L.N. 15 of 2025

Securities and Futures (Uncertificated Securities Market) Rules

Contents

Securities and Futures (Uncertificated Securities Market) Rules

(Made by the Securities and Futures Commission under section 101AAM of the Securities and Futures Ordinance (Cap. 571))

Part 1

Preliminary

1. Commencement

These Rules come into operation on the day on which section 7 of the Securities and Futures and Companies Legislation (Amendment) Ordinance 2021 (17 of 2021) comes into operation.

2. Interpretation

(1) In these Rules—

addressee (收訊者), in relation to an authenticated message, has the meaning given by rule 17(1);

attributable (歸因於), in relation to an authenticated message, has the meaning given by rule 16(1);

authenticated message (經認證訊息) has the meaning given by rule 15(1);

authorized CIS (認可集體投資計劃) means a collective investment scheme authorized by the Commission under section 104 of the Ordinance;

corresponding clearing house (相應結算所), in relation to any prescribed securities, means the recognized clearing house providing services and facilities through which transactions in those securities are or may be novated, cleared, settled or guaranteed;

corresponding exchange company (相應交易所), in relation to any prescribed securities, has the meaning given by section 12 of the Securities and Futures (Stock Market Listing) Rules (Cap. 571 sub. leg. V);

corresponding registrar (相應登記機構), in relation to any prescribed securities, means the approved securities registrar acting as the securities registrar (as defined by section 12 of the Securities and Futures (Stock Market Listing) Rules (Cap. 571 sub. leg. V)) for those securities;

corresponding UNSRT system (相應無紙證券登記及轉讓系統), in relation to any prescribed securities that are participating securities, means the UNSRT system through which title to those securities may be evidenced and transferred without an instrument;

dematerialization request (去實物化請求), in relation to any number of units of prescribed securities, means a request to dematerialize that number of units of those securities;

dematerialize (去實物化), in relation to any number of units of prescribed securities, means converting that number of units of those securities from certificated form to uncertificated form;

governing provisions (管限條文), in relation to any prescribed securities, means—

(a) for shares in a corporation—

(i) the provisions of the constitution of the corporation; and

(ii) the terms of issue of the shares; and

(b) for any other prescribed securities—the terms of issue of those securities;

issuer (發行人), in relation to any prescribed securities, means—

(a) for shares, other than shares that constitute interests in an authorized CIS—the corporation the share capital of which is constituted by such shares;

(b) for depositary receipts—

(i) the person who issues the receipts; and

(ii) the person who issues the securities represented by the receipts;

(c) for stapled securities—the person who issues the securities constituted by the stapling;

(d) for interests in an authorized CIS—

(i) the person who operates the authorized CIS; and

(ii) the person who manages the property in respect of which the authorized CIS is operated;

(e) for subscription warrants—the person who issues the warrants; and

(f) for rights under a rights issue—the person who issues the rights;

message (訊息) means a message to instruct, elect, accept, confirm, notify or otherwise give information of any kind on a matter relating to prescribed securities;

messaging facilities (訊息傳遞設施), in relation to any prescribed securities, means any electronic facilities provided for communicating messages relating to those securities;

participating securities (參與證券)—see rule 4;

provisional system-member (臨時系統成員), in relation to a UNSRT system operated by an approved securities registrar, means—

(a) a person who, having yet to complete the registrar's procedures for using the system, is permitted by the registrar to use the system for evidencing (but not transferring) title to prescribed securities held, or to be held, by the person without an instrument; or

(b) 2 or more such persons who are so permitted in respect of prescribed securities held, or to be held, by them jointly;

register of holders (持有人登記冊), in relation to any prescribed securities—

(a) means the register of holders of those securities kept under rule 5; and

(b) includes a register kept under any applicable law or governing provisions that is, by virtue of rule 5(7), taken as kept under rule 5;

registered holder (登記持有人), in relation to any prescribed securities, means a person entered in the register of holders of those securities as a holder of those securities;

Example—

(a) for shares in a company—a person entered in the register of members of the company as a member of the company;

(b) for shares in an open-ended fund company—a person entered in the register of shareholders of the company as a shareholder of the company; and

(c) for units in a unit trust scheme—a person entered in the register of the holders of registered units under the scheme as a holder of any such unit.

rematerialize (重新實物化), in relation to any number of units of prescribed securities, means converting that number of units of those securities from uncertificated form to certificated form;

specified request (指明請求), in relation to any prescribed securities, means a request for registration of the transfer of those securities that consists of authenticated messages or, to the extent permitted by the issuer of those securities under rule 13(3), written instructions;

system-member (系統成員), in relation to a UNSRT system operated by an approved securities registrar, means—

(a) a person who, having completed the registrar's procedures for using the system, is permitted by the registrar to use the system for evidencing and transferring title to prescribed securities held, or to be held, by the person without an instrument; or

(b) 2 or more such persons who are so permitted in respect of prescribed securities held, or to be held, by them jointly;

terms of issue (發行條款), in relation to any prescribed securities, has the meaning given by section 101AAD(3) of the Ordinance;

title instrument (所有權文書), in relation to any prescribed securities, means a certificate or other instrument issued by the issuer of those securities for evidencing title to those securities;

unit (單位), in relation to any prescribed securities, means the smallest possible transferable unit of those securities.

Example—

(a) a share in a corporation; and

(b) a unit in a unit trust scheme.

(2) For the purposes of these Rules, prescribed securities are in the process of delisting if the corresponding exchange company for those securities—

(a) has received an application for those securities to cease to be listed;

(b) has been directed by the Commission to cancel the listing of those securities; or

(c) has decided to cancel the listing of those securities, whether pursuant to an application or direction mentioned in paragraph (a) or (b) or otherwise.

(3) For the purposes of these Rules, where more than one person is the issuer of any prescribed securities—

(a) a power conferred on the issuer of those securities may be exercised by any one or more such persons;

(b) a duty imposed on the issuer of those securities is regarded as performed by all such persons so long as any one or more of them perform the duty; and

(c) a prohibition imposed on the issuer of those securities is regarded as contravened by all such persons if any one or more of them contravene the prohibition.

3. Evidence and transfer of title without instrument

(1) For the purposes of section 101AAC(1) of the Ordinance, title to prescribed securities may be evidenced without an instrument by a record in the register of holders of those securities as described in rule 11(2).

(2) For the purposes of section 101AAC(2)(b) of the Ordinance, title to prescribed securities may be transferred without an instrument by a specified request that complies with rule 13(2) or 14(3).

