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

# Getting ready for USM implementation

## Briefing at APREA Leaders' Luncheon
## 11 June 2026


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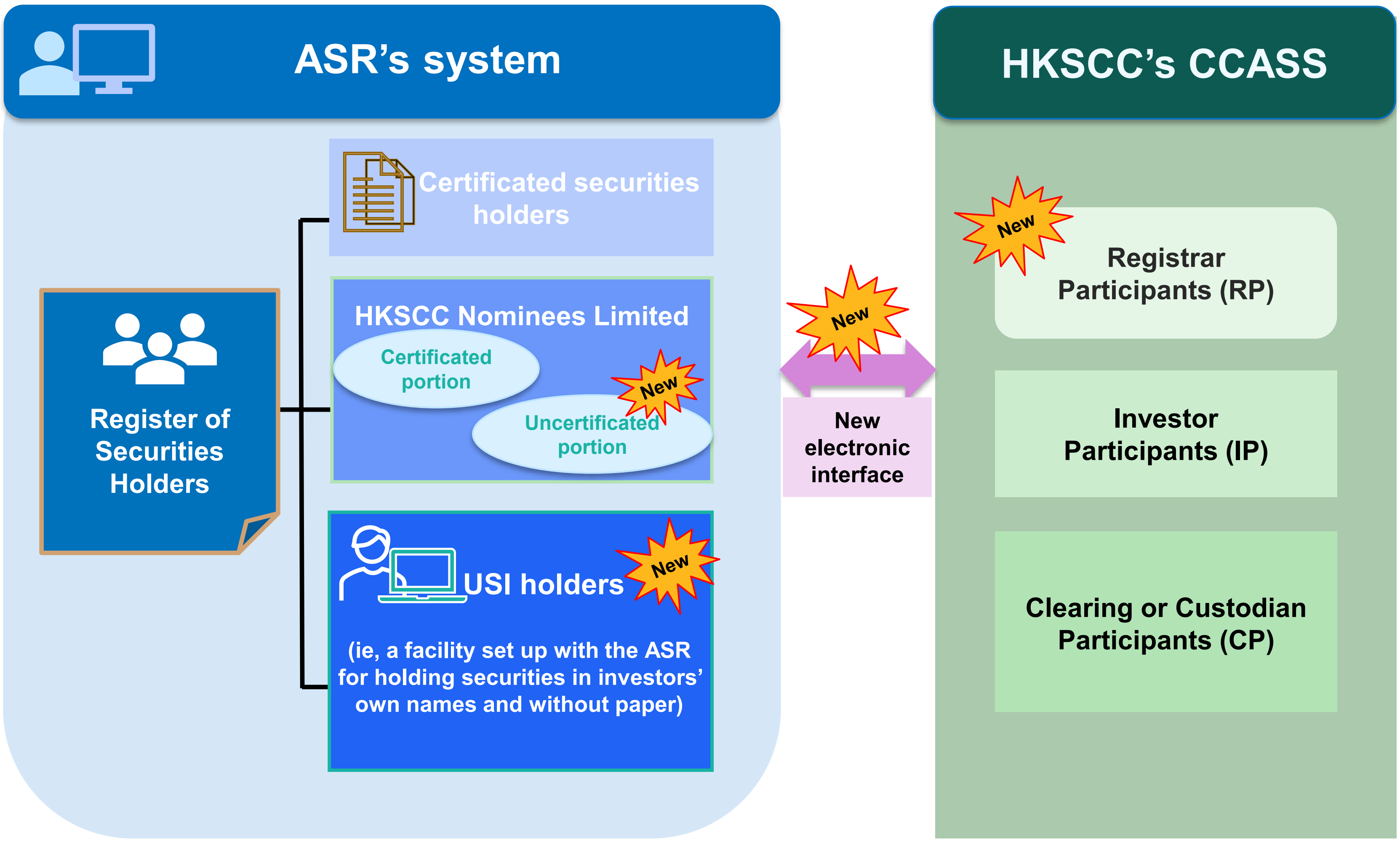
# What is USM?

