SECURITIES AND FUTURES COMMISSION
證券及期貨事務監察委員會

Getting ready for USM implementation

Hong Kong General Chamber of Commerce
Financial and Treasury Services Committee Meeting
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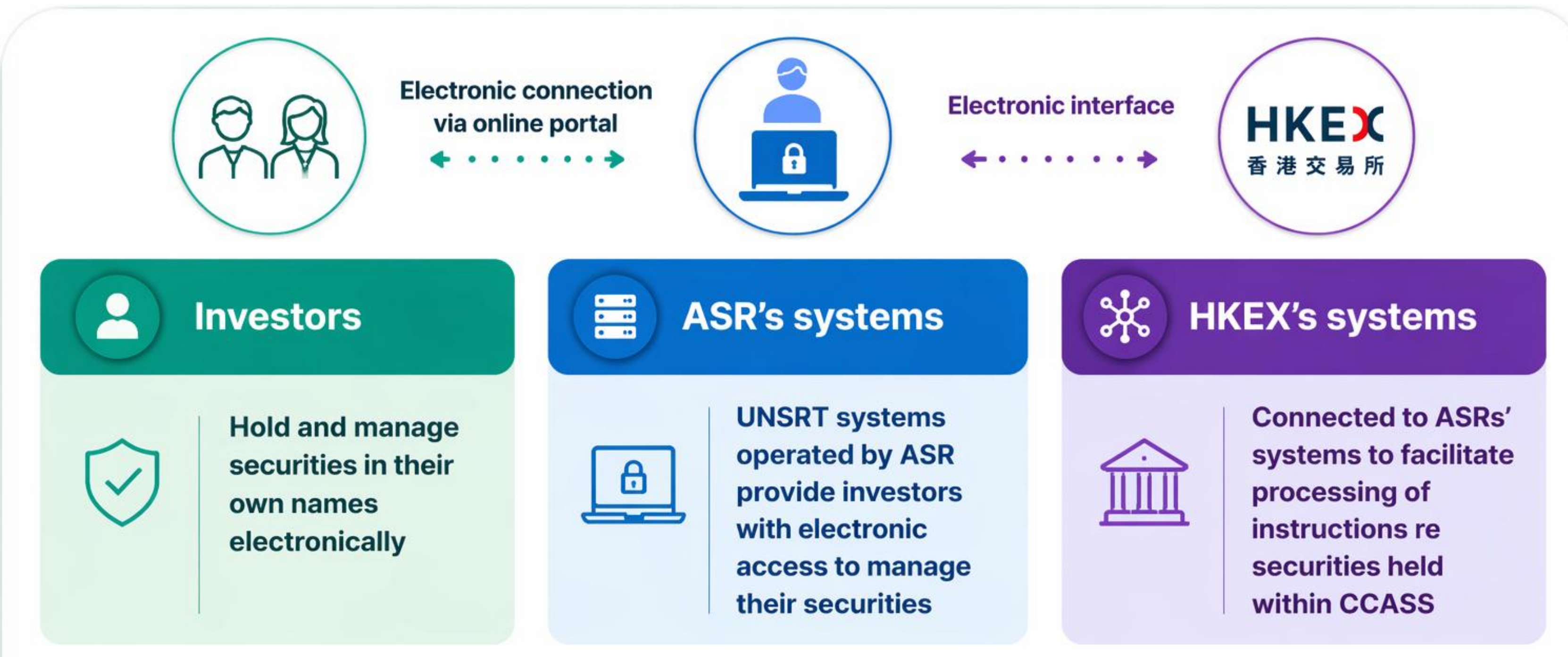
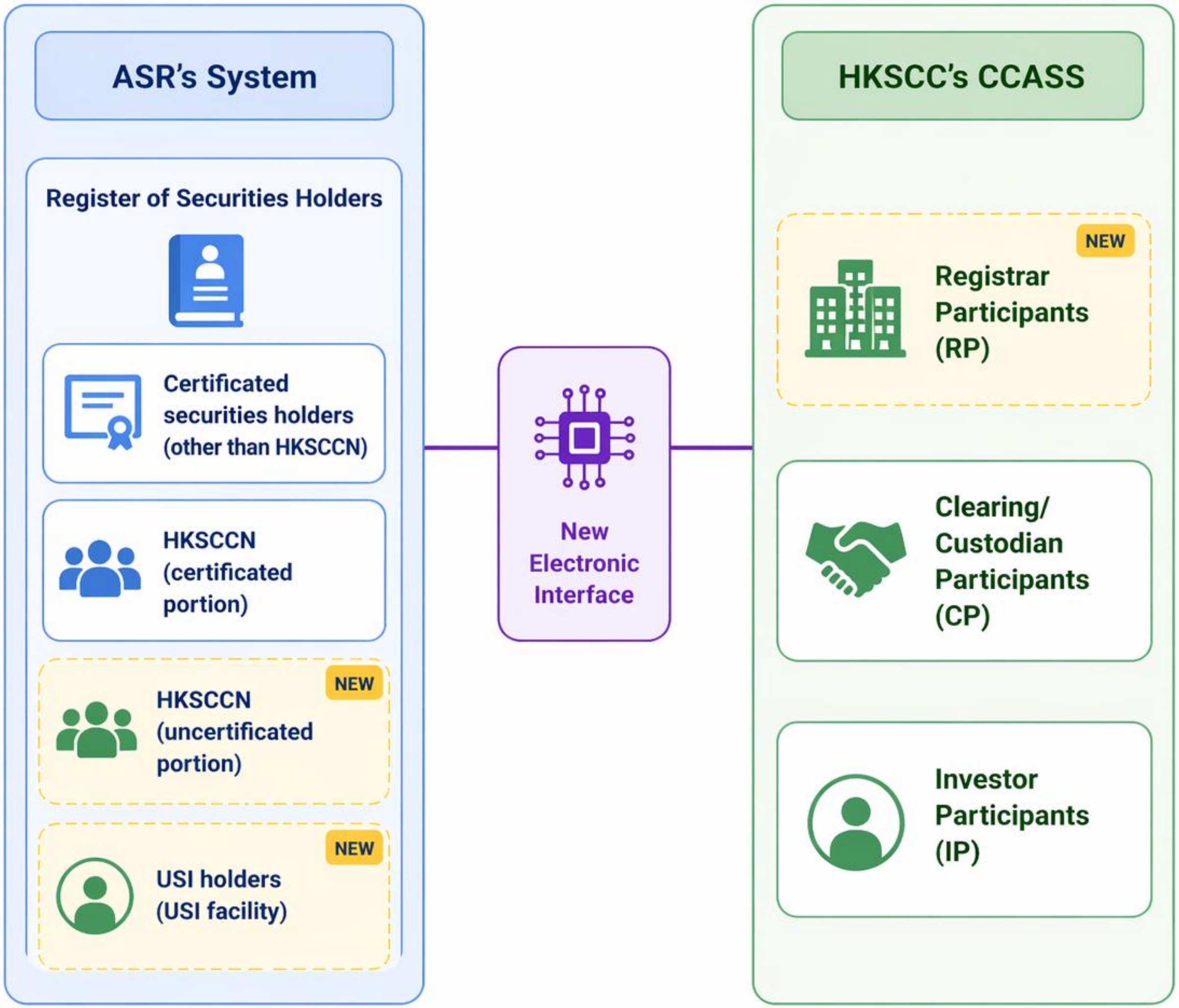
What is USM?