4. Participating securities

(1) For the purposes of these Rules—

(a) prescribed securities become participating securities on their participation date; and

(b) such securities cease to be participating securities only at the time when they cease to be listed.

(2) For the purposes of subrule (1)(a)—

(a) the issuer of any prescribed securities may, in accordance with the rules of the corresponding exchange company for those securities, publish a date (or any revised date) as the date on which the securities are to become participating securities; and

(b) the participation date must not be earlier than—

(i) the date on which the issuer has taken all necessary steps for enabling title to those securities to be evidenced and transferred without an instrument using a UNSRT system operated by an approved securities registrar; and

(ii) the date confirmed by the approved securities registrar as the date starting from which the UNSRT system may be used for evidencing and transferring title to those securities without an instrument.

(3) In this rule—

participation date (參與日期), in relation to any prescribed securities, means the date (or, if such a date is revised, the date last revised) published under subrule (2)(a) in relation to those securities.

Part 2

Register of Holders

5. Issuer must keep register of holders

(1) The issuer of any prescribed securities must keep in the English or Chinese language a register of holders of those securities.

(2) The register of holders must contain—

(a) the name and address of each holder of the prescribed securities;

(b) the date on which each person was entered in the register as a holder of those securities; and

(c) the date on which any person ceased to be a holder of those securities.

(3) The register of holders must also contain, for each person entered as a holder of the prescribed securities, a record indicating—

(a) the number of units of those securities held by the person; and

(b) subject to subrule (4), the number of any such units held in uncertificated form (***uncertificated holding***).

Note—

For the purposes of the Ordinance (see section 1AB of Part 1 of Schedule 1 to the Ordinance), the Stamp Duty Ordinance (Cap. 117) (see section 2(7) of that Ordinance) and the Companies Ordinance (Cap. 622) (see section 2(3A) of that Ordinance)—

(a) any units of prescribed securities that are recorded under subrule (3)(b) as being held in uncertificated form are "in uncertificated form"; and

(b) any units that are not so recorded are "in certificated form".

(4) Without limiting any circumstances requiring rectification of the register of holders, a record indicating the uncertificated holding of a person may be added, amended or removed only if that is necessary to reflect—

(a) a dematerialization or rematerialization of any units of the prescribed securities, or the issue of any new units of the prescribed securities in uncertificated form, in accordance with these Rules;

(b) a transfer, transmission or cancellation of any units of the prescribed securities that are in uncertificated form; or

(c) an action taken by the issuer of those securities that relates to any right or interest in or arising from any units of the prescribed securities.

(5) The issuer must enter in the register of holders the particulars required under subrules (2) and (3) as soon as reasonably practicable after receiving sufficient information and documents to do so.

(6) For a person mentioned in subrule (2)(c), all entries in the register of holders relating to the person on the date on which the person ceased to be a holder of the prescribed securities may be destroyed after the end of 10 years from that date.

(7) For the purposes of these Rules, a register kept under any applicable law or governing provisions of any prescribed securities may be taken as a register of holders kept under this rule by the issuer of those securities if the register contains particulars in respect of those securities that are equivalent to the particulars specified in subrules (2) and (3).

Note—

The following are examples of a register kept under applicable law or governing provisions—

(a) for shares in a company—the register of members of the company kept under section 627 of the Companies Ordinance (Cap. 622);

(b) for shares in an open-ended fund company—the register of shareholders of the company kept under rule 67 of the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571 sub. leg. AQ);

(c) for units in a unit trust scheme—the register of the holders of registered units under the scheme kept under section 33 of the Stamp Duty Ordinance (Cap. 117); and

(d) for depositary receipts—a register of depositary receipt holders kept under the governing provisions of the receipts (if so provided).

(8) An issuer that contravenes subrule (1) or (5) commits an offence and is liable on conviction to a fine at level 4 and, in the case of a continuing offence, to a further fine of $700 for each day during which the offence continues.

6. Issuer must give notice of change in register of holders where uncertificated holding is involved

(1) This rule applies if—

(a) the issuer of any prescribed securities effects a change to an entry in the register of holders of those securities; and

(b) the entry relates to—

(i) any uncertificated holding (within the meaning of rule 5(3)(b)) of a person; or

(ii) any other particular (except any number of units of securities held in certificated form) of such a person.

(2) The issuer must, as soon as reasonably practicable, and in any event within the time specified in subrule (3), after effecting the change, give a notice containing the information specified in subrule (4) to the person, without charge, by—

(a) sending the notice in electronic form to an electronic address specified by the person; or

(b) sending the notice in hard copy form by post to the last known address of the person.

(3) The time specified for subrule (2) is—

(a) if the notice is sent in electronic form—1 business day; or

(b) if the notice is sent in hard copy form—3 business days.

(4) The information specified for subrule (2) is—

(a) a confirmation that the change has been effected;

(b) the details of the change effected; and

(c) the date on which the change was effected.

(5) An issuer that, without reasonable excuse, contravenes subrule (2) commits an offence and is liable on conviction to a fine at level 4 and, in the case of a continuing offence, to a further fine of $700 for each day during which the offence continues.

(6) In this rule—

change (變更), in relation to an entry in a register of holders, includes any revision, addition or deletion of the entry or any particular in the entry.

7. Inspection of entries in register of holders

(1) A person is entitled, on request and without charge, to—

(a) inspect any entry made in relation to that person in the register of holders of any prescribed securities; and

(b) during the course of the inspection, make a copy of any such entries.

(2) Subject to subrule (3), the issuer of any prescribed securities must, during business hours, make the register of holders of those securities available for a person's inspection of their entries under subrule (1)(a).

(3) For the purposes of subrule (2), the issuer—

(a) is not required to make available for inspection any part of the register of holders that is closed in accordance with any applicable law or governing provisions of the prescribed securities; and

(b) may impose any reasonable restrictions regarding how the register is made available for inspection, so long as the register is so available for at least 2 hours per day.

(4) If the issuer makes the register of holders available for a person's inspection of their entries under subrule (1)(a), the issuer—

(a) must permit the person to make a copy of any such entries under subrule (1)(b); but

(b) is not required to assist the person to make any such copy.

(5) An issuer that, without reasonable excuse, contravenes subrule (2) or (4) commits an offence and is liable on conviction to a fine at level 4.

