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

Getting ready for USM implementation

Briefing for issuers

Supervision of Markets Division, SFC

22 May 2026

Latest status of USM implementation

Target implementation date: 16 November 2026

LegCo process

Negative vetting process for Commencement Notice expected to be completed by early June

Operational and system readiness

HKEX's and share registrars' preparation at advanced stages

Market engagement

continued and further enhanced in the run up to implementation and beyond

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

IPO Securities	Existing Securities
Securities listed after implementation date, i.e., on or after 17 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 securities constituted in other jurisdictions – not mandatory yet but issuers are encouraged to participate if possible (ie, laws of home jurisdiction are compatible with the USM regime)
- For investors, there is no obligation for them to dematerialise their shares

Sequencing arrangement for existing securities

What is a Sequencing Arrangement?

- A detailed timetable regarding the queueing existing securities to become participating securities
- It determines the "specified date" and expected "participation date" for each stock

Who decides the sequence?

- The sequence will be agreed among issuer's approved securities registrar (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 (cont'd)

What are the factors to be considered in 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

How to determine specified date?

- 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, ASRs cannot guarantee that these will be adopted

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 – ASR must be approved to provide and operate a "UNSRT system"
- six existing share registrars have applied to become ASRs
- SFC will be updating its webpage soon to indicate which share registrar has applied and their application status

2 Review and amend the terms of issue

- must complete within one year from USM implementation date (or 1st AGM post-USM)
- SFC will shortly be issuing its Guidance Note for Issuers – will include sample provisions for reference

3 Obtain a written confirmation from its ASR

- must be obtained before participation date
- must confirm readiness of the ASR and its UNSRT system to facilitate the securities' participation in USM
- must confirm the date from which the UNSRT system may be used for evidencing and transferring legal title to the securities without paper instruments

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 to see whether and what adjustments are needed

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 consider any potential operational issues that may occur close to the participation date and work out necessary arrangement with ASR, eg, investors may want to retain a certificate as souvenir

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:**
  - expected to be issued very shortly
  - 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
- **Form (need for certificates / title instruments)**
- **Transfers and transmissions**
- **Lost or damaged certificates**
- **New issues, dematerialization and rematerialization**
- **Register of members/holders**
- **Communications**
- **Other amendments (eg, proxy limit)**
- **Subscription warrants and rights under a rights issue**

Closing

Sufficient time will be allowed to enable issuers to complete all necessary preparatory steps

Issuers must start the process as soon as possible rather than waiting until *after* receiving notice of their participation date

In particular, issuers should start the process of reviewing and amending their terms of issue as soon as possible

Issuers should reach out to their respective share registrars as soon as possible for guidance on how best to proceed

USM

Information on share registrars who have applied to become ASRs and the status of their applications will be available on SFC's USM webpage soon

Thank you.