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

Getting ready for USM implementation

27th ACRU

Supervision of Markets Division, SFC

12 June 2026

Latest status of USM implementation

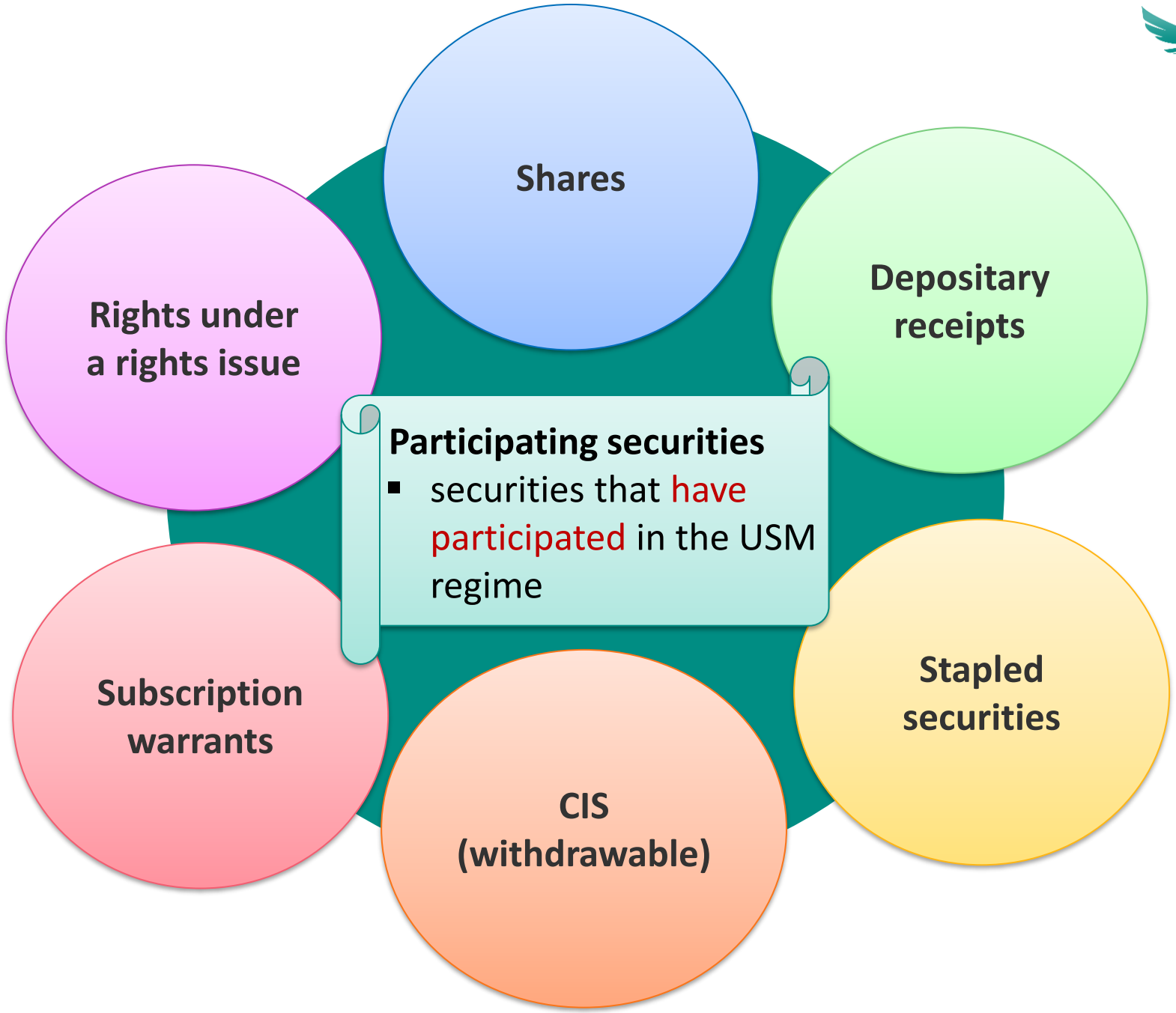
The Uncertificated Securities Market initiative (**USM**) provides an efficient means for investors to hold and manage securities in their own names and electronically, using platforms that are operated by approved securities registrars and connected to systems of Hong Kong Securities Clearing Company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