8. Request for copy of entries in register of holders

(1) A person is entitled, on request and payment of a specified fee, to be provided with a copy of—

(a) any entry made in relation to that person in the register of holders of any prescribed securities; and

(b) subject to subrule (2), any entry made in relation to that person that was—

(i) previously included in the register; but

(ii) subsequently amended or removed.

(2) Subrule (1)(b) does not apply to an entry made in relation to a person if—

(a) the request made by the person does not contain sufficient particulars to enable identification of the entry; or

(b) the entry has been destroyed without contravening any applicable law or governing provisions of those securities.

(3) The issuer of any prescribed securities must, within 10 business days after receiving a request made by a person under subrule (1) and the specified fee, provide a copy of the entry to which the request relates to the person in the following form—

(a) if the person requests the copy to be in hard copy form—in hard copy form; or

(b) if the person requests the copy to be in electronic form—in any electronic form that the issuer considers appropriate.

(4) An issuer that, without reasonable excuse, contravenes subrule (3) commits an offence and is liable on conviction to a fine at level 4.

(5) In this rule—

electronic form (電子形式) includes in the form of an electronic record as defined by section 2(1) of the Electronic Transactions Ordinance (Cap. 553);

hard copy form (印本形式) means in a paper form or similar form capable of being read;

specified fee (指明費用), in relation to a request made under subrule (1) to an issuer, means a fee specified by the issuer, which must not exceed the aggregate of—

(a) $5 for each 10 entries (or any part of those 10 entries) to which the request relates; and

(b) any reasonable costs incurred by the issuer in delivering a copy of the entries to the person requesting it.

9. Limit on closure period of register of holders

(1) This rule applies if—

(a) the register of holders of any prescribed securities may be closed under any applicable law or governing provisions of those securities; and

(b) the securities are participating securities.

Example—

(a) the register of members of a company may be closed under section 632 of the Companies Ordinance (Cap. 622); and

(b) the register of shareholders of an open-ended fund company may be closed under rule 70 of the Securities and Futures (Open-ended Fund) Rules (Cap. 571 sub. leg. AQ).

(2) Subject to subrule (3), the register of holders may be closed each time only for a period of not more than—

(a) 2 consecutive business days; or

(b) any longer period during which trading in the prescribed securities is suspended.

(3) The Commission may, by notice in writing served on the issuer of any prescribed securities—

(a) exempt the securities from subrule (2) for a period specified in the exemption if the Commission is satisfied that—

(i) none of the units of those securities is in uncertificated form; and

(ii) it would not be in the interest of the investing public or in the public interest to apply that subrule to the closure of the register of holders of those securities;

(b) impose any condition the Commission considers appropriate in relation to the exemption; and

(c) amend or revoke—

(i) the exemption; or

(ii) any condition imposed in relation to the exemption.

(4) In this rule, a reference to the closure of a register of holders includes a closure of any part of it.

10. Power of court to rectify register of holders

(1) A person specified in subrule (2) may apply to the Court of First Instance for rectification of the register of holders of any prescribed securities in respect of any of the following matters—

(a) that the name of any person is, without sufficient cause, entered in or omitted from the register;

(b) that default is made or unnecessary delay takes place in entering in the register the fact of any person having ceased to be a holder of those securities; or

(c) that a record indicating any of the following matters is, without sufficient cause, entered in or omitted from the register—

(i) that a number of units of those securities are held by any person;

(ii) that a number of units of those securities held by any person are held in uncertificated form.

(2) The person specified for subrule (1) is—

(a) any person aggrieved;

(b) any registered holder of the prescribed securities; or

(c) the issuer of those securities.

(3) On an application made under subrule (1), the Court of First Instance may—

(a) refuse the application; or

(b) make any of the following orders—

(i) an order to rectify the register of holders;

(ii) an order on the issuer to pay damages for any loss sustained by any party aggrieved.

(4) In determining the application under subrule (3), the Court of First Instance may—

(a) if the application is made in respect of a matter specified in subrule (1)(a) or (c), decide any question relating to the title of any person who is a party to the application, whether the question arises—

(i) between holders or alleged holders of the prescribed securities; or

(ii) between holders or alleged holders on the one hand and the issuer of those securities on the other hand; and

(b) generally decide any question necessary or expedient to be decided for rectification of the register of holders.

(5) This rule applies to the extent to which the application is neither prohibited under nor in conflict or inconsistent with any other enactment governing the rectification of the register of holders of any prescribed securities.

Example—

(a) for rectification of the register of members of a company—see section 633 of the Companies Ordinance (Cap. 622); and

(b) for rectification of the register of shareholders of an open-ended fund company—see rule 71 of the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571 sub. leg. AQ).

11. Effect of entries on register of holders

(1) In the absence of evidence to the contrary, the register of holders of any prescribed securities is proof of any matters that are by these Rules required or authorized to be entered in it.

(2) Without limiting subrule (1), a record in the register of holders indicating that any number of units of the prescribed securities are held by a person in uncertificated form is, in the absence of evidence to the contrary, proof of the person's title to that number of units of those securities.

Part 3

Registration of Transfer

12. Registration of transfer on basis of instrument of transfer

(1) The issuer of any prescribed securities may refuse to register a transfer of any number of units of those securities (***subject units***) on the basis of an instrument of transfer if—

(a) the instrument does not comply with subrule (2); or

(b) the subject units are in uncertificated form.

(2) For subrule (1)(a), an instrument of transfer must specify any particulars reasonably required by the issuer for—

(a) updating the register of holders of the prescribed securities to reflect the transfer; or

(b) any other purpose relating to—

(i) the transfer; or

(ii) any right, benefit or privilege attaching to, or arising from, the subject units being transferred.

(3) Subrule (1) does not limit or otherwise affect any other ground on which the issuer may refuse to register a transfer of the prescribed securities.

Note—

See also the following provisions, which refer to an instrument of transfer as required under these Rules—

(a) for the registration of a transfer of shares in a company—sections 150 and 151 of the Companies Ordinance (Cap. 622);

(b) for the registration of a transfer of shares in an open-ended fund company—rules 60 and 61 of the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571 sub. leg. AQ); and

(c) for the registration of a transfer of units in a unit trust scheme—section 36 of the Stamp Duty Ordinance (Cap. 117).

13. Registration of transfer on basis of specified request

(1) The issuer of any prescribed securities may refuse to register a transfer of any number of units of those securities (***subject units***) on the basis of a specified request if—

(a) the request does not comply with subrule (2);

(b) the subject units are in certificated form;

(c) the securities are in the process of delisting; or

(d) it is not reasonably practicable for the transfer to be registered on the basis of a specified request.

