated form, and the transfer is to effect or in connection with a deposit of the securities into CCASS, the transfer and registration fee will be paid through HKSCC.	The transfer and registration fee is charged at the rate of 0.02% (2 basis points) of the value of the securities to be transferred, subject to a minimum HK$20 per transaction. Notes: The fee will be debited in HK dollar by EPI on the first business day of the week following the submission of the transfer documents to the ASR.

7.3. CPs must ensure that sufficient funds are available in their designated bank account for debiting the relevant ASR fees.

7.4. The details of fees charged by ASRs can be referenced in the section 2.6 of FSR Information Paper.

7.5. HKSCC will continue to work with the FSR to enhance the ASR fees collection mechanism. HKSCC and the FSR will provide up-to-date information from time to time.

In case of payment failure to ASR fees

7.6. Once an EPI rejective is identified, HKSCC will take the following steps:

- HKEX will email the defaulting CP by noon on the next business day following the generation of the EPI, requiring settlement of the outstanding ASR fees on the same day.
- A warning letter will be issued to the CP concerned on the same day by post, followed by a phone call.
- On the third business day after the day an EPI rejection has been identified (inclusive), if the outstanding payment has still not been settled, HKSCC shall apply any sums standing to the credit of any account of the CP with HKSCC to discharge any part of or all of the outstanding ASR fees that are subject of the EPI rejection.
- Where two EPIs for the ASR fees in respect of a CP have been rejected and the ASR fees for both EPIs remain outstanding, HKSCC will refuse to accept further deposits of prescribed securities into CCASS from that CP. Once all outstanding ASR fees have been fully discharged or paid, HKSCC will resume accepting deposits from the CP.
- In other words, if an EPI for ASR fees is already outstanding, and a second EPI rejection occurs while the first remain unsettled, HKSCC will immediately refuse to accept further deposits from the relevant CP.

Refund from ASR

7.7. If the transactional dematerialisation fee (or any part of it) is refundable (e.g., because the dematerialisation request is rejected), the relevant CP will have to follow up with the relevant ASR directly, and any amount to be refunded will be returned by the ASR to the CP directly.

7.8. If the transfer and registration fee (or any part of it) is refundable (e.g., because the transfer request is rejected), the relevant CP will have to follow up with the relevant ASR directly, and any amount to be refunded will be returned by the ASR to the CP directly.

Chapter 8. Changes in Functions and Reports in CCASS relating to USM

8.1. CCASS will be enhanced to support the implementation of USM:

a) Regulatory Framework – a new participantship i.e. RP will be introduced and there will be a new set of interfaces to facilitate electronic communication between HKSCC and each ASR through which authenticated messages relating to participating securities are sent or received.

b) Depository Functionalities related to USM – development of a new USI transfer mechanism to replace the deposit and withdrawal of physical certificates and a new demat with transfer function to convert and transfer the physical certificates into uncertificated form.

c) Infrastructural Setup and Arrangement with IRD – development of a mechanism in CCASS to allow CPs to (i) submit USI transfer related NCBO information and (ii) opt to make stamp duty payment to IRD relating to participating securities.

8.2. Below are the functions relating to the implementation of USM:

Function Name	Description	Availability
1. Login Deposit/Demat Order	• ***New function*** which will enable CP to submit i) a deposit request for non-participating securities; or ii) a demat with transfer request for participating securities	• New function will be available for both participating securities and non-participating securities • The function time will be from 08:00 to 17:00 HK time from Monday to Friday (except public holidays)
2. USI Transfer Request	• ***New function*** which will enable CP to submit a USI transfer request for participating securities (transfer to/from HKSCC-NOMS) –	• New function will be available for participating securities only • The function time will be from 07:30 to 19:00 HK time from Monday to Friday (except public holidays) • The cutoff for transmitting the USI transfer request to ASRs on same day is 13:30 HK time
3. Login Deposit/Demat Order Batch File Upload	• ***New function*** which will enable CP to upload a file for i) deposit requests for non-participating securities; or ii) demat with transfer requests for participating securities	• New function will be available for both participating securities and non-participating securities • The function time will be from 08:00 to 16:15 HK time from Monday to

Function Name	Description	Availability
		Friday (except public holidays)
4. USI Transfer Request Batch File Upload	• ***New function*** which will enable CP to upload a file for USI transfer requests for participating securities (transfer to/from HKSCC-NOMS)	• New function will be available for participating securities only • The function time will be from 07:30 to 18:00 HK time from Monday to Friday (except public holidays) • The cutoff for transmitting the USI transfer request to ASRs on same day is 13:30 HK time
5. Stamp Duty Payment Request	• ***New function (optional)*** which will enable CP to make a stamp duty payment for CBO off-exchange transfers to IRD via CCASS	• The function time will be from 08:00 to 19:00 HK time from Monday to Friday (except public holidays)
6. Enquire Stock List function	• ***Existing function*** which enables CP to enquire a list of eligible CCASS securities, i.e. both participating securities and non-participating securities	• Pull-down menu of the field "STATUS" in prompt screen will be enhanced with a new field "Eligible for Demat / USI Transfer" to enable CP to enquire if the securities are participating securities. Participating securities will be marked as "Y" in this field
7. Corporate Representative / Proxy Instruction Maintenance	• ***Existing function*** which enables CP to provide its corporate representative / proxy information for the meetings	• A new field "Email Address for online meeting" will be added in detail screen. The new field will be applicable to both participating securities and non-participating securities

