

Press Release

Bill for paperless securities market to be gazetted on Friday

Wednesday, June 11, 2014

The Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Bill 2014 will be gazetted this Friday (June 13).

"The Bill provides for a legal framework to enable the introduction of an uncertificated, i.e. paperless, securities market regime," the Secretary for Financial Services and the Treasury, Professor K C Chan, said today (June 11).

"It also marks an important step forward for Hong Kong moving towards an uncertificated securities market regime which will increase overall market efficiency, improve investor protection and enhance Hong Kong's competitiveness," Professor Chan said.

Currently, the law requires the issue of paper certificates and the use of paper instruments of transfer for certain securities.

For those securities that are listed on the Stock Exchange of Hong Kong (SEHK) and kept in the Central Clearing and Settlement System operated by the Hong Kong Securities Clearing Company Limited (HKSCC), legal title to the securities remains vested in HKSCC Nominees Limited.

The relevant investors hold only the beneficial interest in the securities; they are not registered holders and do not hold legal title.

Under the proposed uncertificated securities regime, investors can choose to hold and transfer securities without paper documents and register the securities in their own names, thus enjoying the full benefits of legal ownership.

The Bill mainly seeks to amend the Securities and Futures Ordinance (SFO) and the Companies Ordinance.

The broad framework for the regulation of the uncertificated securities market will be stipulated in the two pieces of primary legislation, while the details relating to operational matters and regulation will be set out in new subsidiary legislation to be made under the SFO.

The initial stage of the proposed regime will cover shares that are listed or to be listed on the SEHK. Other securities such as debentures and unit trusts that are listed or to be listed on the SEHK will be covered at a later stage.

It is envisaged that there will be a transitional period during which the current paper-based system will operate in parallel with the proposed uncertificated securities system.

The Securities and Futures Commission (SFC) will oversee regulatory and operational matters relating to the new uncertificated securities market environment.

The Bill will provide for the regulation of the uncertificated securities market, and the making of the related subsidiary legislation, by the SFC.

The Administration will continue to work closely with stakeholders on the initiative and, together with the continued efforts of the SFC, work out the technical details of the operational model with the stakeholders and prepare the related subsidiary legislation.

The Bill has been uploaded to the Financial Services and the Treasury Bureau's website (www.fstb.gov.hk/fsb/topical/usma.htm) for public viewing.

The Bill will be introduced into the Legislative Council on June 25.

Ends