(2) For subrule (1)(a), a specified request must—

(a) subject to subrule (3), consist of—

(i) an authenticated message attributable to the transferor; and

(ii) an authenticated message attributable to the transferee; and

(b) specify any particulars reasonably required by the issuer for—

(i) updating the register of holders of the prescribed securities to reflect the transfer; or

(ii) any other purpose relating to—

(A) the transfer; or

(B) any right, benefit or privilege attaching to, or arising from, the subject units being transferred.

(3) The issuer may permit a specified request to consist of a written instruction in place of an authenticated message mentioned in subrule (2)(a)(i) or (ii) if the issuer is satisfied that—

(a) it is not reasonably practicable in the circumstances for such an authenticated message to be sent; and

(b) the written instruction is given by, or with the authority of, the transferor or transferee (as the case may be).

(4) Subrule (1) does not limit or otherwise affect any other ground on which the issuer may refuse to register a transfer of the prescribed securities.

Note—

See also the following provisions, which refer to a specified request as required under these Rules—

(a) for the registration of a transfer of shares in a company—sections 150 and 151 of the Companies Ordinance (Cap. 622);

(b) for the registration of a transfer of shares in an open-ended fund company—rules 60 and 61 of the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571 sub. leg. AQ); and

(c) for the registration of a transfer of units in a unit trust scheme—section 36 of the Stamp Duty Ordinance (Cap. 117).

14. Acquisition of shares on buying out of minority shareholders

(1) This rule applies in relation to an offeror who is, by virtue of section 695(2) of the Companies Ordinance (Cap. 622), entitled and bound to acquire any shares in a company that are prescribed securities from the holder of those shares (***shareholder***).

(2) An instrument of transfer of shares sent under section 696(3A)(a) of the Companies Ordinance (Cap. 622) must—

(a) be executed on behalf of the shareholder by a person appointed by the offeror; and

(b) specify any particulars reasonably required by the company for—

(i) updating the register of members of the company to reflect the acquisition; or

(ii) any other purpose relating to—

(A) the acquisition; or

(B) any right, benefit or privilege attaching to, or arising from, the shares being acquired.

(3) A specified request in relation to shares sent under section 696(3A)(b) of the Companies Ordinance (Cap. 622) must—

(a) consist of—

(i) an authenticated message attributable to a person acting on behalf of the shareholder and appointed by the offeror; and

(ii) an authenticated message attributable to the offeror; and

(b) specify any particulars reasonably required by the company for—

(i) updating the register of members of the company to reflect the acquisition; or

(ii) any other purpose relating to—

(A) the acquisition; or

(B) any right, benefit or privilege attaching to, or arising from, the shares being acquired.

Part 4

Authenticated Message

Division 1—Use of Authenticated Message

15. What is authenticated message

(1) A message is an authenticated message if—

(a) the message relates to prescribed securities that are participating securities;

(b) the message is sent using messaging facilities provided by—

(i) the corresponding clearing house for those securities; or

(ii) the corresponding registrar for those securities;

(c) the message is sent in accordance with the operating rules of those facilities; and

(d) the message is, in accordance with the operating rules of those facilities, expressed or otherwise identifiable as a communication between—

(i) the issuer and a registered holder;

(ii) the issuer and a transferee; or

(iii) an offeror and a registered holder.

(2) In this rule—

issuer (發行人), in relation to a message relating to any prescribed securities, means the issuer of those securities;

offeror (要約人), in relation to a message relating to any prescribed securities, means a person who makes an offer in relation to those securities that is regulated by, and made in accordance with—

(a) a code published under section 399(2) of the Ordinance; or

(b) any applicable law or other regulatory requirement of a jurisdiction outside Hong Kong on matters of a nature similar to those mentioned in that section;

operating rules (運作規則), in relation to any messaging facilities, means—

(a) if the facilities are operated by a recognized clearing house—any rules of the recognized clearing house that govern the communication of messages using those facilities; or

(b) if the facilities are operated by an approved securities registrar—any rules, procedures, terms of use or any other specifications adopted by the registrar that govern the communication of messages using those facilities;

registered holder (登記持有人), in relation to a message relating to any prescribed securities, means a registered holder of those securities;

transferee (受讓人), in relation to a message relating to any prescribed securities, means a person to whom the securities are, according to the message, to be transferred.

16. Attribution of authenticated message

(1) An authenticated message relating to prescribed securities is attributable to a person if the message is, in accordance with the operating rules (as defined by rule 15(2)) of the messaging facilities used to send the message, expressed or otherwise identifiable as being sent by or on behalf of the person.

(2) To avoid doubt—

(a) an authenticated message may be attributable to more than one person; and

(b) if an authenticated message is expressed or otherwise identifiable as being sent by a person on behalf of another person, the message is attributable to both persons.

17. Addressee of authenticated message

(1) A person is an addressee of an authenticated message relating to prescribed securities if the message is, in accordance with the operating rules (as defined by rule 15(2)) of the messaging facilities used to send the message, expressed or otherwise identifiable as being addressed to the person, whether as an agent of another person or not.

(2) To avoid doubt—

(a) an authenticated message may have more than one addressee; and

(b) if an authenticated message is expressed or otherwise identifiable as being addressed to a person as an agent of another person, both persons are the addressees of the message.

Division 2—Effect of Authenticated Message

18. Application of this Division

(1) This Division applies in relation to an authenticated message relating to—

(a) a right, benefit or privilege attaching to, or arising from, the prescribed securities to which the message relates; or

(b) the particulars of a registered holder of those securities (whether such particulars are required to be entered into the register of holders of those securities or not).

(2) Subject to rule 21(4), this Division has effect without prejudice to the liability of any person for causing or permitting a message—

(a) to contain information that is incorrect;

(b) to be expressed or otherwise identifiable as being sent by a person who did not send the message; or

(c) to be sent without authority.

19. Authenticated message sent by oneself

(1) This rule applies if—

(a) an authenticated message is attributable to a person because the message is expressed or otherwise identifiable as being sent by the person; and

(b) the message is not expressed or otherwise identifiable as being sent on behalf of another person.

(2) The person mentioned in subrule (1)(a) is not entitled to deny to the addressee any of the following—

(a) that the information contained in the authenticated message is correct;

(b) that the person has sent the message.