8.3. New reports which will be available to CPs via CCASS relating to the transfer of participating securities in uncertificated form:

Report Name	Description	Availability
1. USI Transfer Request Activity Report	• ***New report*** which will contain daily activities transacted by CP and housekeeping system activities	• New report will be available at day-end from Monday to Friday (except public holidays)

Report Name	Description	Availability
2. USI Transfer Request Status Report	• ***New report*** which will list the latest status of the USI Transfer Requests	• New report will be available at day-end from Monday to Friday (except public holidays)
3. USI Transfer Request Batch Input Control Report	• ***New report*** which will show the validation results of the uploaded USI Transfer Request files	• New report will be available shortly after batch validation triggered from Monday to Friday (except public holidays)

8.4. New reports which will be available to CPs via CCASS relating to deposits of participating securities and non-participating securities in certificated form:

Report Name	Description	Availability
1. Deposit/Demat Order Maintenance Audit Trail Report	• ***New report*** which will contain activities in relation to the CP's Login Deposit/Demat Order	• New report will be available at day-end from Monday to Friday (except public holidays)
2. Deposit/Demat Order Status Report	• ***New report*** which will list the latest status of the "Login Deposit/Demat Orders"	• New report will be available at day-end from Monday to Friday (except public holidays)
3. Deposit/Demat Order Certificate(s) Detail Report	• ***New report*** which will list the certificate details submitted and accepted by HKSCC	• New report will be available at day-end from Monday to Friday (except public holidays)
4. Rejected Deposit/Demat Order Certificate(s) Detail Report	• ***New report*** which will list the certificate(s) detail, if any, being rejected by the relevant Securities Registrar on the day	• New report will be available at day-end from Monday to Friday (except public holidays)
5. Deposit/Demat Order Batch Input Control Report	• ***New report*** which will show the validation results of the uploaded Deposit/Demat Order Batch Files	• New report will be available shortly after batch validation triggered from Monday to Friday (except public holidays)

8.5. New reports which will be available to CPs via CCASS relating to stamp duty payment request:

Report Name	Description	Availability
1. Stamp Duty Payment Request Activity Report	• ***New report*** which will list i) the daily activities in relation to the Stamp Duty Payment Request	• New report will be available at day-end from Monday to Friday (except public holidays)
2. Stamp Duty Payment Request Status Report	• ***New report*** which will list out the latest status of the Stamp Duty Payment Requests for the day	• New report will be available at day-end from Monday to Friday (except public holidays)

8.6. Existing reports which are available to CPs via CCASS relating to corporate action activities will be enhanced:

Report Name	Description	Changes
1. CRP Batch Input Control Report	• ***Existing report*** which shows the validation results of the Corporate Representative/ Proxy (CRP)'s file	• Email address is added for hybrid/ virtual meeting
2. Nominee Functions Input Activities	• ***Existing report*** which lists out the activities in relation to nominee functions	• Email address is added for hybrid/ virtual meeting

8.7. New reports which will be available to CPs via CCASS relating to depository services fees:

Report Name	Description	Availability
1. Monthly Stock Custody Fee Collection Report	• ***New report*** lists out the CP's portfolio value and stock custody fee for each calendar day within the reporting month	• New report will be available at month-end
2. CCASS Membership Fee Collection Report	• ***New report*** lists out the CP's portfolio value for each day of the preceding calendar day, the average of such daily portfolio values, and the CP's CCASS membership fee for that calendar year	• New report will be available on the 1st business day of the following year • For terminated CPs, the new report will be available on the 1st business day of the month following the termination
3. Daily Stock Withdrawal Fee (for Physical Withdrawal) Collection Report	• ***New report*** lists out the stock withdrawal fee for physical withdrawal requests.	• New report will be available at day-end from Monday to Friday (except public holidays)
4. Daily Stock Withdrawal Fee (for USI transfer) Collection Report	• ***New report*** lists out the stock withdrawal fee for USI transfers.	• New report will be available at day-end from Monday to Friday (except public holidays)

8.8. Existing reports which are available to CPs via CCASS relating to depository services fees will be enhanced:

<table>
<tr><th>Report Name</th><th>Description</th><th>Changes</th></tr>
<tr><td>1. Money Ledger Report</td><td>• Existing report lists the day's money movements for settlement, marks collected and refunded, entitlements, and billing (calculated daily but billed weekly) etc.</td><td>• The report will be enhanced to reflect new money ledgers that will be introduced for the stock withdrawal fee, stock custody fee and CCASS membership fee discussed in Chapter 6 in this Information Paper

<table><tr><th>Code</th><th>Description</th></tr><tr><td>FM</td><td>Billing – CCASS Membership Fee</td></tr><tr><td>FN</td><td>Billing – Stock Custody Fee Non-IP</td></tr><tr><td>FP</td><td>Billing – Stock Withdrawal Fee Non-IP</td></tr><tr><td>FR</td><td>Billing – USI Transfer for Non-IP</td></tr></table></td></tr>
<tr><td>2. Monthly Stock Balance Report</td><td>• Existing report summarizes the stock balances of the CP as of a calendar month end. The report also shows the monthly custody fee charged for each stock</td><td>• The custody fee column will be renamed to “Custody Fee for Bonds” for the custody fee covering (i) Exchange Fund Notes, (ii) Government Bonds, (iii) Specified Instruments, (iv) CMU Instruments</td></tr>
<tr><td>3. Entitlement Statement (Report and Data File)</td><td>• Existing report lists the entitlement receivables and payments for all nominee activities.</td><td>• This report is available daily to CPs. The scrip fee related columns will be removed by the end of the month in which USM is implemented</td></tr>
<tr><td>4. Nominee Fees Refund Report</td><td>• Existing report lists the information regarding the refund of scrip fees</td><td>• This report will become obsolete once USM is implemented, and will cease to be available from the end of the</td></tr>
</table>

