

SMI Markets: Hong Kong

Date: 13 Jun 2014

CMIRR Markets: Hong Kong

CSDs: HKSCC (Hong Kong)

Bill for Paperless Securities Market Gazetted

In an update to our previous newsflash, the Government of Hong Kong has advised that the Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Bill 2014 has been gazetted on 13 June 2014. The bill will be introduced into the Legislative Council on 25 June 2014.

The bill, if approved, will allow investors to legally own, hold and transfer scripless securities. The current regulation requires the use of paper certificates for transfer of securities while the legal title of securities remains with the Hong Kong Securities Clearing Company (HKSCC) Nominees Limited.

The initial stage will cover shares listed / to be listed on the Hong Kong Stock Exchange, whereas, debentures, unit trusts and other securities will be covered at a later stage. During the transitional period, it is expected for the current system to operate in parallel with the new uncertificated securities system.

The regulatory and operational framework of the uncertificated securities market will be overseen by the Securities and Futures Commission (SFC). The press release can be accessed here: [The Securities and Futures and Companies Legislation \(Uncertificated Securities Market Amendment\) Bill 2014](#).

Market Information Impact

Hong Kong

This information affects the data contained in the Safekeeping/Post Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Hong Kong

Market Rating: A+

Market Flash Impact: Positive

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = Positive

The bill, once approved, would provide legal basis for the dematerialisation of securities in Hong Kong. Electronic securities will improve the efficiency of holding and transferring securities. Furthermore, the risk of lost, stolen or damaged securities is greatly diminished for dematerialised securities. Hence, the impact on Operational Risk is "Positive".

CSD Risk Impact

HKSCC (Hong Kong)

CSD Rating: A+

CSD Flash Impact: Positive

Impacted Risk Type: Asset Safety Risk

Current Rating = AA-

Flash Impact = Positive

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = Positive

The bill, once approved, would provide legal basis for the dematerialisation of securities in Hong Kong. Electronic securities will improve the efficiency of holding and transferring securities, having a "Positive" impact on Operational Risk.

Furthermore, the risk of lost, stolen or damaged securities is greatly diminished for dematerialised securities; hence, the impact on Asset Safety Risk is "Positive".

Related Flash: [HKEx Unveils Market Integrity Initiatives, 06/03/2014 \(click to view\)](#)

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