20. Authenticated message sent on behalf of another person

(1) This rule applies if an authenticated message is expressed or otherwise identifiable as being sent on behalf of a person (***principal***) by another person (***agent***) and, accordingly, attributable to both the principal and the agent.

(2) The principal is not entitled to deny to the addressee any of the following—

(a) that the authenticated message was sent with the principal's authority;

(b) that the information contained in the message is correct.

(3) The agent is not entitled to deny to the addressee any of the following—

(a) that the agent has authority to send the authenticated message;

(b) that the agent has sent the message.

21. Right of addressee to rely on authenticated message

(1) An addressee who receives an authenticated message may, subject to subrule (2), accept that at the time when the message was sent and at any time after that—

(a) the information contained in the message was correct; and

(b) the following applies in respect of any person to whom the message is attributable—

(i) if the message is attributable to a person as described in rule 19—the person has sent the message; or

(ii) if the message is attributable to a principal and an agent as described in rule 20—

(A) the message was sent with the principal's authority; and

(B) the agent has sent the message.

(2) Subject to subrule (3), an addressee may not accept any of the matters specified in subrule (1) in respect of an authenticated message if, at the time when the addressee received the message or at any time after that, the addressee had actual notice that—

(a) any information contained in the message was incorrect; or

(b) the following applies in respect of any person to whom the message is attributable—

(i) if the message is attributable to a person as described in rule 19—the person did not send the message; or

(ii) if the message is attributable to a principal and an agent as described in rule 20—

(A) the message was not sent with the principal's authority; or

(B) the agent did not send the message.

(3) Despite an addressee having actual notice of a matter mentioned in subrule (2) in respect of an authenticated message (***known matter***), the addressee may accept the matters specified in subrule (1) if, at the time when the known matter came to the addressee's actual notice, it was not reasonably practicable for the addressee to stop processing the message.

(4) A person who is permitted by this rule to accept any matter is not liable in damages or otherwise to any person by reason of relying on the matter.

Part 5

Dematerialization on Request

22. Dematerialization at request of registered holder

(1) This rule applies if—

(a) any prescribed securities are participating securities; and

(b) any units of those securities held by a registered holder of those securities are in certificated form (***certificated units***).

(2) The issuer of the prescribed securities may, at the request of the registered holder, dematerialize any number of the certificated units (***subject units***) if—

(a) the registered holder is a system-member of the corresponding UNSRT system for those securities; and

(b) the issuer has received—

(i) a dematerialization request made by the registered holder in relation to the subject units; and

(ii) subject to subrule (3), a valid title instrument issued to the registered holder covering the subject units.

(3) The issuer is not required to have received a valid title instrument mentioned in subrule (2)(b)(ii) if—

(a) in accordance with the governing provisions of the prescribed securities, no such title instrument has been issued; or

(b) the issuer is satisfied that the valid title instrument is lost or damaged.

(4) On receiving the dematerialization request and, if applicable, the title instrument mentioned in subrule (2)(b), the issuer must, as soon as reasonably practicable, decide whether to accept or refuse the request.

(5) If the issuer decides to accept the dematerialization request, the issuer must, as soon as reasonably practicable—

(a) dematerialize the subject units by recording in the register of holders of the prescribed securities that the subject units are held by the registered holder in uncertificated form; and

(b) if applicable—

(i) cancel the title instrument received in relation to the request or that is lost or damaged; and

(ii) record the cancellation of the title instrument in the register.

(6) If the issuer decides to refuse the dematerialization request, the issuer must, as soon as reasonably practicable, give the registered holder a notice of the decision with reasons.

(7) An issuer that, without reasonable excuse, contravenes subrule (4), (5) or (6) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

23. Dematerialization at request of transferee

(1) This rule applies if—

(a) any prescribed securities are participating securities;

(b) any units of those securities held by a person (***transferor***) are in certificated form (***certificated units***); and

(c) the issuer of those securities is requested to register a transfer of any number of the certificated units from the transferor to another person (***transferee***).

(2) The issuer of the prescribed securities may, at the request of the transferee, dematerialize any number of the certificated units being transferred (***subject units***) if—

(a) the transferee is a system-member of the corresponding UNSRT system for those securities;

(b) the issuer has received—

(i) a dematerialization request made by the transferee in respect of the subject units; and

(ii) subject to subrule (3), valid title instruments issued to transferor that are sufficient to cover the subject units; and

(c) the issuer is satisfied that the transfer may be registered.

(3) The issuer is not required to have received a valid title instrument mentioned in subrule (2)(b)(ii) that covers a number of the subject units if—

(a) in accordance with the governing provisions of the prescribed securities, no such title instrument has been issued; or

(b) the issuer is satisfied that the valid title instrument is lost or damaged.

(4) Subrule (3) does not affect the operation of subrule (2)(b)(ii) in respect of any other valid title instruments required for covering any number of the subject units other than those covered by subrule (3).

(5) On receiving the dematerialization request and, to the extent applicable, the title instruments mentioned in subrule (2)(b), the issuer must, as soon as reasonably practicable, decide whether to accept or refuse the request.

(6) If the issuer decides to accept the dematerialization request, the issuer must, as soon as reasonably practicable—

(a) register the transfer;

(b) dematerialize the subject units by recording in the register of holders of the prescribed securities that the subject units are held by the transferee in uncertificated form; and

(c) to the extent applicable—

(i) cancel the title instruments received in relation to the request or that are lost or damaged; and

(ii) record the cancellation of the title instruments in the register.

(7) If the issuer decides to refuse the dematerialization request, the issuer must, as soon as reasonably practicable—

(a) give the transferee a notice of the decision with reasons; and

(b) refuse to register the transfer.

(8) An issuer that, without reasonable excuse, contravenes subrule (5), (6) or (7) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

24. Form etc. for dematerialization request

(1) The issuer of any prescribed securities may specify the form and manner in which a dematerialization request relating to those securities is to be made.

(2) Without limiting any other ground on which a dematerialization request relating to the prescribed securities may be refused, the issuer may refuse such a request if the request—

(a) is not made in the form or manner specified under subrule (1); or

(b) is not accompanied by the fee, if any, charged by the corresponding registrar for those securities in relation to the request.

Part 6

Issuer's Authority on Dematerialization etc.

25. Dematerialization without request

(1) This rule applies if—

(a) any prescribed securities are participating securities; and

(b) any units of those securities that are held, or to be held, by a person (***subject person***) are in certificated form (***certificated units***).

