

# HONG KONG'S NEW UNCERTIFICATED SECURITIES REGIME: A QUICK GUIDE FOR LISTED COMPANIES

The Hong Kong Securities and Futures Commission (SFC) has **announced** it is on track to launch the uncertificated securities market (USM) regime for Hong Kong-listed securities in early 2026, with the precise implementation date to be announced in due course. In addition, the Hong Kong Stock Exchange (HKEX) has issued an **Information Paper** to explain proposed changes to the Listing Rules and to outline preparatory steps for listed issuers. The USM regime will introduce a new way for investors to hold and manage listed securities and issuers will be required to take steps to facilitate its implementation. This note highlights the key features of the regime, as well as action points for listed companies.

## Overview of key changes

- Currently, investors who wish to hold legal title to their Hong Kong-listed securities (i.e. in their own names) can only do so in certificated (paper) form outside of CCASS. Under the USM, investors will have the option to hold legal title without paper instruments, allowing them to enjoy shareholder rights directly and manage and transfer their securities electronically.
- Listed issuers participating in the USM must appoint an approved securities registrar (ASR) to operate an electronic system (termed the **UNSRT system**) to evidence and transfer uncertificated (paperless) securities and stop issuing physical title instruments by a specified date. Investor engagement and transparency will be enhanced as more investors move towards holding securities in their own names.

## What should listed companies know?

1. **Scope** - The USM applies to “prescribed securities”, being **Hong Kong-listed** shares, depositary receipts, SFC-authorized funds where the units are withdrawable from CCASS (e.g. REITs), stapled securities, subscription warrants and rights under a rights issue. All issuers of prescribed securities fall within scope of the regime, but listed companies incorporated in **Hong Kong, Mainland China, Bermuda and the Cayman Islands (Key Jurisdiction Issuers)** will participate in the USM first.
2. **Key preparatory steps and timing** - all issuers of prescribed securities<sup>1</sup> must appoint an ASR (i.e. a securities registrar regulated by the SFC) by the **USM implementation date**, which is expected to be in early 2026. Such issuers must also amend the constitutional documents / terms of issue of the securities as necessary to align with USM requirements to the extent the amendments do not conflict with the laws of the relevant jurisdiction (i.e. where the issuer is incorporated in the case of shares). Key Jurisdiction Issuers are required to amend them within one year of the USM implementation date.

Key Jurisdiction Issuers<sup>2</sup> must also set and announce a USM **participation date** on which their UNSRT system will launch and from which no paper certificates can be issued, and publish a USM plan.<sup>3</sup> The participation date cannot be later than the specific deadline set for that issuer by (amongst others) the HKEX and Federation of Share Registrars, with the deadline falling within a **five-year period** from the USM implementation date. The SFC has indicated the deadline may be negotiated (e.g. due to planned corporation actions or the need to amend articles). The aim is for issuers outside of the four key jurisdictions to participate within the five-year timeline as far as possible, but some cases (e.g. shares of UK issuers) may need more time due to local laws.

See the table further below for more information on the key steps.

3. **No “big bang” dematerialisation** - Investors are **not mandated to dematerialise** existing securities (i.e. convert them to uncertificated form) unless in specific situations (see point 4 below). Participating issuers must therefore have

<sup>1</sup> Irrespective of whether they are a Key Jurisdiction Issuer.

<sup>2</sup> As well as any issuers who voluntarily participate in the USM. Such issuers can choose to do so provided it is permitted under relevant overseas laws. Warrants and rights under rights issues are subject to different requirements.

<sup>3</sup> The plan is proposed to cover (among other matters) the participation date, the steps to transition to USM, the impact on securities holders, actions that may be required to be taken by securities holders and the implications of any inaction.

parallel systems in place for an indefinite period to accommodate both certificated and uncertificated securities and the SFC has not currently indicated a long-stop date by which this must end.