Report Name	Description	Changes
		month in which USM is implemented
5. Statement of Stock Movement (By Stock) Report	• ***Existing report*** lists the day's account movements by stock, then by account (clearing and other segregated accounts) arising from settlement of CNS positions, SI and IT, deposits, withdrawals, account transfers (ATI, STI and Mass ATI/STI), entitlements, benefit claims or unclaimed entitlements, stock splitting / merging, etc.	• The report will be enhanced to show the stock price used for the stock withdrawal fee calculation
6. Statement of Stock Movement (By Account) Report	• ***Existing report*** lists the day's account movements by account (clearing and other segregated accounts), then by stock, arising from settlement of CNS positions, SI and IT, deposits, withdrawals, account transfers (ATI, STI and Mass ATI/STI), entitlements, benefit claims or unclaimed entitlements, stock splitting / merging, etc.	• The report will be enhanced to show the stock price used for the stock withdrawal fee calculation
7. Corporate Announcement Master Data File	• ***Existing data file*** contains all active corporate announcements as of the file generation time (e.g., upcoming entitlement distribution).	• This is a daily report to CPs. The 'Scrip Fee Collection' indicator and the 'Scrip Fee Collection Date' field will be displayed as blank by the end of the month in which USM is implemented
8. Corporate Announcement Maintenance Activities Report	• ***Existing report*** lists the corporate announcement information maintained by HKSCC, including creation, updating and deletion of corporate announcement, as of the report generation day.	• This is a daily report to CPs. The 'Scrip Fee Collection' indicator and the 'Scrip Fee Collection Date' field will be displayed as blank by the end of the month in which USM is implemented

8.9. Reports relating to ASR fees will be available via CCASS to CPs including:

Report Name	Description	Availability
1. ASR Fees Report	• ***New report*** lists out, by stock code and date, the ASR fees to be paid by each CP and the transaction to which it relates	• New report will be available at day-end from Monday to Friday (except public holidays)

8.10. The relevant CCASS Terminal User Guides for the above functions and reports are available on the HKEX's USM webpage.

8.11. CPs are advised to consult their internal Information Technology support units or system vendors for necessary preparation in relation to implementation of USM. CPs are reminded to review their internal operational procedures, client contracts and fee structures given the operational changes and fee changes arising from USM.

Appendix A

Operational Changes relating to IPs under USM

How to transfer participating securities to HKSCC-NOMS?

- There are two ways to transfer participating securities to HKSCC-NOMS, each of which must involve NCBO
  i. If the IP wishes to transfer his/her participating securities that are in certificated form to HKSCC-NOMS, he/she can submit a physical deposit form with title instruments (e.g., certificates) at the CCASS Depository counter.

  ii. If the IP wishes to transfer his/her participating securities that are in uncertificated form to HKSCC-NOMS, he/she should route through his/her respective CP by submitting a USI transfer request

How to transfer participating securities from HKSCC-NOMS?

- If the IP wishes to transfer his/her participating securities from HKSCC-NOMS, he/she can route through his/her CP to transfer them from HKSCC-NOMS to his/her own USI profile at the relevant ASR's USI facility by submitting a USI transfer request. Again, such transfer must involve NCBO.

Share Movement Facilitation relating to Settlement in relation to Participating Securities

- The movement of securities between CP stock accounts and IP stock accounts in CCASS remains unchanged in USM and Investor Settlement Instruction (ISI) remains to be the securities movement method.

Modernisation of Fees for Depository Services

- The stock withdrawal fee will be restructured to ad valorem rate of 0.015% (1.5 basis points) of gross value, subject to a minimum fee of HK$10 per security per withdrawal orders for IPs. The stock withdrawal fee will be applied when IPs withdraw the non-participating securities in certificated form.
- The registration and transfer fee (also known as the "scrip fee") will be removed for IPs.
- The stock custody fee for IPs will be restructured into a tiered ad valorem rate based on the portfolio value of each IP as per section 6.7, with a minimum of HK$20 and a maximum of HK$3,000 per month.