(2) The issuer of the prescribed securities may, on its own initiative and without a dematerialization request, dematerialize any number of the certificated units (***subject units***) if—

(a) the subject person is a system-member or provisional system-member of the corresponding UNSRT system for those securities; and

(b) subject to subrule (3), the issuer has received a valid title instrument covering the subject units that was issued to—

(i) the subject person; or

(ii) the person from whom the subject person will receive the subject units.

(3) The issuer is not required to have received a valid title instrument mentioned in subrule (2)(b) if—

(a) in accordance with the governing provisions of the prescribed securities, no such title instrument has been issued; or

(b) the issuer is satisfied that the valid title instrument is lost or damaged.

(4) Without limiting subrule (2), the issuer may dematerialize the subject units under that subrule in any of the following circumstances—

(a) where the issuer is requested to register a transfer of—

(i) the subject units; or

(ii) any other units of the prescribed securities that are covered by the same valid title instrument as the subject units;

(b) where the issuer is requested to issue a title instrument in replacement of a lost or damaged one that covers the subject units;

(c) where an event occurs that, but for these Rules, would require or entitle the issuer to issue a title instrument to cover the subject units.

(5) If the issuer decides to dematerialize the subject units, the issuer must, as soon as reasonably practicable—

(a) dematerialize the subject units by recording in the register of holders of the prescribed securities that the subject units are held by the subject person in uncertificated form; and

(b) if applicable—

(i) cancel the title instrument received or that is lost or damaged; and

(ii) record the cancellation of the title instrument in the register.

(6) An issuer that, without reasonable excuse, contravenes subrule (5) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

26. Issue of new units in uncertificated form

(1) This rule applies if—

(a) any prescribed securities are participating securities; and

(b) any units of those securities (***new units***) are to be issued to a person.

(2) The issuer of the prescribed securities may issue the new units to the person mentioned in subrule (1)(b) as units in uncertificated form if the person is a system-member or provisional system-member of the corresponding UNSRT system for those securities.

(3) If the issuer decides to issue any new units to a person as units in uncertificated form under subrule (2), the issuer—

(a) must, as soon as reasonably practicable, record in the register of holders of the prescribed securities that the new units are held by the person in uncertificated form; and

(b) must not issue any title instrument to cover the new units.

(4) An issuer that, without reasonable excuse, contravenes subrule (3) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

27. Rematerialization in contemplation of delisting

(1) This rule applies if—

(a) any prescribed securities are in the process of delisting; and

(b) any units of those securities held by a registered holder of those securities are in uncertificated form (***subject units***).

(2) The issuer of the prescribed securities must—

(a) before the securities cease to be listed, rematerialize the subject units by removing from the register of holders of those securities all records that the subject units are held by the registered holder in uncertificated form; and

(b) if the governing provisions of those securities so require, issue to the registered holder one or more title instruments covering the subject units as soon as reasonably practicable after the rematerialization.

(3) For the purposes of subrule (2)(b), if the registered holder is a recognized clearing house or its nominee and so specifies, the title instruments must be in the number, and each in the denomination, specified by the clearing house or nominee.

(4) The issuer must also, in the notice it gives under rule 6(2) in respect of the removal of records under subrule (2)(a), state—

(a) whether the registered holder is entitled to be issued any title instrument in relation to the subject units; and

(b) if so, when and how such title instrument may be obtained.

(5) An issuer that, without reasonable excuse, contravenes subrule (2), (3) or (4) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

Part 7

Transition to Full Dematerialization

28. Prescribed securities to become participating securities

(1) The issuer of any specified prescribed securities (except subscription warrants or rights under a rights issue) the listing date of which falls on or before the implementation date must ensure that those securities become participating securities on or before the earlier of—

(a) the specified date for those securities; and

(b) the participation deadline.

(2) The issuer of any specified prescribed securities (except subscription warrants or rights under a rights issue) the listing date of which falls after the implementation date must ensure that those securities become participating securities on or before—

(a) the listing date; or

(b) if a notice is given under subrule (5) in respect of those securities—the earlier of—

(i) the specified date for those securities; and

(ii) the participation deadline.

(3) The issuer of any prescribed securities that are subscription warrants or rights under a rights issue must, if their underlying securities are participating securities at the time when the warrants or rights are issued, ensure that the warrants or rights become participating securities on or before the listing date of those warrants or rights.

(4) For the purposes of subrule (1)(a)—

(a) a date must be specified for any specified prescribed securities to which that subrule applies as the date by which those securities must become participating securities; and

(b) such a date must be specified, by notice in writing served on the issuer of those securities—

(i) by the corresponding parties for those securities; or

(ii) if the corresponding parties notify the Commission that they are unable to agree on such a date—by the Commission.

(5) For the purposes of subrule (2)(b), within 1 year after the implementation date and before the listing date of any specified prescribed securities to which that subrule applies, the corresponding exchange company for those securities may, if it is satisfied of the matters specified in subrule (6), by notice in writing served on the issuer of those securities—

(a) allow those securities to become participating securities on a date later than the listing date of those securities; and

(b) specify a date as the date by which those securities must become participating securities.

(6) The matters specified for subrule (5) are—

(a) that there are exceptional circumstances justifying the securities becoming participating securities after the listing date; and

(b) that requiring the securities to become participating securities on the listing date would cause unreasonable delay to the intended listing date.

(7) A person who specifies a date under subrule (4) or (5) in relation to any specified prescribed securities may, in addition to any other matter the person considers relevant, have regard to—

(a) the number of title instruments that are issued in respect of those securities and still in circulation;

(b) the number of registered holders of those securities;

(c) any time reasonably needed for amending the governing provisions of those securities to allow those securities to become participating securities;

(d) any impact an intended specified date may have on the proper and orderly completion of any pending event (such as an entitlement distribution, consolidation or subdivision) concerning those securities; and

(e) any factor relevant to arranging for all specified prescribed securities to become participating securities on or before the participation deadline in an orderly manner.

(8) A date specified under subrule (4) or (5) in respect of any specified prescribed securities may be revised or cancelled in the same manner as it was specified.

