

**Presentation to LegCo Financial
Affairs Panel –
Consultation conclusions regarding
a proposed operational model for
implementing a scripless securities
market in Hong Kong**

1 November 2010

Working Group for Scripless Securities Market

Agenda

- 1. Consultation responses**
- 2. Proposed operational model**
- 3. Key proposals**
- 4. Proposed timeline**

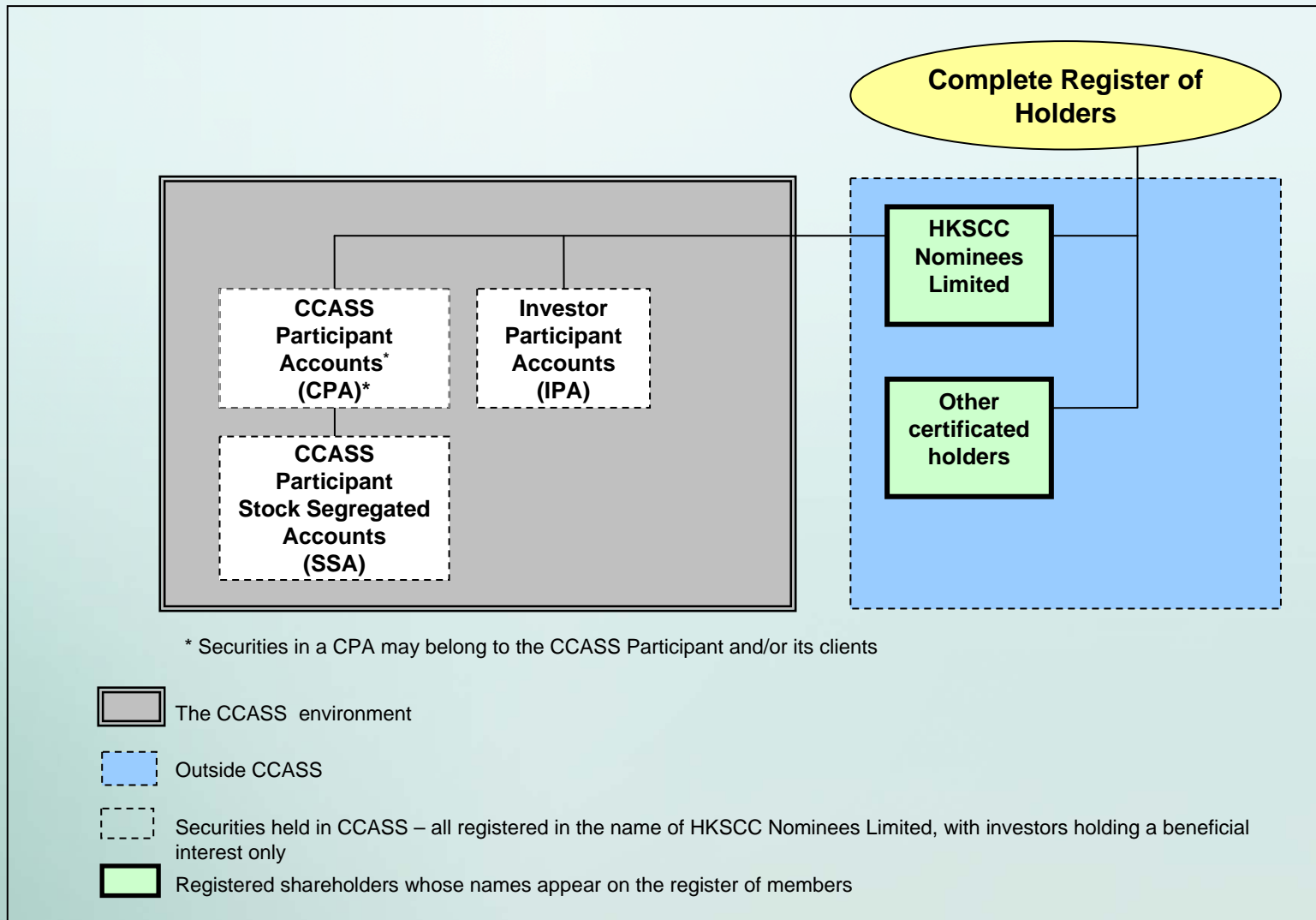
Consultation responses

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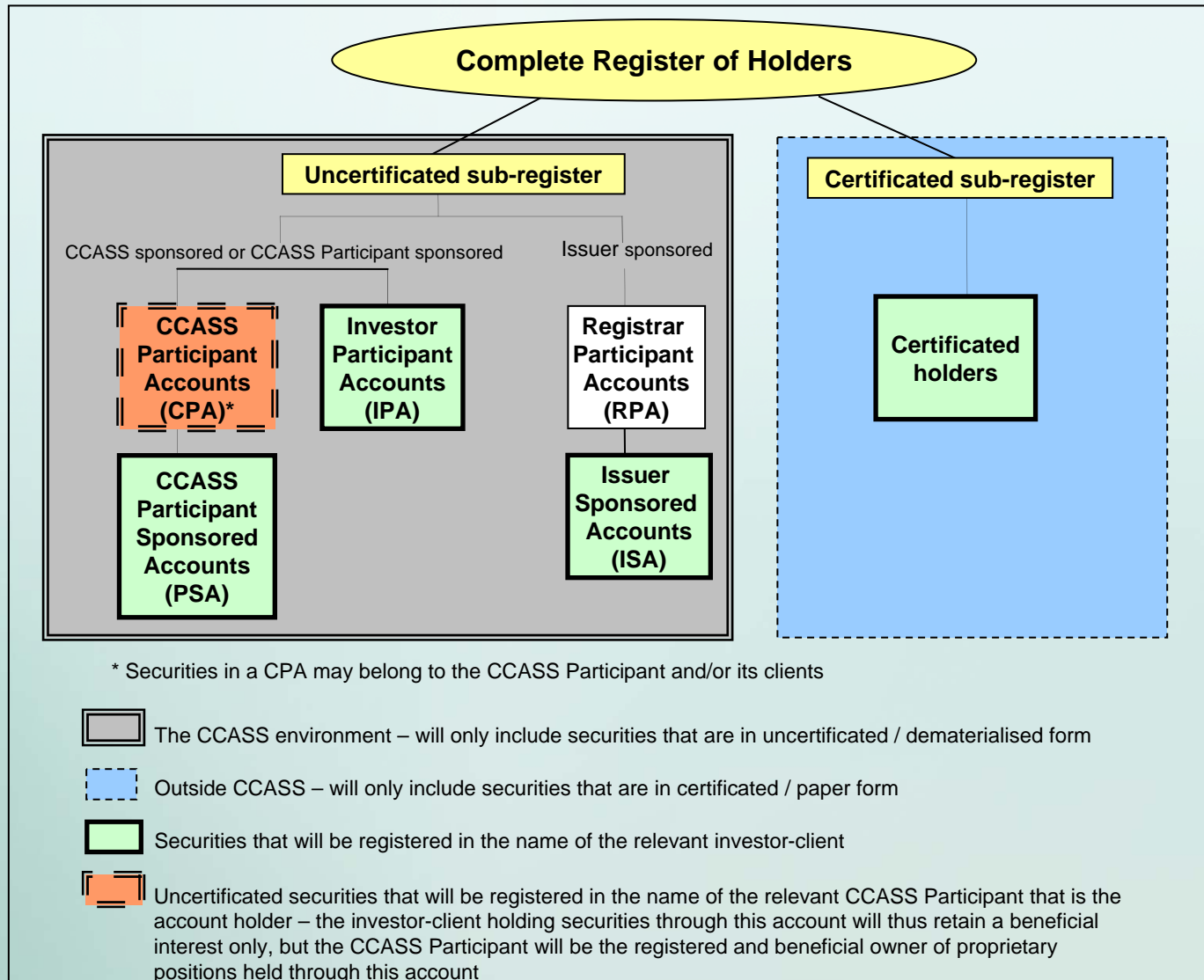
- **44 responses were received.**
- **Respondents include:**
 - Banks
 - Brokers
 - Individual investors
 - Law firms
 - Listed issuers
 - Share registrars
 - Other professional bodies
- **Most respondents indicated support to the scripless initiative but some of them had concerns in several areas.**
- **Taking into account comments received, we propose to proceed with the scripless operational model which is largely similar to the one proposed in the Consultation Paper.**