The Uncertificated Securities Market initiative (**USM**) provides an efficient means for investors to hold and manage securities in their own names and electronically, using platforms that are operated by approved securities registrars (**ASRs**) and connected to systems of Hong Kong Exchanges and Clearing Limited (**HKEX**).



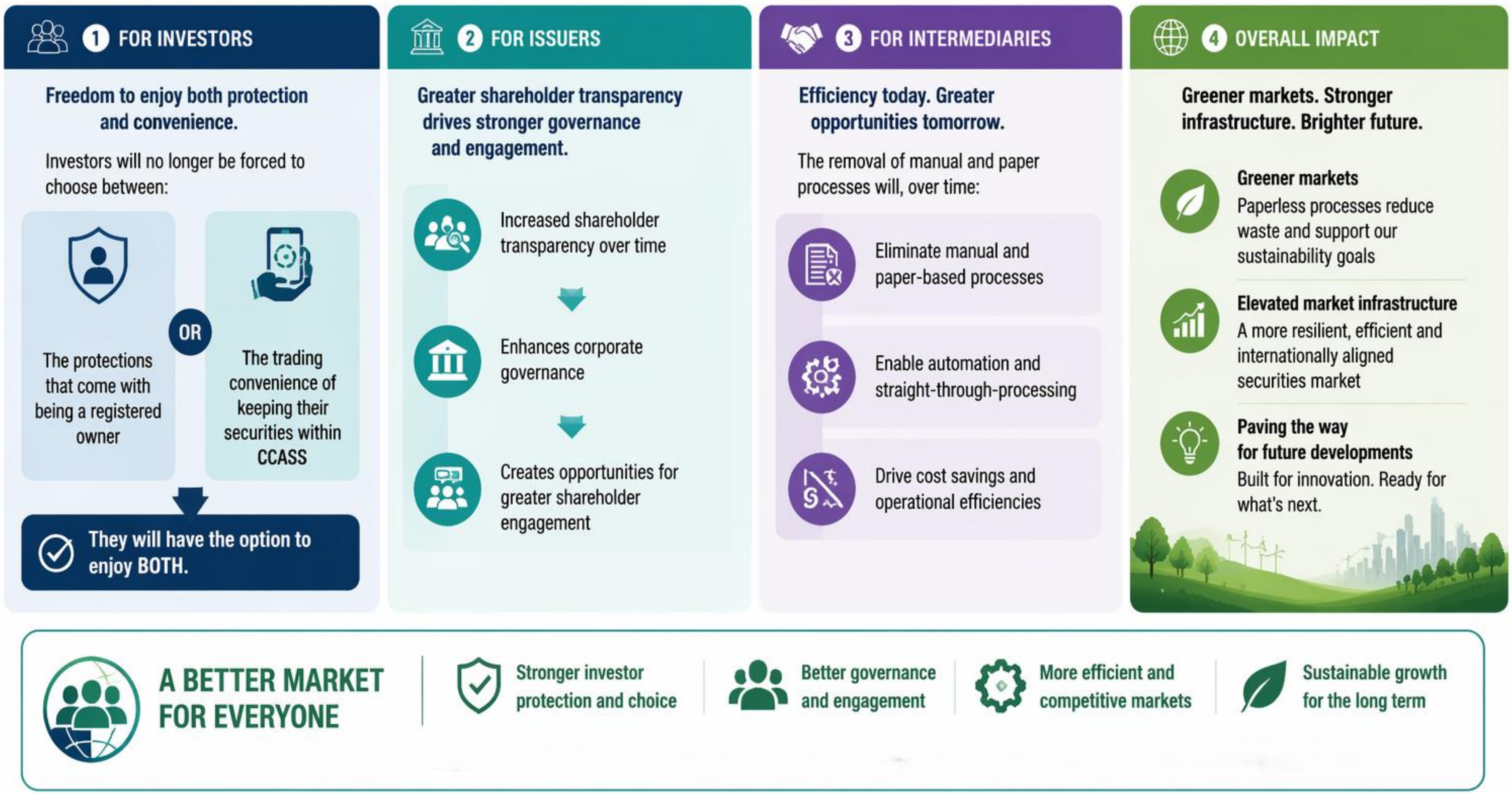
What is USM (cont'd)?

The operational model – what will change at the ASR's end and HKSSC's end?



What are the benefits?

USM aims to deliver stronger outcomes for all stakeholders.



What are the benefits (cont'd)?

The removal of paper certificates will also address some practical issues.

NOT MANY PRINTER FIRMS WHO PRINT CERTIFICATES

The market for certificate printing is limited, with few firms able to provide this service.