(9) An issuer that, without reasonable excuse, contravenes subrule (1), (2) or (3) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

(10) In this rule—

corresponding parties (相應人士), in relation to any prescribed securities, means—

(a) the corresponding registrar for those securities;

(b) the corresponding clearing house for those securities; and

(c) the corresponding exchange company for those securities;

implementation date (實施日期) means the date on which these Rules come into operation;

listing date (上市日期), in relation to any prescribed securities, means the first date on which dealings in those securities on the recognized stock market operated by the corresponding exchange company for those securities is allowed to take place;

participation deadline (參與期限) means the expiry of 5 years after the implementation date;

specified date (指明日期), in relation to any prescribed securities to which subrule (1) or (2) applies, means—

(a) the date specified under subrule (4) or (5) in respect of those securities; or

(b) if such a date is revised under subrule (8)—the date as revised;

specified prescribed securities (指明訂明證券) means—

(a) prescribed securities that are shares in a body corporate incorporated in a place specified in the Schedule; or

(b) any other prescribed securities that are constituted under the law of a place specified in the Schedule;

underlying securities (相關證券), in relation to any prescribed securities that are subscription warrants or rights under a rights issue, means the securities that the holder of those warrants or rights is entitled to subscribe for.

29. New units not to be issued in certificated form

(1) The issuer of any prescribed securities that are participating securities must not issue any units of those securities as units in certificated form.

(2) An issuer that, without reasonable excuse, contravenes subrule (1) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

30. No issue of title instrument

(1) The issuer of any prescribed securities that are participating securities must not issue any title instrument to cover any units of those securities.

(2) An issuer that, without reasonable excuse, contravenes subrule (1) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

31. Dematerialization of securities held by recognized clearing house

(1) This rule applies to units of prescribed securities—

(a) the registered holder of which is a recognized clearing house or its nominee; and

(b) covered by a valid title instrument held in the custody of the recognized clearing house in accordance with its rules.

(2) Each of the following persons must ensure that the units of prescribed securities mentioned in subrule (1) (***target units***) are dematerialized within 6 months after the date on which those securities become participating securities—

(a) the issuer of those securities; and

(b) the recognized clearing house which is, or the nominee of which is, the registered holder of the target units.

(3) An issuer or a recognized clearing house that, without reasonable excuse, contravenes subrule (2) commits an offence and is liable on conviction to a fine at level 4 and in the case of a continuing offence, to a further fine of $700 during each day that the offence continues.

32. Exemptions

(1) This Part does not apply in relation to any prescribed securities that are in the process of delisting.

(2) The Commission may also, on application of a specified person and being satisfied of the matters specified in subrule (3), exempt any prescribed securities from a provision in this Part.

(3) The matters specified for subrule (2) are—

(a) that there are exceptional circumstances justifying the exemption; and

(b) that the exemption would prejudice neither the interest of the investing public nor the public interest.

(4) An exemption under subrule (2)—

(a) must be given by notice in writing served on the specified person applying for the exemption;

(b) may be subject to any condition the Commission considers appropriate as specified in the exemption; and

(c) may, where the provision requires an act to be done by a particular time, take the form of a deferral of such a time, either to another time or until the exemption is revoked.

(5) The Commission may, by notice in writing served on the specified person to whom an exemption under subrule (2) is given, amend or revoke—

(a) the exemption; or

(b) any condition imposed in relation to the exemption.

(6) In this rule—

specified person (指明人士), in relation to any specified securities, means—

(a) for rule 28, 29 or 30—the issuer of those securities; or

(b) for rule 31—

(i) the issuer of those securities; or

(ii) the recognized clearing house mentioned in that rule in relation to those securities.

Schedule

[r. 28]

Places Specified for Specified Prescribed Securities

1. Bermuda

2. Cayman Islands

3. Hong Kong

4. Mainland of China

Julia LEUNG
Chief Executive Officer,
Securities and Futures Commission

22 January 2025

Explanatory Note

The Securities and Futures and Companies Legislation (Amendment) Ordinance 2021 (17 of 2021) introduces an uncertificated securities market regime (***USM regime***) for Hong Kong through, among other amendments, adding a new Part IIIAA to the Securities and Futures Ordinance (Cap. 571) (***SFO***).

2. The main object of these Rules is to provide for the following matters which are integral to the implementation of the USM regime—
   (a) matters concerning the register of holders of prescribed securities (basically securities to which the new Part IIIAA of the SFO applies);
   (b) matters concerning the registration of transfer of prescribed securities;
   (c) matters concerning the use and effect of an authenticated message in relation to prescribed securities; and
   (d) matters concerning the dematerialization and, in limited circumstances, rematerialization of prescribed securities.

Part 1—Preliminary

3. Part 1 sets out preliminary matters. For instance, rule 1 provides for the commencement date of these Rules, which in effect will be the same day as that of the new Part IIIAA of the SFO, while rule 2 provides for the interpretation of terms used in these Rules.

4. One of the major features of the USM regime is the evidence and transfer of titles to prescribed securities without an instrument. In connection with this—

    (a) rule 3 provides the link between the provisions in the new Part IIIAA of the SFO that enable such evidence and transfer and the provisions in these Rules that set out the specific requirements for doing so (see paragraphs 11(b) and 15(a)); and

    (b) rule 4 provides for how prescribed securities may participate in the USM regime, i.e. becoming participating securities.

Part 2—Register of Holders

5. Part 2 provides for matters concerning the register of holders of prescribed securities.

6. Rule 5 requires an issuer of prescribed securities to keep a register of holders of those securities. The register must contain particulars of the holders of those securities and records indicating the number of units of securities held by each holder and, where applicable, the number of such units held in uncertificated form.

7. A unit of securities recorded as being held in uncertificated form in the register is regarded as "in uncertificated form" for the USM regime, and title to such unit (***uncertificated unit***) may be evidenced and transferred without an instrument. In view of this—

    (a) rule 5 also restricts the change of a record in the register that indicates any uncertificated units to cases such as where it is necessary to reflect a dematerialization or rematerialization of units or a transfer, transmission or cancellation of uncertificated units; and

(b) rule 6 requires an issuer to notify the holder concerned if the issuer effects a change to a record in the register where any uncertificated units are involved.

8. Rule 7 requires an issuer to make the register of holders available for a person to inspect any entries made in relation to that person in the register, and make a copy of such entries, without charge. An issuer is also required under rule 8 to provide, subject to a reasonable fee, copies of such entries (and historical entries that have yet to be lawfully destroyed) to the person concerned.

9. Rule 9 limits the closure of the register of holders of any prescribed securities that are participating securities to not more than 2 consecutive business days (or any longer period during which trading in the securities is suspended) each time.

10. Rule 10 provides for the power of the Court of First Instance to rectify the register of holders of any prescribed securities.

