

**FEDERATION OF SHARE REGISTRARS LIMITED**

Honorary Secretary - Tricor Abacus Limited  
Level 24, Hopewell Centre, 183 Queen's Road East, Hong Kong  
Tel: 2980 1735 Fax: 2861 1465

---

**證 券 登 記 公 司 總 會 有 限 公 司**

---

Your Ref: CB1/BC/9/13  
Our Ref: AT/KL/1

8 September 2014

Bills Committee  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Attn: Ms Angel Shek

Dear Sirs,

**Re: Bills Committee on Securities and Futures and Companies Legislation  
(Uncertificated Securities Market Amendment) Bill 2014 ("the Bill")**

We refer to your letter of 23 July 2014 addressed to Federation of Share Registrars Limited (the "Federation") inviting views on the captioned Bill, which is under consideration by the Bills Committee of the Legislative Council.

We are pleased to submit our comments as follows:

The Federation has been a member of a working group (the "Working Group") set up in 2009, comprising representatives from the Securities and Futures Commission ("SFC"), Hong Kong Exchanges and Clearing Limited ("HKEx") and the Federation, to work on an operational model for implementing an uncertificated securities market ("USM") in Hong Kong. While we wish to express our support for the introduction of the Bill to enable Hong Kong to align with international practice, to enhance our competitiveness, and to improve overall market efficiency, investor protection and shareholder transparency, we would nevertheless want to draw your attention to a number of concerns in the following.

**1. Unfinished business – USM operational model**

Although the Working Group has been discussing the USM project for a considerable period, up to the date of this letter, the detailed work flows and exact operational model under USM have yet to be concluded, in particular in respect of certain corporate action issues and the role of the Central Clearing and Settlement System ("CCASS") of the Hong Kong Securities Clearing Company Limited ("HKSCC").

Assuming the Bill would be passed in the legislative year of 2014/2015, we are still uncertain when the operational model could be finalized, thus affect the drafting and passing of related subsidiary legislation and the possible launch of USM.

## 2. Development/Launch Timeframe

During discussions in the Working Group, we understand that upon agreement by SFC, HKEx and the Federation and conclusion of development of all work flows and the operational model, both HKSCC and members of the Federation may need to take at least 18 to 24 months for the development of a new information technology ("IT") system to cater for USM. Accordingly, the earliest time to launch USM may be around 2017 to 2018.

In addition, under USM, other market intermediaries/stakeholders including stockbrokers and banks may also need considerable time to rebuild and/or upgrade their IT system so as to interact with those of HKSCC/share registrars. That said, the time gap between the passing of the Bill and the first date of USM launch in Hong Kong could be at least 36 months or more.

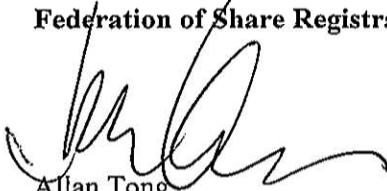
## 3. Fees and Charges

Due to the unfinished business mentioned under (1) above, that the work flows and operational model have yet to be agreed by the Working Group and concluded, related fees and charges of HKSCC under USM to be payable by issuers, share registrars, market participants, shareholders as well as investors are still uncertain. Although we expect that certain fees and charges could be streamlined and reduced under improved operational efficiency of USM, the matter is still subject to public consultation such that all issues of concern are resolved. We expect that SFC, as the regulator, will safeguard the general interest and develop the USM regime in a fair and reasonable manner for all related market players.

We suggest that the Bills Committee address the above concerns promptly.

Should the Bills Committee have questions on our submission or require our further explanation, please feel free to contact the undersigned (at 2980 1818 or [allan.tong@hk.tricorglobal.com](mailto:allan.tong@hk.tricorglobal.com)) or Mr James Wong, our Vice Chairman (at 2862 8506 or [james.wong@computershare.com.hk](mailto:james.wong@computershare.com.hk)). Otherwise, we look forward to meeting your committee members on Monday, 6 October 2014.

Yours faithfully,  
For and on behalf of  
**Federation of Share Registrars Limited**



Allan Tong  
Chairman

c.c. Committee Members

---

### **Federation of Share Registrars Limited, Hong Kong**

The Federation of Share Registrars Limited (the "Federation") is an organization approved and governed by The Securities and Futures Commission ("SFC") under Section 12 of the Securities and Futures (Stock Market Listing) Rules. The main objectives in establishing the Federation is to promote and uphold the interests and business of share registrars in Hong Kong as well as to enhance professional standards and services of the share registrar industry. All our members are approved share registrars under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.