ASR Fees Implication to IPs

- An overview of ASR's fees to be passed down to and paid by IPs is summarised as below:

Fee Types & Nature	ASR Fee to be paid by IPs
One-off set-up fee The one-off set-up fee refers to the fee that the relevant ASR may charge when any prescribed securities held in CCASS become participating securities. This fee is for: (i) dematerialising all units of those securities held in CCASS immediately before the participation date; and (ii) setting up a facility with such ASR through which HKSCC may hold and manage any units of those securities held in CCASS in uncertificated form.	HK$20 per prescribed security Notes: This fee (i) is to be paid once per prescribed securities on its participation date; and (ii) shall be paid by each IP who holds any units of such prescribed securities in CCASS at the end of the business day immediately preceding the participation date. The fee will be debited in HK dollar by EPI on the first business day of the week

Fee Types & Nature	ASR Fee to be paid by IPs
	following the participation date for those securities. The IP must ensure sufficient funds are available in the bank account for the debit. Any refund received from the relevant ASR will be returned to the relevant IP.
Transactional dematerialisation fee The transactional dematerialisation fee refers to the fee that the relevant ASR may charge for dematerialising participating securities that are still in certificated form when being deposited into CCASS. The transactional dematerialisation fee will also be charged in respect of prescribed securities that are deposited into CCASS shortly before their participation date. The market will be informed in advance of the participation date, and the period before it during which the transactional dematerialisation fee will be charged.	The transactional dematerialisation will be charged at the rate of HK$5 per certificate, subject to a minimum of HK$20 per transaction. Notes: The fee will be debited in HK dollar by EPI on the first business day of the week following the submission of the dematerialisation documents to the ASR. The IP must ensure sufficient funds are available in the bank account for the debit. Any refund received from the relevant ASR will be returned to the relevant IP.
Transfer and registration fee The transfer and registration fee charged by the relevant ASR to process and register transfers of prescribed securities. Where the securities are in certificated form, and the transfer is to effect or in connection with a deposit of the securities into CCASS, the transfer and registration fee will be paid through HKSCC.	The transfer and registration fee is charged at the rate of 0.02% (2 basis points) of the value of the securities to be transferred, subject to a minimum HK$20 per transaction. Notes: The fee will be debited in HK dollar by EPI on the first business day of the week following the submission of the transfer documents to the ASR. The IP must ensure sufficient funds are available in the bank account for the debit. Any refund received from the relevant ASR will be returned to the relevant IP.

In case of payment failure to ASR fees

Once an EPI rejective is identified, HKSCC will take the following steps:

- HKEX will call and email the defaulting IP by the end of the next business day following the generation of the EPI, requiring settlement of the outstanding ASR fees on the same day.
- A warning letter will be issued to the IP concerned on the same day by post, followed by a phone call.
- On the third business day after the day an EPI rejection has been identified (inclusive), if the outstanding payment has still not been settled, HKSCC shall apply any sums standing to the credit of any account of the IP with HKSCC to discharge any part of or all of the outstanding ASR fees that are subject of the EPI rejection.
- Where two EPIs for the ASR fees in respect of an IP have been rejected and the ASR fees for both EPIs remain outstanding, HKSCC will refuse to accept further deposits of prescribed

securities into CCASS from that IP. Once all outstanding ASR fees have been fully discharged or paid, HKSCC will resume accepting deposits from the IP.

- In other words, if an EPI for ASR fees is already outstanding, and a second EPI rejection occurs while the first remain unsettled, HKSCC will immediately refuse to accept further deposits from the relevant IP.

Changes in IP Existing Report

Investor Participant Activity Statement

- A new section on deposit and demat with transfer will be added.
- A new section on ASR fees will be added.

Investor Participant Monthly Statement

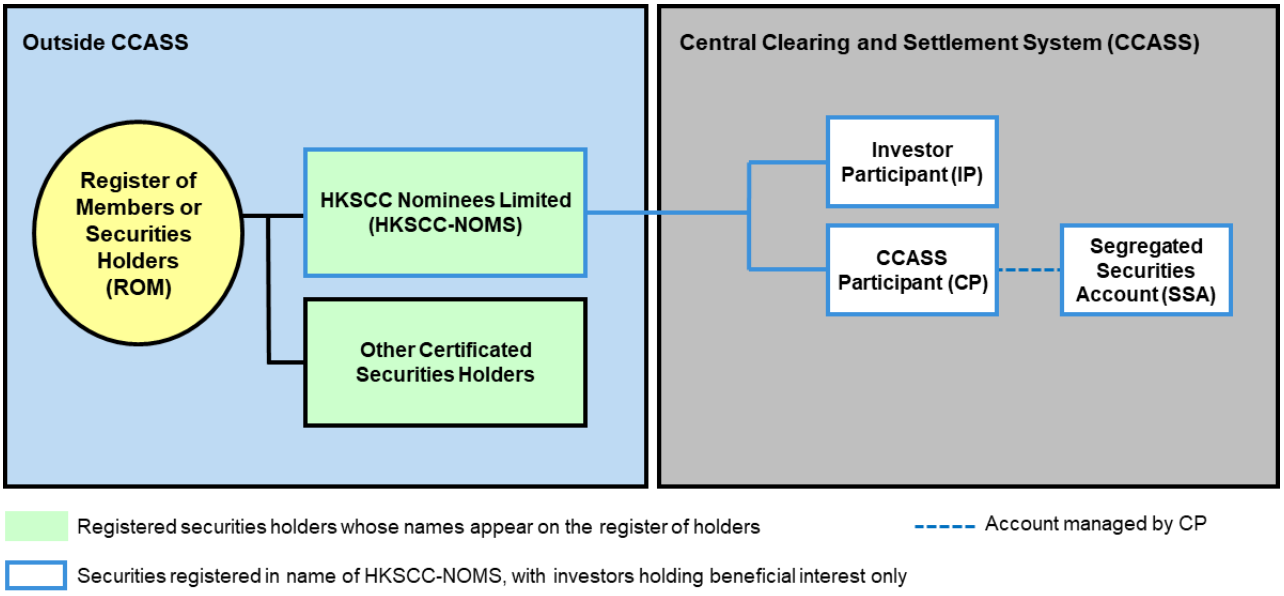
- The column of "custody fee total" will be updated to "custody fee for bond" for the custody fee covering (i) Exchange Fund Notes, (ii) Government Bonds, (iii) Specified Instruments, (iv) CMU Instruments.
- A new section on stock custody fee and stock withdrawal fee will be added.