11. Rule 11 deals with the legal effect of an entry in a register of holders. For instance—

(a) it provides that the register of holders of any prescribed securities is, subject to evidence to the contrary, proof of any matters required or authorized by these Rules to be entered into it; and

(b) in particular, a person's title to a number of units of prescribed securities may be proved by way of a record in the register indicating that such number of units are held by the person in uncertificated form—this corresponds to the evidence of title without an instrument as mentioned in rule 3(1).

Part 3—Registration of Transfer

12. Part 3 provides for matters concerning the registration of transfer of prescribed securities.

13. Rule 12 deals with the registration of transfer on the basis of an instrument of transfer. For instance—

(a) it specifies the requirements with which an instrument of transfer must comply in order for it to be accepted by an issuer for registration of the transfer concerned; and

(b) it also enables an issuer to refuse to register a transfer on the basis of an instrument of transfer if the units concerned are in uncertificated form.

14. Such power to refuse means that if units are converted into uncertificated form, the issuer has the power to mandate that a transfer of such units is to be effected without an instrument. The transfer will then have to be effected by way of a specified request.

15. Rule 13, on the other hand, deals with the registration of transfer on the basis of a specified request, which is basically an electronic request consisting of authenticated messages. For instance—

(a) it specifies the requirements with which a specified request must comply in order for it to be accepted by an issuer for registration of the transfer concerned—this corresponds to the transfer of title without an instrument as mentioned in rule 3(2); and

(b) it also enables an issuer to refuse to register a transfer on the basis of a specified request if the units concerned are not in uncertificated form, the securities are in the process of delisting or it is not reasonably practicable to do so.

16. If an issuer refuses to register a transfer on the basis of a specified request, the transfer will have to be effected by way of an instrument of transfer.

Part 4—Authenticated Message

17. Part 4 provides for matters concerning the use and effect of an authenticated message in relation to prescribed securities that are participating securities. An authenticated message is basically a message sent in accordance with the operating rules of messaging facilities provided by the corresponding clearing house or registrar.

18. Division 1 of Part 4 provides for matters relating to the use of an authenticated message, including the meaning of an authenticated message (rule 15), to whom an authenticated message is attributable (rule 16) and who an addressee of an authenticated message is (rule 17).

19. Division 2 of Part 4 provides for matters relating to the effect of an authenticated message. For instance—

(a) a person to whom an authenticated message is attributable cannot deny the fact that the message was sent or the correctness of the information contained in the message (rules 19 and 20), while an addressee of an authenticated message can generally rely on the message in these regards (rule 21); and

(b) the scope of authenticated messages to which such effect applies is set out in rule 18.

Part 5—Dematerialization on Request

20. Part 5 provides for matters concerning the dematerialization (basically the conversion of units into uncertificated form) of prescribed securities by the issuer on request.

21. Basically, an issuer of prescribed securities may dematerialize units of those securities at the request of the registered holder (rule 22) or the transferee (rule 23) if—

(a) the securities are participating securities;

(b) the registered holder or transferee is a system-member of the corresponding UNSRT system (basically the computer-based system through which title to those securities may be evidenced and transferred without an instrument); and

(c) if applicable, the issuer has received valid title instruments covering such units.

22. The dematerialization has to be followed by the cancellation of the title instruments, which has to be recorded in the register of holders of the securities concerned.

23. An issuer may refuse a dematerialization request if the request is not made in the form or manner specified by the issuer or not accompanied by the fee, if any, specified by the corresponding registrar (rule 24).

Part 6—Issuer's Authority on Dematerialization etc.

24. Part 6 provides for matters concerning the dematerialization of prescribed securities by the issuer without request and some other matters.

25. Similar to the case of a dematerialization on request, an issuer of prescribed securities may dematerialize units of those securities on its own initiative (rule 25) if—

(a) the securities are participating securities;

(b) the person who holds or will hold the units is a system-member or provisional system-member of the corresponding UNSRT system; and

(c) if applicable, the issuer has received valid title instruments covering such units,

and similar requirements regarding cancellation of the title instruments apply.

26. Rule 26 enables an issuer of prescribed securities to issue new units of those securities in uncertificated form if—

(a) the securities are participating securities; and

(b) the person to whom the units are issued is a system-member or provisional system-member of the corresponding UNSRT system.

27. Rule 27 enables an issuer of prescribed securities to rematerialize (basically to convert units back to certificated form) if the securities are in the process of delisting. Following the rematerialization, the issuer has to issue title instruments to cover the units if the governing provisions of the securities so require.

Part 7—Transition to Full Dematerialization

28. Part 7 provides for matters concerning the transition to a full dematerialization for all prescribed securities generally.

29. Rule 28 provides for the obligation of an issuer of prescribed securities to ensure that the securities become participating securities by a certain deadline.

30. In particular, for prescribed securities other than subscription warrants or rights under a rights issue—
   (a) if they are already listed when the USM regime is implemented—they have to become participating securities by the date specified by the corresponding registrar, clearing house and exchange company or, if such parties cannot agree on such a date, by the Commission;
   (b) if they are listed after the USM regime is implemented—they have to become participating securities by their listing date, unless the corresponding exchange company allows and specifies a later date,

   and any date specified is subject to an overall participation deadline for such securities, which is 5 years after the USM regime is implemented.

31. The above arrangement applies to prescribed securities of a place specified in the Schedule, which currently includes Bermuda, Cayman Islands, Hong Kong and Mainland China.

32. For prescribed securities that are subscription warrants or rights under a rights issue—

    (a) if their underlying securities are already participating securities when the warrants or rights are issued—they also have to become participating securities by their listing date;

    (b) if not—they need not become participating securities even if their underlying securities become participating securities before they expire.

33. On becoming participating securities, the following restrictions apply such that the securities concerned will migrate to dematerialization—

    (a) no new units may be issued in certificated form (rule 29); and

    (b) no title instrument may be issued to cover any units (rule 30).

34. Rule 31 provides for the specific obligation to dematerialize securities held by a recognized clearing house or its nominee (usually on behalf of investors having beneficial ownership of the securities). The units must be dematerialized within 6 months after the securities becoming participating securities.

35. Rule 32 provides for exemptions, including the Commission's power to exempt, from any requirement under Part 7.

Schedule—Places Specified for Specified Prescribed Securities

36. The Schedule specifies places for the purposes of the arrangement mentioned in paragraph 30.