OUTDATED EQUIPMENT – MICROFILM EQUIPMENT, SEALS,

Reliance on aging technology and physical seals is inefficient, costly to maintain and no longer necessary.

COST SAVINGS THROUGH LESS NEED FOR PAPER, POSTAGE AND MANUAL PROCESSES

Reduces expenses related to printing, mailing, handling and manual workflows.

COST SAVINGS – DELISTED SECURITIES

Eliminates ongoing costs to maintain and store certificates for securities that are delisted or no longer active.

What is the implementation timeline?

A phased, sequenced approach to ensure an orderly transition for over 2,500 specified prescribed securities.

Implementation Date

16 NOVEMBER 2026

USM regime comes into effect.

Transition & Sequencing Period Up to 5 years

16 NOVEMBER 2026 – 15 NOVEMBER 2031

All IPOs of specified prescribed securities must be in uncertificated form from their listing date.

All existing specified prescribed securities must become participating securities within 5 years.

A sequencing arrangement will be put in place to ensure participation proceeds in an orderly manner across over 2,500 specified prescribed securities.

All Specified Prescribed Securities Participating

15 NOVEMBER 2031

By this date, all over 2,500 specified prescribed securities must be participating securities.

Ongoing Operations

USM regime continues to operate and evolve to support market needs and efficiency.

PARTICIPATION APPROACH

MANDATORY FOR ISSUERS

It will be mandatory for issuers of specified prescribed securities to participate in the USM regime.

OPTIONAL FOR INVESTORS (FOR NOW)

Participation by investors will be optional, at least for now, to allow investors more time to transition to the USM environment.

Note: Specified prescribed securities refer to prescribed securities that are constituted under the laws of Bermuda, the Cayman Islands, the Chinese Mainland or Hong Kong.

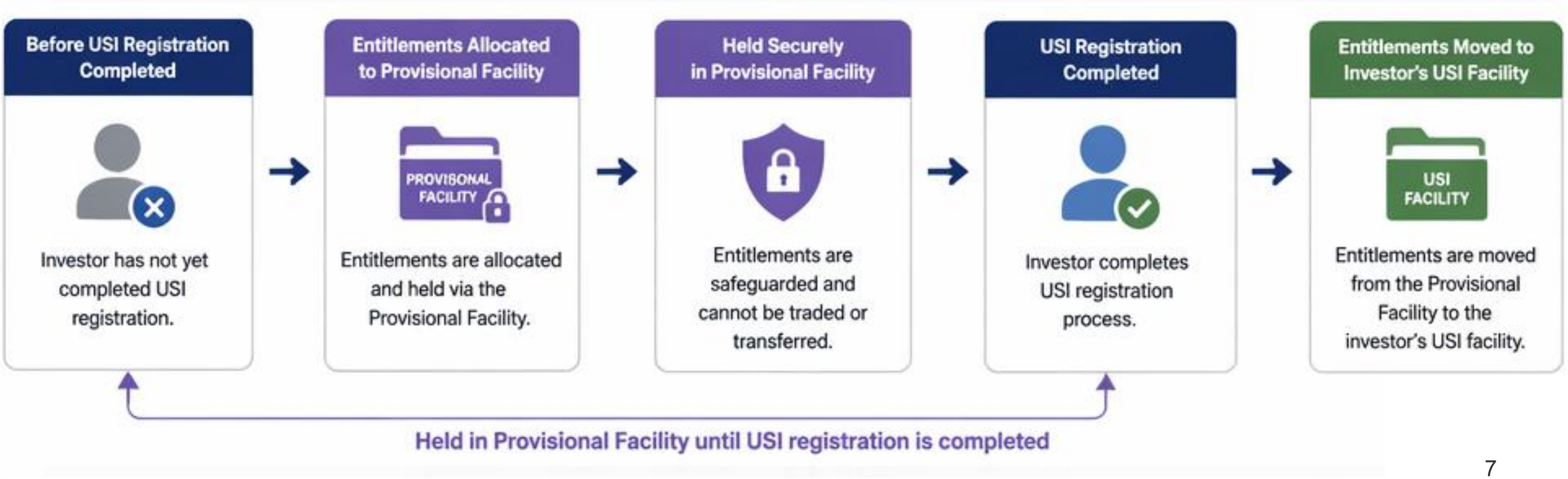
What do investors need to be aware of / do?