**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 Securities Clearing Company Limited (HKSCC).


| Investors | ASR's systems | HKSCC's systems |
|---|---|---|
| Hold and manage securities in their own names electronically | UNSRT systems operated by ASR provide investors with electronic access to manage their securities | ASR's system connected to HKSCC's system for processing instructions regarding securities held inside CCASS |

# Operational model under USM



# What are the benefits?

### Investors

**Option to enjoy both better investor protection and trading convenience**

### Issuers

**Enhanced corporate governance and investor engagement**

### Markets

**More efficient, digitalised and greener markets**

# What is the implementation timeline?

- The USM regime is targeted to come into effect on 16 November 2026.
- All "eligible prescribed securities" will have to become "participating securities".
  - "Eligible prescribed securities" — prescribed securities constituted under laws of Bermuda, the Cayman Islands, the Chinese Mainland or Hong Kong.
  - "Participating securities" — securities in respect of which all relevant steps have been completed and which can, in practice, be evidence and transferred without paper instruments.
- For newly listed (IPO) securities — must participate from listing date.
- For existing securities — an overarching 5-year timeline will apply.
  - Actual participation date will be decided by the relevant ASR, HKSCC and SEHK.
  - Taking into account all relevant facts and circumstances specific to each issuer (eg, its size, number of title instruments in circulation, any upcoming corporate actions, the need for amendments to its terms of issue, etc).

**November 2026** → **November 2031**

| IPO securities from 17.11.2026 | Existing securities: 1st batch (eg, from Feb to June 2027) | Existing securities: 2nd batch (eg, from July to Dec 2027) | Existing securities: … further batches … | Nth batch |
|---|---|---|---|---|
| •New List Co A<br>•New List Co B<br>•… | •List Co A1<br>•List Co B1<br>•… | •List Co A4<br>•List Co B4<br>•… | •List Co A…<br>•List Co B…<br>•… | •List Co AN<br>•List Co BN<br>•… |

# What do issuers need to be aware of / do?

- Amend terms of issue (eg, articles / bye-laws) to ensure they are compatible and consistent with the USM regime.
  - SFC has issued a Guidance Note for Issuers to help issuers better understand their obligations under USM, prepare for participation. Sample provisions are also included to facilitate the process of reviewing and amending the terms of issue.
- 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.
- 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.

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

- Shortly prior to USM participation
  - Ensure ASR is approved to provide and operated an UNSRT system — not all ASRs will be approved for this at the outset.
  - Complete all necessary processes with the ASR to “onboard” the securities into the ASR’s UNSRT system — this may entail things such as creating the necessary accounts and identities within the UNSRT system to reflect the holdings of each registered holder and enable transfers of such holdings.
- Post USM-participation
  - Cannot issue new certificates — including following any allotment, transfer, etc.
  - New units (eg, bonus issues or scrip dividends) must be in uncertificated form.
  - New ROM related obligations — limit on book closure, entry in ROM regarding uncertificated holding.
  - New obligation to notify the SFC and SEHK if ASR is changed.
- Consequences of breach
  - Punishable by fines.
  - Suitability to be/remain listed may be called into question.

# What do investors need to be aware of / do?

### Investors who would like to subscribe for IPOs

- IPOs issued from 17 Nov 2026 must be in uncertificated form
- Reach out to relevant ASRs for detail about registration for USI facility

### 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 as issuer will no longer be issuing paper certificates
- No obligation for holders to dematerialise their securities, but encouraged to do so

### 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) and affirm at ASR's platform

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

**New fees/revised fees under USM regime**

- **ASRs' fees charged to investors**: there are some new fees (USI set-up fee and demat fee) and revised fees (eg, transfer fee). The three major fees are subject to limits set by the SFC
- **Broker's fees**: may also change in light of the revised/restructured HKSCC's fees

**Corporate action entitlements**

- 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

**Stamp duty related arrangement**

- ASRs' systems will be connected to IRD's e-stamping platform to facilitate stamp duty payment for transfers between USI holders
- Deposits into/withdrawals out of CCASS should be no change of beneficial interest and hence not attract stamp duty but declaration will be needed

# What do intermediaries need to be aware of / do?

- Under USM, clearing/custodian participants in CCASS will be able to continue providing clearing/custodian services to investors as they do currently.

- However, they will need to get ready for 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

# Closing

**Key timeline**:

- IPOs listed after 16 Nov 2026 will have to be in uncertificated form
- existing securities will have to participate within 5 years

**Issuers:**

- review and amend terms of issue as necessary
- appoint an ASR — with necessary approval status
- reach out to current share registrar for early discussion

**Investors**:

- stay tuned for issuers' announcements on participation
- reach out to relevant share registrars to set up USI facility

**Intermediaries:**

- ensure systems, operational processes and documentation, and fee structures are enhanced and amended as necessary
- ensure clients are informed of relevant changes

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

**Thank you.**