Appendix B

List of Consultation Papers and Conclusions relating to USM

December 2009 Joint Consultation	Joint consultation paper on a proposed operational model for implementing a scripless securities market in Hong Kong (by the SFC, HKEX and FSR)
September 2010 Joint Consultation conclusions	Joint consultation conclusions on a proposed operational model for implementing a scripless securities market in Hong Kong (by the SFC, HKEX and FSR)
January 2019 Joint Consultation	Joint Consultation paper on A revised Operational Model for implementing an Uncertificated Securities Market in Hong Kong (by the SFC, HKEX and FSR)
April 2020 Joint Consultation conclusions	Joint Consultation conclusions on A revised Operational Model for implementing an Uncertificated Securities Market in Hong Kong (by the SFC, HKEX and FSR)
March 2023 Consultation	the SFC's March 2023 Consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market in Hong Kong
October 2023 Consultation	the SFC's October 2023 Consultation paper on proposed code and guidelines for implementing an uncertificated securities market in Hong Kong
July 2024 Consultation conclusions	the SFC's July 2024 Consultation conclusions on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market in Hong Kong
February 2025 Consultation	the SFC's February 2025 Consultation on proposed limits for certain fees following implementation of an uncertificated securities market in Hong Kong
June 2025 Consultation conclusions	the SFC's June 2025 Consultation conclusions on proposed limits for certain fees following implementation of an uncertificated securities market in Hong Kong

Appendix C.
Current Operational Model



Appendix D.

Summary of Consequential Changes to Hong Kong Securities Market resulting from USM

After the implementation of USM, the below are the consequential changes applicable to both participating securities and non-participating securities.

Appointment of an ASR

- As set out in section 1.4 (c), **all** issuers of prescribed securities, whether or not they have participated in USM, are obliged to appoint ASRs as securities registrar. Listing of any prescribed securities may be approved only if an ASR is acting as the securities registrar for those securities. Where the prescribed securities are already listed, dealing in those securities will be suspended if no ASR is acting as a securities registrar for those securities.

New Electronic Instruction Submission in CCASS involving Title Instrument

- Currently, CP must submit a deposit request along with the securities certificates over the counter to deposit the securities certificates into the CCASS Depository. The CCASS Depository will then deliver the corresponding securities certificates to securities registrars for registration.

- In view of USM's aim of improving overall market efficiency, CCASS will launch a new function – "Login Deposit/Demat Order" to facilitate the securities deposit, covering (i) demat with transfer of participating securities and (ii) deposit of securities certificates of non-participating securities. After the implementation of USM, CP can submit an electronic deposit/demat request through CCASS and then arrange for the securities certificates to be delivered to the CCASS Depository counter for demat with transfer or deposit. Details are covered in section 3.2.

Immediate credit

- Currently, immediate credit can be applied for title instruments (e.g. certificates) deposited by CPs into CCASS Depository. Under USM, immediate credit can only be provided to CPs for deposit of securities with certificates, i.e., (i) for all deposits of non-participating securities; and (ii) for deposits of participating securities that are still in certificated form subject to HKSCC's discretion.

Buy-in exemption

- Currently, HKSCC may grant an exemption from a Buy-in on behalf of a short CP on T+3 if the CP provides HKSCC with specific documentary evidence such as relevant SEHK reports, CCASS reports, assignment reports, or matched SI records, depending on the exemption ground for relied upon, in accordance with the requirements set out under HKSCC Rules. After the implementation of USM, the grounds for exemption will remain unchanged. As a result, buy-in exemption will remain unchanged available for deposits of participating securities in certificated form only, and will not be available for deposits of participating securities in uncertificated form.

Provision of email address when appointing proxies

- To better facilitate the virtual or hybrid general meetings, the existing CCASS function "Corporate Representative / Proxy Instruction Maintenance" will be enhanced to add a new

field “Email Address for online meeting”. CPs can provide their clients’ email address for receiving the relevant general meeting information. This new field will be available **for both participating securities and non-participating securities**.

Appendix E.

Comparison of Services for Non-Participating Securities and Participating Securities

Depository and Nominees Services

Listed below is a high-level description of the Depository and Nominees services provided by HKSCC, including services which will be maintained under dual operations upon the launch of USM regime but before full dematerialisation in Hong Kong.