4. **Phasing out certificated securities**<sup>4</sup> - However, from its participation date, an issuer can only issue new securities in uncertificated form (e.g. on a rights issue or scrip dividend) and cannot issue title instruments in respect of existing securities (e.g. upon a transfer). This means **transfers and issuances of securities will result in uncertificated securities**.<sup>5</sup> In addition, existing securities held in CCASS in the name of HKSCC Nominees will all be dematerialised, and uncertificated securities cannot be rematerialised except in limited situations such as delistings.
5. **Uncertificated securities in UNSRT or CCASS** - Investors will have the option to hold and manage uncertificated securities in their own name via a digital **USI profile** on the UNSRT system operated by the issuer's ASR (the new option) or through an intermediary in CCASS in the name of HKSCC Nominees (existing option which will remain post-USM). USI-held securities must be deposited into CCASS before they can be traded on the exchange. However, the process for depositing uncertificated securities into CCASS will be faster and more convenient under the USM than today's processes as it can be done electronically.
6. **Ownership transparency and impact on corporate transactions** - As more investors move towards holding shares in their own names rather than through brokers in CCASS, listed issuers would have a better idea of their shareholder base and can engage with them more directly and analyse their likely reaction where a shareholder vote is needed. In the context of takeovers and privatisations, there could be less need to rely on the ownership investigation procedure under section 329 of the Securities and Futures Ordinance, which involves sending a set of notices tracing ownership from brokers through to the ultimate beneficial owners - the process through layers of ownership can be difficult and time-consuming.
7. **ASRs** will have a significantly enhanced role under the USM and will be regulated by the SFC. An issuer must have an ASR at all times, with any gaps resulting in a suspension of listing (unless the SFC has granted permission for the vacancy). If an issuer subsequently changes its ASR, uncertificated holders who do not already have a USI facility with the new ASR will have to open a facility with them as USI facilities cannot be transferred from one ASR to another.
8. **Cost and other implications:** The USM will not be cost-neutral to listed companies. ASR fees chargeable to issuers and corporate investors will be a matter of commercial negotiation and not subject to caps (though ASRs are subject to an obligation to keep fees fair and proportionate). The cost and operational implications of an ASR running parallel systems may influence how issuers position their investor communications e.g. by encouraging dematerialisation. Issuers should also update their internal processes and policies to reflect the USM regime, such as faster processing times and new compliance obligations. For example, new types of communications must be sent to uncertificated holders, including an update when there is a change to the holder's balance.

### What key actions should listed companies take?

KEY ACTION	DEADLINE
<ul style="list-style-type: none"> <li>Listed companies incorporated in HK, Mainland China, Bermuda or Cayman (i.e. Key Jurisdiction Issuers) should engage with their share registrar to map out an implementation timeline in light of their specific deadline and raise any timing concerns asap. Other listed companies should consider whether they wish to and are able to participate in the USM voluntarily and if so, the timeline.</li> <li>Assess impact of participation, including amendment to constitutional documents, cost and other implications.</li> <li>Understand service models of ASRs and negotiate terms.</li> </ul>	As soon as practicable
Appoint an ASR	For all listed companies: by USM implementation date (expected early 2026)
Amend constitutional documents for USM participation	For Key Jurisdiction Issuers: within one year of USM implementation date (expected early 2027)

<sup>4</sup> Prescribed securities that are first listed after the USM implementation date (i.e. IPO securities) must be in uncertificated form from listing, unless otherwise permitted by the HKEX.

<sup>5</sup> A registered holder who receives uncertificated securities without having opened a facility with the relevant ASR will hold them as a provisional member. While dividends and voting rights will be maintained, the holder cannot transfer those securities until they register fully with the relevant ASR.

KEY ACTION	DEADLINE
	Key Jurisdiction Issuers may consider obtaining approval to amend their articles as early as the 2026 AGM
Announce the specified deadline notified to the issuer for USM participation (applicable to Key Jurisdiction Issuers)	As soon as reasonably practicable and no later than one business day after being notified of specified deadline
Announce the USM plan (including the participation date and a link to a dedicated webpage)*	As soon as reasonably practicable following the finalisation of USM plan <sup>6</sup>
Announce a reminder of the participation date and confirmation of compliance with all procedures for USM participation*	No later than 21 business days prior to participation date
Launch of UNSRT system. No new physical certificates can be issued*	Participation date.  For Key Jurisdiction Issuers, the participation date must be no later than their specified deadline which is expected to fall between 2026 to 2031

\*Applicable to Key Jurisdiction Issuers and issuers voluntarily participating in the USM

Please get in touch with Clara Choi, Vincent Chan or your usual contact at Slaughter and May if you would like assistance with the USM regime or have any queries.

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<sup>6</sup> If the issuer is in a position to announce its USM plan at the time it is notified of its specified deadline, it must announce its specified deadline and its USM plan in a single announcement no later than one business day after being notified of its specified deadline.