Key concepts

Prescribed securities

- 6 classes and descriptions of securities that are listed, or approved for listing on the SEHK

- securities that may participate in the USM regime

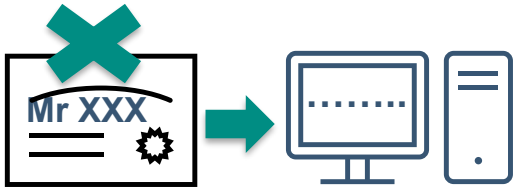


Key concepts

Approved **securities** registrars (ASRs) and UNSRT system

ASR
a person approved by the SFC to provide securities registrar services

UNSRT system
a computer-based system that enables title to securities to be evidenced and transferred without an instrument



Key concepts

System member

- a person who has **completed** the procedures for using an ASR's UNSRT system
- permitted to use **that ASR's** UNSRT system
- can use the system to **evidence, transfer and manage** securities held by the person

Provisional system member

- person has **not completed** the procedures for using an ASR's UNSRT system
- the ASR has set up a **"provisional"** system-membership
- can use the system to evidence, but **not transfer or manage**, securities held by the person

Uncertificated form

if recorded in the register of holders as being in uncertificated form

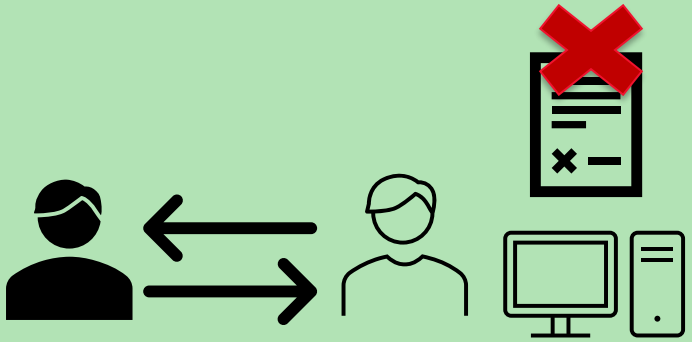
Certificated form

if not in uncertificated form

Key concepts

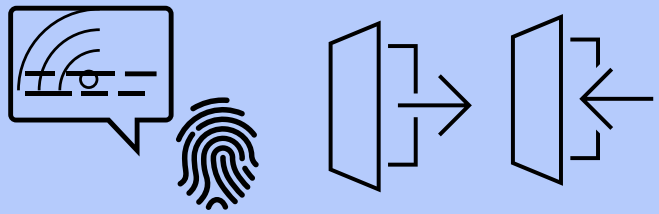
Specified request

a request to register the transfer of securities submitted electronically in accordance with the USM Rules



Authenticated message

an electronic message that meets various criteria set out in the USM Rules



Phased implementation

- Securities will need to become "participating securities"

- Initial focus will be on securities constituted in four jurisdictions –

Hong Kong	Mainland China	Bermuda	Cayman Islands

- For securities constituted in other jurisdictions – not mandatory yet but may participate provided laws of home jurisdiction are compatible with the USM regime

- Will apply to both IPO securities and existing securities — but differently

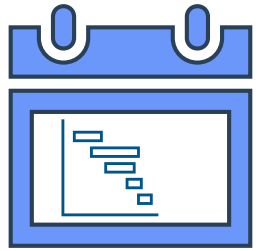
IPO Securities	Existing Securities
Securities listed after implementation date, ie, after 16 Nov 2026, have to be in uncertificated form from their listing date	• Securities will have to participate in USM by their "specified date" • The specified date will fall within 5 years from 16 Nov 2026

- For investors, there is no obligation for them to dematerialise their shares

Sequencing arrangement for existing securities

What is the Sequencing Arrangement?