Proposed operational model

Existing Market Structure



Proposed operational model



Key proposals

Key proposals

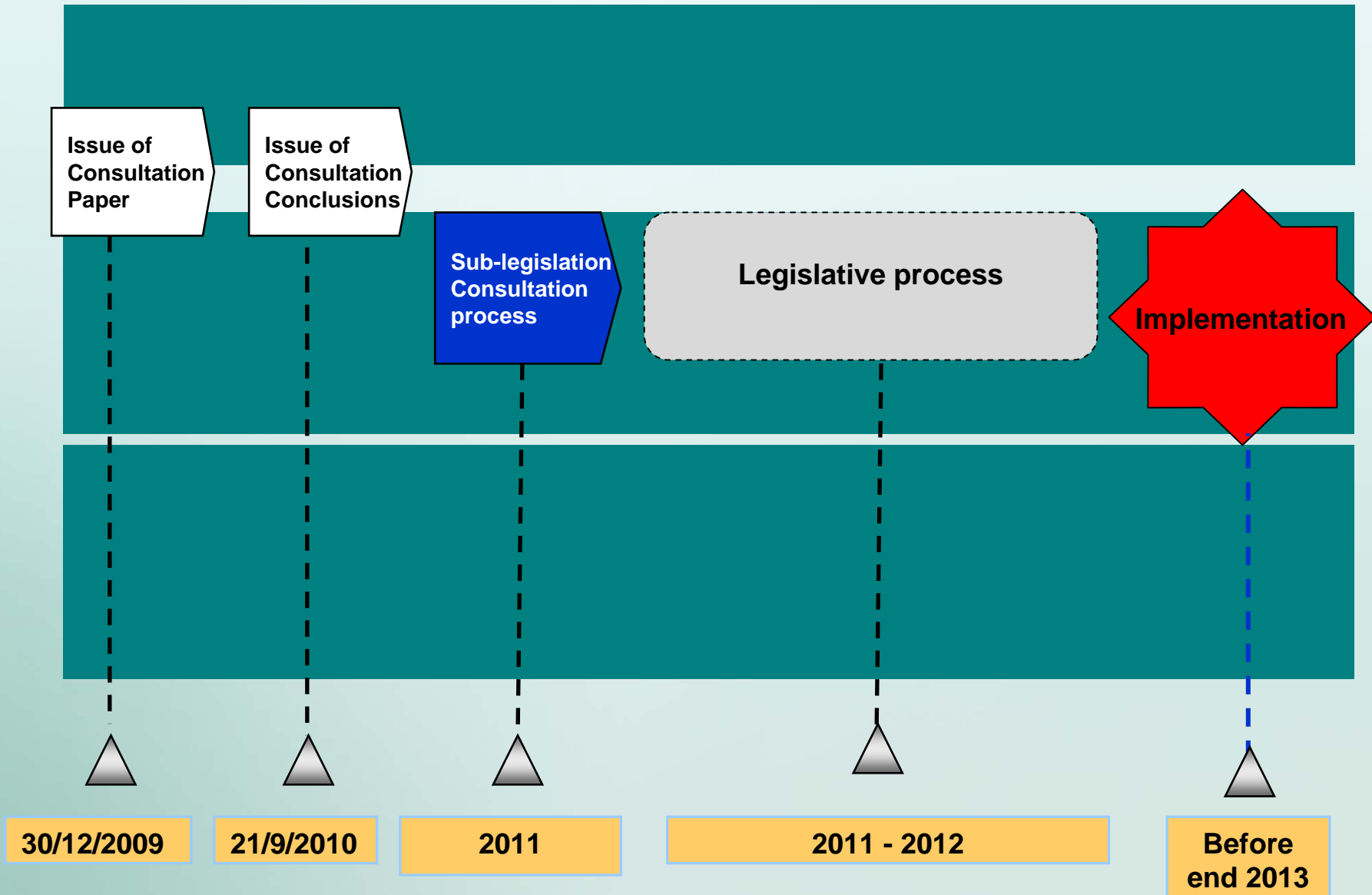
Key proposals	Details
Dual system	<ul style="list-style-type: none">• The existing paper-based system will run in parallel with the scripless system.
Full dematerialisation	<ul style="list-style-type: none">• Dematerialisation will be made compulsory eventually. Timeline will hinge on market readiness.
Name on register	<ul style="list-style-type: none">• Investors will be able to hold securities in CCASS in their own name and to enjoy the full benefits of legal ownership.• Has the option of holding uncertificated securities through nominees.
Unique identification numbers	<ul style="list-style-type: none">• Investors identification numbers will be required and provided to share registrars and HKSCC.

Key proposals (Cont'd)

Key proposals	Details
Attending and voting at meetings	<ul style="list-style-type: none"> • Beneficial owners can be appointed as proxies to attend, speak and vote at shareholders' meetings.
Regulation of share registrars	<ul style="list-style-type: none"> • Share registrars will become CCASS Participants. • Share registrars will be more directly and robustly regulated.
Fee structure	<ul style="list-style-type: none"> • A fee review is being conducted by HKEx. • Fees should be reasonable and justifiable and subject to the SFC's approval.
Scope	<ul style="list-style-type: none"> • The scripless initiative will be extended to all securities listed or traded on the SEHK. We will start with shares of Hong Kong incorporated companies and proceed in batches.

Proposed timeline

Proposed timeline



Thank you