Once any prescribed securities become participating securities:

- **new certificates cannot be issued — including following any allotment, transfer, etc.**
- **new units (eg, bonus issues or scrip dividends) must be in uncertificated form**

Even if investors have not set up a USI facility, they will still receive their entitlements (eg, rights, subscription warrants, bonus shares, etc) in uncertificated form.

These entitlements will be allocated and held via a provisional facility until USI registration processes have been completed.



What do investors need to be aware of / do? (con't)

1 Subscribing for IPOs

17 NOV 2026

IPOs issued from **17 Nov 2026** must be in uncertificated form.

Reach out to relevant ASRs for details about registration **for USI facility.**

2 Registered Holders of Existing Securities

Watch for updates from issuer about the **scheduled participation date.**

Once the securities become participating, **set up USI facility ASAP.**

Issuer will **no longer** be issuing paper certificates once the securities become participating.

There is no obligation for holders to dematerialise their securities, but investors are **encouraged to do so.**

3 Securities Held in CCASS Through Brokers

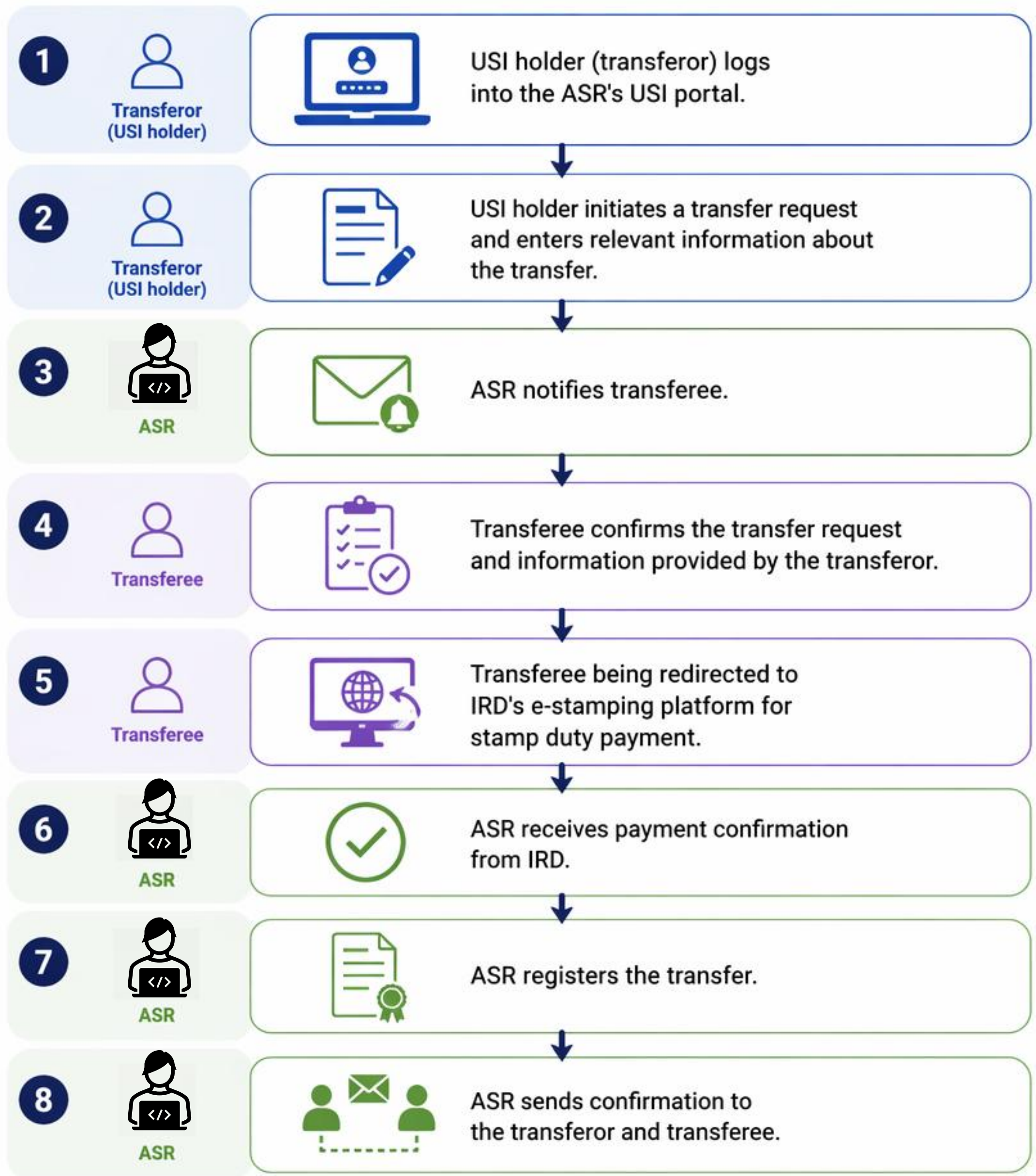
Securities will be **dematerialised** shortly after they become participating securities.

