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### **Consultation conclusions reached on proposal to introduce a scripless securities market in Hong Kong**

The Securities and Futures Commission (SFC), Hong Kong Exchanges and Clearing Ltd (HKEx) and the Federation of Share Registrars Limited (FSR) jointly released a set of [consultation conclusions](#) today, announcing the plan to introduce a scripless securities market in Hong Kong (Note 1).

The proposed operational model is largely similar to that described in the joint consultation paper issued on 30 December 2009 (Note 2).

"Implementation of the scripless regime will be a significant step forward in enhancing the overall efficiency and competitiveness of Hong Kong's securities market, and in securing an appropriate and improved level of investor choice and protection," said the SFC's Chief Executive Officer Mr Martin Wheatley.

The scripless regime will be implemented in phases to provide investors with the flexibility of holding securities in physical certificates or in paperless form. The new paperless option will enable investors to hold securities in their own names as registered holders, thus offering more opportunities for straight-through-processing to enhance market efficiency.

The scripless regime will come into effect following the necessary legislative changes (Note 3) and when the market infrastructure, key operators and market participants are ready. While the paper-based option will be removed eventually, the public will be consulted again before this happens. The SFC will also consult the public in early 2011 on a new subsidiary legislation that will set out in more detail how the scripless environment and those that play a key role in that environment will be regulated. The working group expects the first phase of the scripless regime to be implemented in late 2013.

The working group received 44 [written responses](#) to the consultation paper. Respondents (Note 4) generally supported the scripless initiative, although some made comments and suggestions on some specific items proposed and sought clarification on the proposed operational model.

The working group is keen to ensure that the transition be as seamless as possible. More details on the operation of the scripless system will be released to the public closer to the time of implementation. In addition, appropriate investor education will also be conducted.

End

Notes:

1. A working group – with representatives from the SFC, HKEx and the FSR, and led by the SFC – was set up in 2009, with the support of the Government, to develop an operational model for Hong Kong that would be generally acceptable to the market while providing adequate investor choice and enhancing shareholder transparency.
2. On 30 December 2009, the working group jointly issued a “Joint Consultation Paper on a Proposed Operational Model for Implementing a Scripless Securities Market in Hong Kong.”
3. Most of the legislative amendments for implementing a scripless securities market will be to the Securities and Futures Ordinance, the Companies Ordinance and the Stamp Duty Ordinance. The first step in the legislative process which is essentially technical amendments to remove or qualify existing provisions that compel the use of paper documents has been completed.
4. Respondents to the consultation included banks, brokers, individual investors, law firms, listed companies, share registrars and various professional bodies.
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