- A detailed timetable for queueing existing securities to become participating securities
- It sets the "specified date" and expected "participation date" for each stock
- The sequence will be agreed among the issuer's ASR, HKSCC and SEHK



Specified Date vs Participation Date?
• **Specified Date** – the statutory deadline by when the securities must become participating securities • **Participation Date** – the actual date on which those securities become participating securities • the two dates are expected to be the same

Sequencing arrangement for existing securities

What factors will be considered when determining the sequencing arrangement?

No. of title instruments in circulation (including that held in CCASS)

No. of registered holders

Any upcoming or planned corporate action events

ASR & HKSCC's operational capacity to dematerialize securities in CCASS

Any legitimate view/concern that the issuer has expressed

What will be the process for fixing the specified dates?

- ASRs, HKSCC and SEHK will develop a draft timetable
- ASRs will communicate with issuers and provide an indication of the approximate period (eg, quarter/half-year) in which their specified date may fall
- Issuers can indicate any views or concerns, however, cannot guarantee that these can be accommodated in all cases
- Issuers will be notified of specified date and expected participation date in writing

Sequencing arrangement for existing securities

- **What about subscription warrants and rights?**
  - participation determined differently given their short-dated nature
  - will be linked to the participation date for underlying securities
    - subscription warrants and rights issued before that date – no need to participate
    - subscription warrants and rights issued after that date – must be in uncertificated form from time of listing
- **What are the consequences of breach?**
  - failure to comply (without reasonable excuse) is an offence punishable by fines
  - may also call into question suitability of securities to remain listed
- **How will the market know?**
  - SEHK will publish and maintain two lists
    - securities scheduled for participation in upcoming 3 months
    - securities that have already participated
- **Issuers are urged to reach out to their ASRs as soon as possible regarding the sequencing arrangement**

Some key issuer obligations under USM

1 From USM implementation date

- must keep a register of members (ROM) as required under the USM Rules
- must have an ASR at all times that maintains the ROM
- must notify SFC and SEHK before changing ASR

2 Must become participating securities

- on listing date / by specified date

3 From participation date onwards

- must not issue new certificates/title instruments – but existing ones remain valid
- must not issue new units in certificated form
- must have an ASR that is approved to provide and operate an UNSRT system
- must record in ROM if securities are held in uncertificated form
- must not close ROM for more than 2 BD at a time (unless trading suspended)
- must send notification of ROM changes to holder if concerns uncertificated holdings

4 Additional Expectations

- require use of specified request – whenever transferor holds in uncertificated form
- take initiative to dematerialize – whenever possible
- facilitate/encourage use of electronic communications and authenticated message

Key preparatory steps for issuers

1 Appoint an ASR

- from USM implementation date – may be any ASR
- from participation date – must be an ASR approved to provide and operate an "UNSRT system"
- six existing share registrars have applied to become ASRs – see SFC's USM webpage

2 Obtain a written confirmation from its ASR

- must be obtained before participation date
- must confirm readiness of the ASR and its UNSRT system
- must confirm the date from which the UNSRT system may be used

3 Review and amend the terms of issue

- must complete within one year from USM implementation date (or 1st AGM post-USM)
- SFC has issued a Guidance Note for Issuers – including sample provisions for reference

4 Plan and adjust upcoming corporate actions

- to facilitate smooth participation and dematerialisation of securities held inside CCASS
- issuers are strongly advised to avoid conducting corporate actions during the moratorium period
- if unavoidable, issuer must reach out to its ASR as soon as possible

5 Announcements & Disclosures

- ensure appropriate announcements/disclosures are made in accordance with the Listing Rules and the SEHK's USM Guide

6 Other operational matters

- to discuss with ASR whether there may be other operational matters to take into account and plan for in the run up to participation date, eg, potential requests from holders for souvenir certificates