Processes for depositing and withdrawing uncertificated securities into and out of CCASS will become **electronic.**

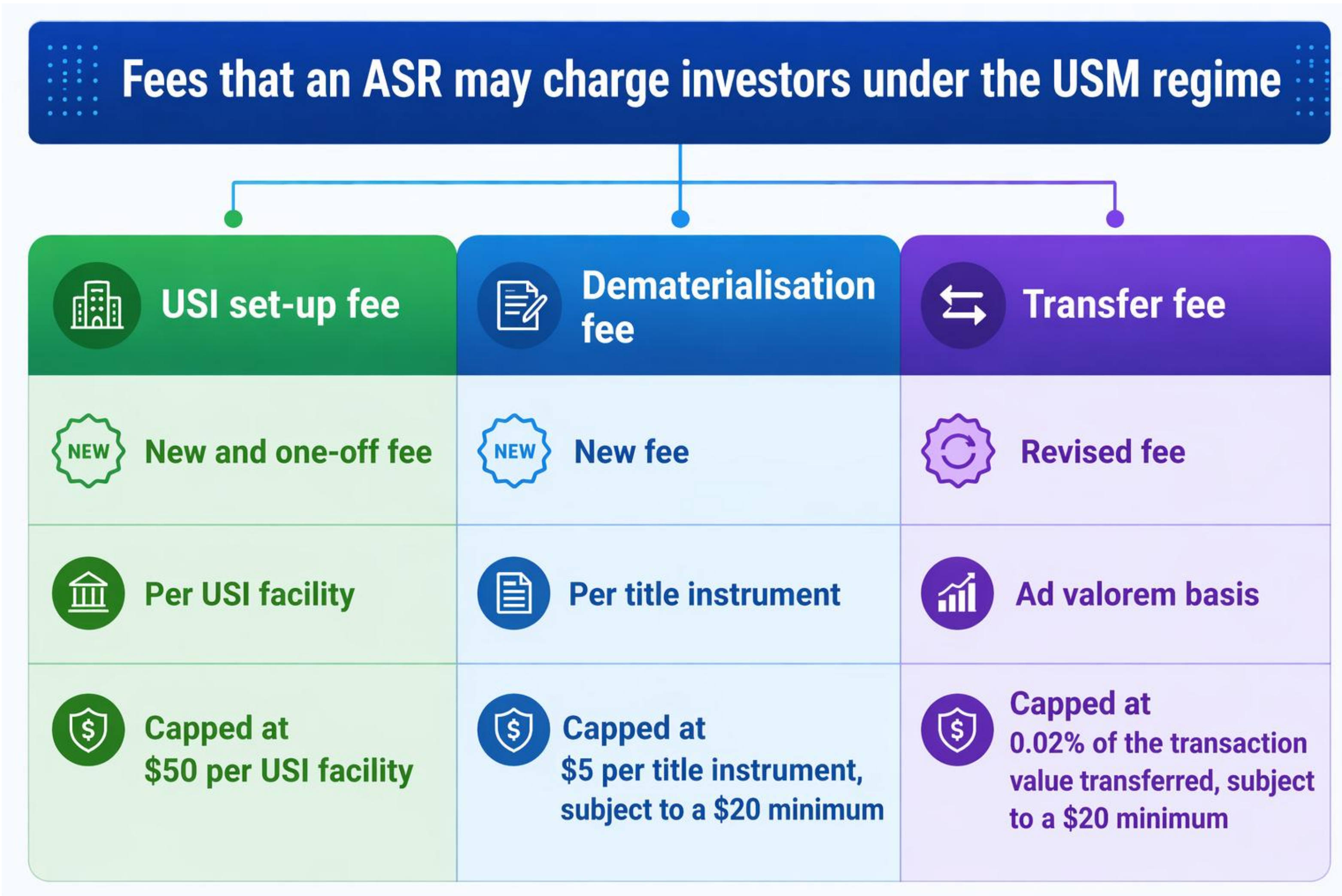
Investors must provide **instructions to their brokers** (similar to the current process).