A. Depository Services

Existing Process	New Process – participating securities
1. IPO share allotment / placing of shares - collected new certificates from the securities registrar - update CP/IP accounts with the allotted / placed shares	1a. IPO share allotment / placing of shares - receive shareholding files (re allotment / placing) from the ASR via Interface - complete the allotment / placing by updating CP/IP shareholdings
**** Note : IPO application and allotment process will be handled by FINI for both non-participating securities and participating securities ****	
2. Deposit - receive physical deposit form and certificates over counter from CPs/IPs - deliver certificates to securities registrar for registration - collect certificates from the securities registrar - update the vault record and CP/IP accounts accordingly *** Note : Deposit requests must be submitted online in CCASS after USM is launched. ***	2a. Demat (with or without transfer) ***(new services)*** - receive online demat requests (with or without transfer) in CCASS from CPs - receive physical deposit form from IPs - receive certificates and instrument of transfer of the respective demat request from CPs/IPs at the CCASS Depository - submit demat with or without transfer requests to the ASR via Interface Transmission - deliver certificates and instrument of transfer to the ASR for transfer into HKSCC-NOMS' name - receive confirmation of completion of registration from the ASR via Interface Transmission - complete the demat with or without transfer by updating its records at CCASS of CP/IP shareholdings **** Will be obsolete upon full dematerialisation of all prescribed securities*****

Existing Process	New Process – participating securities
3. Withdrawal - receive online requests from CPs/IPs in CCASS - collect certificates by CPs/IPs over counter - update the vault record and CP/IP accounts accordingly	3a. Physical withdrawal will be no longer available except the delisted securities with rematerialisation
4. Transfer of securities in uncertificated form **** Not available for certificated securities ****	4a. Transfer of participating securities in uncertificated form to/ from HKSCC-NOMS ***(new services offered to CP – USI Transfer Request)*** - receive USI transfer requests from CPs in CCASS - submit transfer requests to the ASR via Interface Transmission - receive confirmation of completion of transfer from the ASR via Interface Transmission - complete the transfer by updating its record of CP shareholdings in CCASS
5. Vault Reconciliation - perform regular physical vault count	5a. Daily reconciliation in respect to the uncertificated holdings of participating securities with ASR via Interface Transmission - receive daily shareholding information from ASR through Interface Transmission - conduct shareholding reconciliation electronically

B. Nominees Services

Existing Process[27]	New Process – participating securities
1. Share entitlements - collect certificates from securities registrar on despatch / allotment day - distribute share dividends to CP/IP accounts electronically - dealing of distributed shares may commence on or after the despatch day	1a. Share entitlements - receive entitlement files from the ASR on allotment day - distribute share dividends to CP/IP accounts electronically - dealing of distributed shares typically begins on the allotment day
2. Cash entitlements - mostly collect a cheque from the securities registrar on distribution day - mark-good at the issuing bank (if applicable) - distribute cash dividends to CP/IP money ledger accounts electronically	2a. Cash entitlements - receive electronic payments from issuers (ASR)[28] - distribute cash dividends to CP/IP money ledger accounts electronically
3. Handling of dividend election instruction - receive election instructions from CPs/IPs via online - on election end day, consolidate and submit one physical instruction form to the securities registrar	3a. Handling of dividend election instruction - receive election instructions from CPs/IPs via online - on election end day, consolidate and submit one consolidated instruction to ASR via Interface

[27] The SEHK published a **consultation conclusions** on further expand its paperless listing regime and other rule amendments. A summary of key proposals in the Consultation Paper is set out below:

- **Electronic securities holders' instructions:** to provide securities holders with the option to send Requested Communications to issuers electronically.
- **Real-time electronic payment of Corporate Action Proceeds:** to provide securities holders with the option to receive Corporate Action Proceeds (including dividends) electronically via CHATS.
- **Electronic subscription monies:** to provide securities holders with the option to pay subscription monies for offers electronically.
- **Hybrid general meetings & E-voting:** to help ensure online participation at general meetings is possible and securities holders can vote by electronic means.
- **Web accessibility of issuers' corporate communications:** to seek market feedback on the incorporation of web accessibility guidelines into listing requirements.

[28] Upon USM implementation, issuers will need to provide securities holders with an option to receive corporate action proceeds (e.g. dividends) electronically and provide securities holders with an option to pay subscription monies for offers to existing securities electronically. There is a one-year transitional period. Subscription monies for offers include subscription monies for open offers, rights issues, preferential offers and bonus issues of securities to existing securities holders.

Existing Process[27]	New Process – participating securities
4. Handling of rights/warrant subscriptions instructions - receive subscription instructions from CPs/IPs via online - generate payment instructions to collect subscription monies from CPs/IPs - consolidate and submit a physical instruction form and PAL/certificates to the securities registrar and settle the subscription monies via cheques	4a. Handling of rights/warrant subscriptions instructions - receive subscription instructions from CPs/IPs via online - generate payment instructions to collect subscription monies from CPs/IPs - consolidate and submit an instruction to the ASR via Interface and settle the subscription monies via electronic means
5. Handling of takeover instructions - receive instructions from CPs/IPs via online - daily within the takeover period, submit a physical instruction and certificates to the securities registrar	5a. Handling of takeover instructions - receive instructions from CPs/IPs via online - daily within the takeover period, submit an instruction to the ASR via an interface file
6. Consolidation and subdivision - deliver existing certificates from the vault to the securities registrar - collect new certificates from the securities registrar before the effective day - update vault record and CP/IP shareholding electronically	6a. Consolidation and subdivision - no issue of new certificates - receive a shareholding file on the updated uncertificated holdings after consolidation or subdivision from the ASR via Interface by the effective day - update CP/IP shareholding electronically
7. Corporate meeting instructions (voting, proxy, etc.) - receive instructions from CPs/IPs via online - before the submission deadline, submit a physical proxy form to securities registrar	7a. Corporate meeting instructions (voting, proxy, etc.) - receive instructions from CPs/IPs via online - before the submission deadline, submit instructions to ASR via Interface

Appendix F.