Reviewing and amending the terms of issue

- **The terms of issue of any prescribed securities:**
  - must be consistent with the USM regime
  - must be amended if they are inconsistent or conflict with the USM regime
  - should as far as possible expressly provide for key aspects rather than stay silent on them
- **For securities constituted under non-Hong Kong laws:**
  - issuers should also review relevant home laws to see if these are consistent with requirements under the USM regime
  - SFC understands that requirements under the USM regime are not prohibited under the laws of Bermuda, the Cayman Islands and the Chinese Mainland but it is essential that the relevant terms of issue are also consistent with the USM regime and incorporate sufficient reference to the USM regime
- **SFC's Guidance Note for Issuers:**
  - includes sample provisions for reference
    - cast by reference to shares and Model Articles under the Companies Ordinance
    - should not assume sample provisions are suitable and appropriate in all cases, or can be adopted without modification
    - strongly advised to seek independent advice given importance of terms of issue

Key areas to consider when reviewing terms of issue – by reference to articles

- **Definitions of key terms likely to be used, eg,**
  - certificated form / uncertificated form
  - prescribed securities / participating securities
  - UNSRT system
  - dematerialization / rematerialization
  - in the process of delisting
  - system-member
  - specified request
  - operating rules of an ASR
- **Form (need for certificates / title instruments)**
  - likely to be existing provisions requiring issue of certificates / title instruments
  - amend to cater for prohibition under USM
  - cater for pre and post USM-participation
  - cater for rematerialization (eg, following delisting)

Key areas to consider when reviewing terms of issue – by reference to articles

- **Transfers and transmissions**
  - likely to be existing provisions requiring use of instrument of transfer to effect transfers
  - amend to enable transfers by specified request
  - clarify when specified request must be used / instrument of transfer may be refused
  - incorporate relevant amendments to directors' powers to *refuse* transfers, eg
    - use of specified request (for certificated holdings)
    - use of instrument of transfer (for uncertificated holdings)
    - restriction on transfers if holder/transferee is not a system-member
  - cater for pre and post USM-participation
- **Lost or damaged certificates**
  - likely to be existing provisions dealing with process for replacing lost or damaged certificates / title instruments
  - amend to cater for prohibition under USM, and note dematerialization option
  - retain existing procedures for demonstrating loss / damage
  - cater for pre and post USM-participation

Key areas to consider when reviewing terms of issue – by reference to articles

- **New issues, dematerialization and rematerialization**
  - existing provisions on this are unlikely
  - clarify that from participation date new issues will be in uncertificated form
  - provide for dematerialization in accordance with USM Rules
  - provide rematerialization in accordance with USM Rules and clarify if certificates / title instruments will be issued
  - cater for pre and post USM-participation
- **Register of members/holders**
  - provide for ROM to be kept in accordance with USM Rules
  - provide for ROM to record where securities are in uncertificated form and for restrictions on amending except as per USM Rules
  - provide for evidential value of ROM entries
  - provide for notification of changes to ROM entries as per USM Rules
  - provide for inspection and copying of ROM entries

Key areas to consider when reviewing terms of issue – by reference to articles

- **Communications**
  - consider enabling communications by means of "authenticated message"
  - consider enabling proxy appointments and revocations by "authenticated message"
  - agree with ASR whether authenticated messages can be used for
    - communications in respect of all prescribed securities or only participating securities
    - communications in respect of all participating securities or only those in uncertificated form
    - others
- **Other amendments to consider**
  - clarify that securities in "certificated form" and "uncertificated form" do not constitute two classes of securities
  - clarify that entitlements may be calculated separately in respect of a holder's certificated and uncertificated holding, where not practicable to do otherwise
  - limit proxy appointments to 2 for individuals and clarify that notice of meeting will specify this
  - check for references to terms that may restrict application of USM requirements (eg, "certificate", "title instrument", "instrument of transfer", "register of members", etc) and amend as appropriate
  - add an overarching provision as added precaution

Closing

Key timeline:

- IPOs listed after 16 Nov 2026 have to be in uncertificated form
- existing securities will participate on the participation date

Key preparatory step:

- review and amend terms of issue if they are inconsistent or conflict with the USM regime
- must complete within one year from 16 Nov 2026
- strongly advised to seek independent advice

Source of guidance:

- reach out to respective share registrars as soon as possible for guidance on how best to proceed
- visit SFC's webpage on USM for more information or reach out to the SFC

Thank you.