

September 2024

Paperless Listing - Exchanges publishes new Consultation Paper



Introduction

On 16 August 2024, The Stock Exchange of Hong Kong Limited (the "**Exchange**") published a consultation paper titled "Proposals to Further Expand the Paperless Listing Regime and Other Rule Amendments" seeking public feedback on proposals to further expand its paperless listing regime and other rule amendments (the "**Consultation Paper**").

Key proposed amendments include:

- **electronic securities holders' instructions:** to provide securities holders with the option to send Requested Communications (defined below) to issuers electronically;
- **real-time electronic payment of Corporate Action Proceeds:** to provide securities holders with the option to receive Corporate Action Proceeds (including dividends) electronically via the Clearing House Automated Transfer System ("**CHATS**"); and
- **electronic subscription monies:** to provide existing securities holders with the option to pay subscription monies for offers electronically.

Background

Over the past few years, the Exchange has introduced various initiatives to digitise and modernise listing processes. The reforms on the paperless listing regime effective in 2021 and 2023 and the Fast Interface for New Issuance aimed to improve efficiency and reduce the market's impact on the environment by using less paper. The Exchange is now considering the use of electronic channels to further enhance operational efficiencies and sustainability.

Key amendments

The key proposed amendments to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") are summarised below:

	Aspects	Key changes
1	Electronic instructions from securities holders to issuers	Issuers to provide securities holders with an option to send the following communications to issuers electronically: <ul style="list-style-type: none"> a) instructions regarding attendance at meetings of securities holders and proxy-related instructions; and b) instructions made in response to actionable corporate communications.¹ (collectively, the " Requested Communications ")
2	Real-time electronic payment of corporate action proceeds	Issuers to provide securities holders with an option to receive corporate action proceeds (including dividends) on the announced payment date electronically by CHATS
3	Electronic subscription monies	Issuers to provide an option to pay subscription monies via electronic means for offers to existing securities holders
4	Abolition of mixed media offers	To remove the availability of mixed media offers for public offers of equity securities, debt securities and Collective Investment Schemes (" CIS ") (as such term is defined in the Listing Rules): <ul style="list-style-type: none"> a) to remove the option of issuing paper applications forms for a public offer of equity securities, a CIS and debt securities; and b) to ensure subscriptions for a public offer of equity securities and for a CIS are made through online electronic channels only²
5	Hybrid general meeting & E-voting	Issuers to ensure their constitutional documents enable them to hold hybrid general meetings and provide E-voting (to the extent permitted by applicable laws and regulations)

¹ Save for actionable corporate communications made in response to any provisional allotment letter in connection with a rights issue.

² Subscriptions for public offerings of debt securities will continue to be conducted through their well-established channels, including through placing banks and / or Hong Kong Securities Clearing Company Limited.

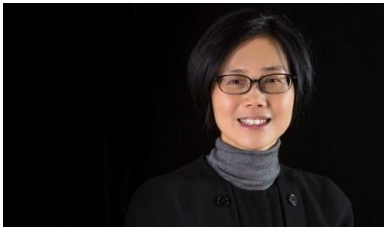
Next steps

Subject to responses to the Consultation Paper, the Exchange intends to implement the proposals pursuant to the following timeline:

- Proposals 1 to 3: the date on which the uncertificated securities market is implemented, currently expected to be the end of 2025;
- Proposal 4: following the repeal of the Class Exemption Notice permitting Mixed Media Offers by the Securities and Futures Commission; and
- Proposal 5: shortly after the conclusions to the Consultation Paper are finalised and published.

Given the complexity and broad implications to the proposed amendments to Listing Rules, we strongly advise issuers to consult their legal advisors as to what should be done to implement the proposed changes, as and when they become effective. Early preparation and expert guidance is key to navigating this regulatory evolution successfully.

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