Investors must **affirm at ASR's platform.**

Process flow for transfers between USI holders



What do investors need to be aware of / do? (con’t)



What do investors need to be aware of / do? (con’t)

Fees that an ASR may charge in respect of securities held in CCASS

Set-up fee	Dematerialisation fee	Transfer fee
Fee for setting up ASR connection and dematerializing securities already in CCASS on participation date	Applies only to prescribed securities that have, or will soon, become participating securities if still in certificated form	Applies to all prescribed securities deposited into CCASS on or after 16 November 2026
New and one-off fee	New fee	Revised fee
Per stock per CP	Per title instrument	Ad valorem basis
$50, $100 or $560, depending on CP's portfolio value for that stock	Capped at $5 per title instrument, subject to a $20 minimum	Capped at 0.02% of the transaction value transferred, subject to a $20 minimum

What do intermediaries need to be aware of / do?

Under USM, clearing/custodian participants in CCASS can continue to provide clearing/custodian services to investors **as they do currently**.

However, there will be some changes under USM, particularly:

Processes for depositing/withdrawing securities into/out of CCASS will change

Some fees charged by HKSCC in respect of depository and nominee services will change

New stamp duty arrangements to facilitate stamping and collection of stamp duty in respect of certain off-exchange transactions

What Intermediaries Need to Do

- Stay informed on USM updates and HKSCC announcements.
- Review the changes and assess the impact on your operations and clients.
- Update internal processes, systems and controls as needed.
- Communicate with relevant stakeholders and provide client communication where appropriate.
- Contact HKSCC Client Support for enquiries.

What do issuers need to be aware of / do?

1

Amend terms of issue (e.g. articles / bye-laws) to ensure they are compatible and consistent with the USM regime.

- SFC has issued a **Guidance Note for Issuers** in May to help issuers better understand their obligations under USM, and prepare for participation.
- Sample provisions are also included to facilitate the process of reviewing and amending the terms of issue.

GUIDANCE

Guidance Note and sample provisions available on the SFC's website.

2

Appoint an ASR to maintain their register of holders.

- Six existing share registrars have applied to become ASRs.
- Application review is at an advanced stage.
- Details available on the SFC's website.

List of ASR applicants and updates are available on the SFC's website.

3

Must become participating securities.