Details of Listed Issuers

As of February 2026, there were 2,654 listed issuers incorporated in Hong Kong, the Cayman Islands, Bermuda, and the PRC, accounting for around 98% of the prescribed securities.

Place of incorporation	Number of listed issuers
1. **Hong Kong**	200
2. **Cayman Islands**	1,564
3. **Bermuda**	438
4. **The PRC**	452
Sub-total number of listed issuers	**2,654**
1. **British Virgin Islands**	12
2. **Singapore**	11
3. **Canada**	5
4. **England**	3
5. **Japan**	3
6. **Australia**	3
7. **Jersey**	2
8. **Italy**	2
9. **Russia**	1
10. **USA**	1
11. **Luxembourg**	1
12. Switzerland	1
13. **Israel**	1
Grand Total number of listed issuers	**2,700**

Defined Terms and Glossary

AP	a person authorised by IRD for the purposes of section 5Aof the SDO
ASR	an approved securities registrar, i.e. a person approved by the SFC to provide securities registrar services under new section 101AAG of the SFO introduced under section 7 of the USM Amendment Ordinance
ASR Code	the SFC's Code of Conduct for Approved Securities Registrar, the latest draft of which is at Annex 4 of the July 2024 Consultation conclusions
ASR Rules	the Securities and Futures (Approved Securities Registrars) Rules
authenticated message	an electronic message that meets certain criteria and can thus be relied upon for the purpose of effecting transactions in the USM environment
authorised CIS	a collective investment scheme authorised by the SFC under section 104 of the SFO
bonus securities	securities that are distributed by an issuer to its current shareholders
bonus warrants	warrants that distributed by an issuer to its current shareholders
CBO	change of beneficial ownership
CCASS	the Central Clearing and Settlement System operated by HKSCC
CCASS Depository	one or more securities depositories for CCASS, providing safe-keeping facilities for securities that eligible to be held in CCASS as well as to cater for withdrawals and deposits of Eligible Securities by CPs or IPs
CCASS Terminal User Guides	the guides in relation to CCASS, containing information on the use of CCASS Terminals by Participants other than Investor Participants
certificated form	prescribed securities are in certificated form if they are not in uncertificated form
Clearing Participant	a Participant admitted to participate in CCASS as a direct clearing participant or a general clearing participant
CP	Clearing Participant or Custodian Participant
Custodian Participant	a Participant admitted to participate in CCASS as a custodian participant
demat / dematerialise / dematerialisation	the conversion of prescribed securities from certificated form to uncertificated form
designated bank	in relation to any Participant, any bank in Hong Kong designated by that Participant and approved by HKSCC for money settlement purposes
designated bank account	in relation to any Participant, any (or, as the context may require, each) bank account denominated in an Eligible Currency maintained by that Participant with its designated bank and approved by HKSCC for money settlement purposes

Electronic Payment Instruction / EPI	a payment instruction generated by HKSCC
electronic interface	the process that will be communicated electronically between CCASS and ASR's UNSRT system
Eligible Currency	a currency which is from time to time and for the time being accepted by HKSCC as being a currency in which an Eligible Security may be traded and settled
Eligible Security	an issue of securities including but not limited to China Connect Securities, Foreign Securities, Debt Securities, Depositary Receipts, Structured Products, Exchange Fund Notes, Government Bonds, Specified Instruments, CMU Instruments, warrants, options and units and other rights under collective investment schemes, which is from time to time and for the time being accepts as eligible by HKSCC for deposit, clearance and settlement in CCASS, in accordance with rule 501 of HKSCC Rules, and (a) where the context so requires shall include any particular security or securities of such an issue and (b) unless the context will not admit, shall include, upon their issue, all New Issue Shares so accepted as eligible Please refer to HKSCC's Rules for the definitions of the following terms: - China Connect Securities - Foreign Securities - Debt Securities - Depositary Receipts - Structured Products - Exchange Fund Notes - Government Bonds - Specified Instruments - CMU Instruments
eIPO	electronic public offers
February 2025 Consultation	the SFC's 2025 Consultation on proposed limits for certain fees following implementation of an uncertificated securities market in Hong Kong
FINI	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading on the SEHK and, where applicable, the collection and processing of specified information on subscription in and settlement for all new issues
FSR	the Federation of Share Registrars Limited
GEM	GEM operated by The Stock Exchange of Hong Kong Limited
HKEX	Hong Kong Exchanges and Clearing Limited, a recognised exchange controller under the SFO
HKICL	Hong Kong Interbank Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited, a recognised clearing house under the SFO and wholly owned subsidiary of HKEX

HKSCC Rules	the General Rules and Operational Procedures of HKSCC, as amended from time to time
HKSCC vault	a depository facility for the safekeeping by HKSCC of title instruments, e.g. certificates
HKSCC-NOMS	HKSCC Nominees Limited, the central nominee that is the registered holder of all securities held in CCASS
Information Paper	the information papers to be issued by HKEX and the FSR respectively
instrument of transfer	an instrument by means of which any security is transferred, and includes the letter of renunciation
Investor Participant / IP	a person admitted to participate in CCASS as an Investor Participant who may be an individual or joint individuals or corporation
Investor Settlement Instruction / ISI	an instruction relating to an Investor Participant, in such form as HKSCC may from time to time prescribe as being valid, relating to transactions in securities to be settled in CCASS
IPO	an initial public offer of securities
IRD	Inland Revenue Department of the Government of the Hong Kong Special Administrative Region of the PRC
issuers	a corporation or other body whose securities are listed or proposed to be listed (on the SEHK)
July 2024 Consultation conclusions	the SFC's July 2024 Consultation conclusions on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market in Hong Kong
June 2025 Consultation conclusions	the SFC's June 2025 Consultation conclusions on limits for certain fees following implementation of an uncertificated securities market in Hong Kong
legal title	investors hold legal title to securities if they are registered with the issuer as the legal holder of the securities, and therefore have a direct relationship with the issuer, and may exercise rights and receive entitlements from the issuer directly
listed	listed, or approved for listing, on the SEHK
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
Main Board	the stock market operated by The Stock Exchange of Hong Kong Limited excluding GEM and the options market
March 2023 Consultation	the SFC's March 2023 Consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market in Hong Kong
NCBO	no change of beneficial ownership

non-participating securities	prescribed securities that are yet to become participating securities
October 2023 Consultation	the SFC's October 2023 Consultation paper on proposed code and guidelines for implementing an uncertificated securities market in Hong Kong
OFC	an open-ended fund company (as defined in the SFO)
OFC Rules	the Securities and Futures (Open-ended Fund Companies) Rules (Cap 571AQ), as amended from time to time
Participant	a person admitted for the time being by HKSCC as a participant of HKSCC
participating securities	prescribed securities that are USM-enabled in the sense that the issuer has taken all necessary steps for enabling legal title to those securities to be evidenced and transferred without an instrument using a UNSRT system operated by an ASR, and the corresponding ASR has confirmed that the title to those securities may be evidenced and transferred without an instrument using the UNSRT system
participation date	in respect of each issuer of prescribed securities, the date published by that issuer as the date from which those prescribed securities become participating securities
prescribed securities	the six categories of securities that are: (i) listed on the SEHK; and (ii) may participate in the USM regime; namely: (a) shares; (b) depositary receipts; (c) stapled securities; (d) interests in authorized CIS; (e) subscription warrants; and (f) rights under a rights issue.
RCH	a recognised clearing house (as defined in the SFO)
registered holder	in relation to any prescribed securities, a person entered in the register of holders of those securities as a holder of those securities
rematerialise / rematerialisation	the conversion of prescribed securities from uncertificated form to certificated form
ROM	the register of members (in the case of shares) or register of holders (in the case of other prescribed securities)
Registrar Participant / RP	a Participant admitted to participate in HKSCC as a registrar participant
SDO	the Stamp Duty Ordinance (Cap. 117), as amended from time to time
securities holder	means any person who: (i) is the current registered holder of any prescribed securities; (ii) was previously registered as such a holder; or (iii) is a subscriber or transferee of prescribed securities and seeking to be registered as such a holder

securities registrar	a person/entity who maintains, in Hong Kong, the ROM for any prescribed securities
securities registrar services	services that may only be provided by ASRs described in section 3 of the ASR Rules
SEHK	The Stock Exchange of Hong Kong Limited, a recognised exchange company under the SFO and wholly owned subsidiary of HKEX
Settlement Instruction / SI	an instruction of a CP, in such form or manner as HKSCC may from time to time prescribe as being valid, relating to transactions in securities to be settled in CCASS
SFC	the Securities and Futures Commission
SFO	the Securities and Futures Ordinance (Cap. 571), as amended from time to time
SML Rules	the Securities and Futures (Stock Market Listing) Rules (Cap 571V), amended from time to time
specified prescribed securities	prescribed securities whose home laws are compatible with USM regime, including all prescribed securities constituted under Hong Kong law, the PRC, Bermuda and the Cayman Islands.
the PRC	the People's Republic of China
title instrument	the paper certificate or other document issued as evidence of title to any prescribed securities
uncertificated form	prescribed securities are in uncertificated form if they are recorded in the ROM as being held in uncertificated form
uncertificated holdings	ROM records of participating securities held in uncertificated form
UNSRT system	Uncertificated Securities Registration and Transfer (UNSRT) system operated by ASRs. A computer-based system, together with procedures and other facilities, that enables title to prescribed securities to be evidenced and transferred without paper-based documents; and facilitates supplementary and incidental matters
USI facility	a facility for managing prescribed securities that are in uncertificated form, which requires the holder of the securities to manage those securities directly
USI holder	an individual, joint holder or corporate who has set up a USI profile on a particular USI facility via an ASR. They may or may not hold participating securities at any particular time
USI holder number / USI identifier	a unique number assigned to a USI holder by each ASR
USI transfer	a transfer of participating securities described in sections 2.19 to 2.24
USI profile	information collected by the ASR for the purposes of • creation and maintenance of ROM; • operational purposes;

	• authenticating identification and instructions; and • digital communication with the ASR
USM	the initiative or regime for implementing an uncertificated securities market in Hong Kong
USM Amendment Ordinance	the Securities and Futures and Companies Legislation (Amendment) Ordinance 2021
USM implementation date	the date on which the USM regime comes into effect
USM Rules	the Securities and Futures (Uncertificated Securities Market) Rules
USM Transition Period	the period commencing 13 business days prior to the prescribed security's participation date and concluding 10 business days after the participation date

Hong Kong Exchanges
and Clearing Limited

8/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

hkexgroup.com | hkex.com.hk

info@hkex.com.hk
T +852 2522 1122
F +852 2295 3106