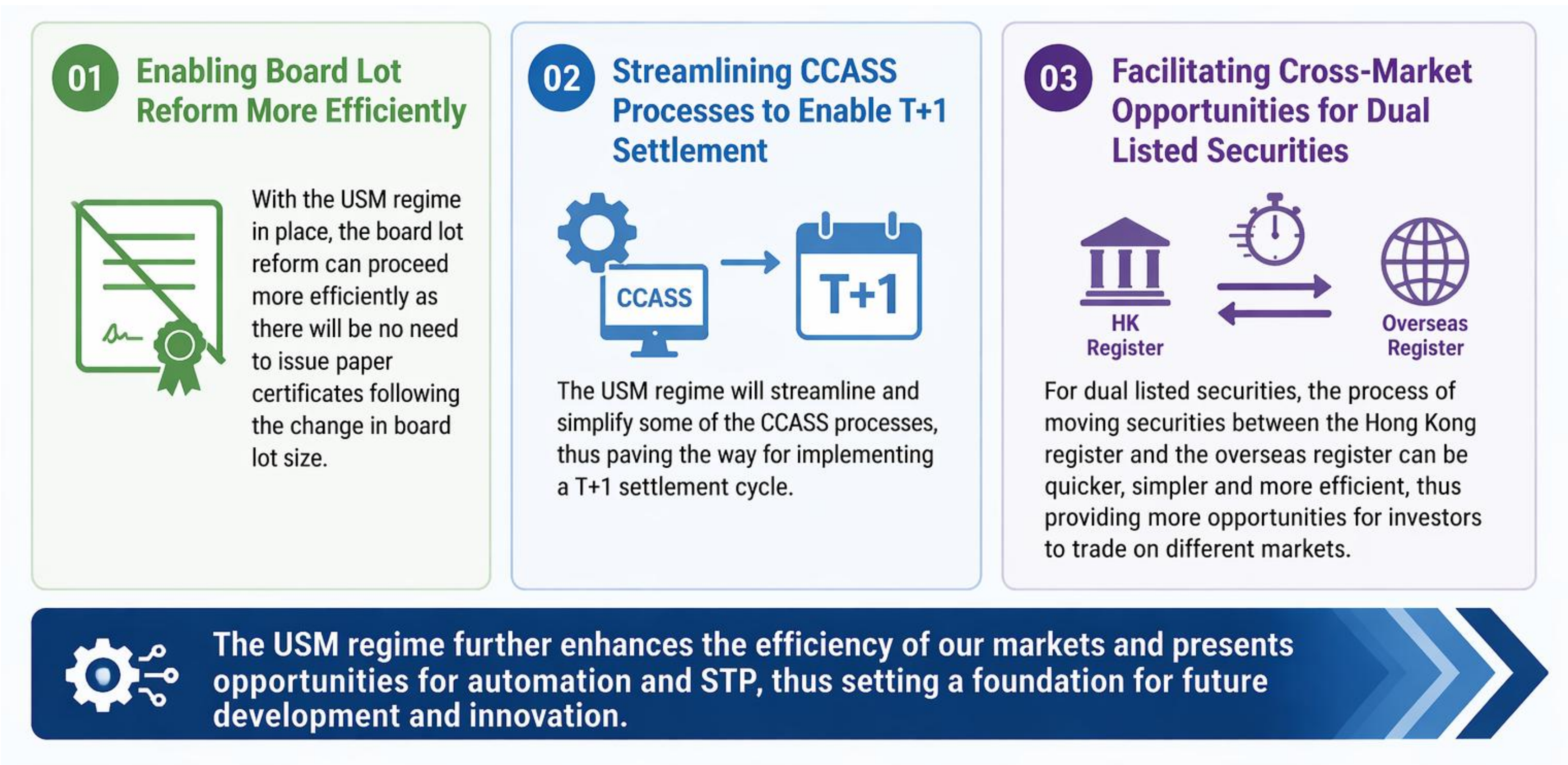
- **Existing securities** — must become participating securities by the deadline specified in respect of them.
- **Newly listed (IPO) securities** — must be in uncertificated form unless exempted by the SEHK on the basis of exceptional circumstances.

Please monitor announcements for key dates and other updates.

Early preparation and timely action will help ensure a smooth transition to the USM regime.

Potential for future development

The USM regime will elevate our securities market infrastructure and present opportunities for future development.



Thank you

For more information, please visit SFC’s webpage on USM.