



**SECURITIES AND  
FUTURES COMMISSION**  
證券及期貨事務監察委員會

## **Consultation paper on proposed limits for certain fees following implementation of an uncertificated securities market in Hong Kong**

---

**24 February 2025**

## Contents

<b>Foreword</b> .....	<b>i</b>
<b>Personal information collection statement</b> .....	<b>ii</b>
<b>Executive summary</b> .....	<b>4</b>
Purpose .....	4
Background .....	4
Proposals .....	4
Comments invited .....	6
Layout of this paper .....	6
<b>I. Introduction and background</b> .....	<b>7</b>
<b>II. General Principles and Considerations</b> .....	<b>8</b>
<b>III. Our Proposals</b> .....	<b>9</b>
USI set-up fee .....	9
<i>The facility to be set up</i> .....	9
<i>Proposed limit</i> .....	10
<i>Key considerations</i> .....	10
Dematerialisation fee .....	11
<i>Dematerialisation process</i> .....	12
<i>Proposed limit</i> .....	12
<i>Key considerations</i> .....	12
T&R fee .....	14
<i>Transfer process under USM</i> .....	14
<i>Proposed limit</i> .....	15
<i>Key considerations</i> .....	15
<b>IV. Other fees</b> .....	<b>18</b>
Other situations where a new title instrument may be issued.....	18
1 % brokerage fee .....	19
<b>V. Other relevant matters</b> .....	<b>20</b>
<b>VI. Comments invited</b> .....	<b>20</b>
<b>Glossary</b> .....	<b>21</b>
<b>Annex 1: Proposed amendments to Schedule 1 to ASR Code (marked-up version showing changes to the version attached in July 2024 Conclusions)</b> .....	<b>23</b>

## Foreword

This consultation paper is issued by the Securities and Futures Commission (**SFC**). Market participants and interested parties are invited to submit written comments on the proposals discussed in this paper and on related matters that might impact the proposals. Persons submitting comments on behalf of an organisation should provide details of the organisation whose views they represent.

Comments should be submitted in writing no later than **23 April 2025** by the following methods:

By mail or hand to: Supervision of Markets Division  
Securities and Futures Commission  
54/F One Island East  
18 Westlands Road  
Quarry Bay  
Hong Kong

By fax to: (852) 2521 7917

By online submission at: <http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/>

By Email to: [usmconsult@sfc.hk](mailto:usmconsult@sfc.hk)

Please note that the names of commentators and the contents of their submissions may be published, in whole or in part, on the SFC's website, as well as in other documents to be published by the SFC. In this connection, please read the SFC's Personal Information Collection Statement on the following two pages.

**If you do not wish to have your name, submission or both to be published, please state that in your submission.**

24 February 2025

## Personal information collection statement

1. This Personal Information Collection Statement (**PICS**) is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. The PICS sets out the purposes for which your Personal Data<sup>1</sup> will be used following collection, what you are agreeing to with respect to the SFC's use of your Personal Data and your rights under the Personal Data (Privacy) Ordinance (Cap 486) (**PDPO**).

### Purpose of collection

2. The Personal Data provided in your submission to the SFC in response to this consultation paper may be used by the SFC for one or more of the following purposes:
  - (a) to administer the relevant provisions<sup>2</sup> and codes and guidelines published pursuant to the powers vested in the SFC;
  - (b) in performing the SFC's statutory functions under the relevant provisions;
  - (c) for research and statistical purposes; and
  - (d) for other purposes permitted by law.

### Transfer of personal data

3. Personal Data may be disclosed by the SFC to members of the public in Hong Kong and elsewhere as part of the public consultation on this consultation paper. The names of persons who submit comments on this consultation paper, together with the whole or part of their submissions, may be disclosed to members of the public. This will be done by publishing this information on the SFC's website and in documents to be published by the SFC during the consultation period or at its conclusion.

### Access to data

4. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the PDPO. Your right of access includes the right to request a copy of your Personal Data provided in your submission on this consultation paper. The SFC has the right to charge a reasonable fee for processing any data access request.

### Retention

5. Personal Data provided to the SFC in response to this consultation paper will be retained for such period as may be necessary for the proper discharge of the SFC's functions.

---

<sup>1</sup> Personal Data means personal data as defined in the Personal Data (Privacy) Ordinance (Cap 486).

<sup>2</sup> The term "relevant provisions" is defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap 571) and refers to the provisions of that Ordinance, together with certain provisions in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32), the Companies Ordinance (Cap 622) and the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap 615).

## **Enquiries**

6. Any enquiries regarding the Personal Data provided in your submission on this consultation paper, or requests for access to Personal Data or correction of Personal Data should be addressed in writing to:  

Data Privacy Officer  
Securities and Futures Commission  
54/F One Island East  
18 Westlands Road  
Quarry Bay  
Hong Kong
  
7. A copy of the Privacy Policy Statement adopted by the SFC is available upon request.

## Executive summary

### Purpose

1. This paper seeks views on the proposed limits for three types of fees that an approved securities registrar<sup>3</sup> (**ASR**) may charge investors. These fees are:
  - (a) a USI set-up fee — fee for setting up a facility that enables a person to hold and manage **prescribed securities**<sup>4</sup> that are in uncertificated form (**USI Facility**);
  - (b) a dematerialisation fee — fee for converting any prescribed securities from certificated form to uncertificated form; and
  - (c) a transfer and registration fee (**T&R fee**) — fee for processing and registering transfers of any prescribed securities.

### Background

2. In March and October 2023, the Securities and Futures Commission (**SFC**) consulted the market on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market (**USM**) in Hong Kong (respectively, the **March 2023 Consultation** and **October 2023 Consultation**)<sup>5</sup>.
3. Among other things, the consultation sought views on whether the charging basis for the three fees mentioned above (**three key fees**) should be standardised, and whether limits should be set in respect of them. There was general support for doing so. We therefore noted in our conclusions paper (**July 2024 Conclusions**)<sup>6</sup> that we would proceed accordingly, and conduct a public consultation on the specific limits before finalising them. This paper sets out our proposals in this regard.

### Proposals

4. The table below summarises our proposed limits for the three key fees, and proposed parameters defining the circumstances in which such limits should apply.

Fee type	Proposed limit	Proposed parameters for application
USI set-up fee	the fee should not exceed \$50 per USI Facility	<ul style="list-style-type: none"> <li>- only for facilities set up in the name of individual(s)</li> <li>- only for the ASR's baseline service level</li> </ul>

<sup>3</sup> See the [Glossary](#) for a more detailed explanation of “approved securities registrar”.

<sup>4</sup> See the [Glossary](#) for a more detailed explanation of “prescribed securities”.

<sup>5</sup> These consultation papers can be accessed at <https://apps.sfc.hk/edistributionWeb/gateway/EN/consultation/doc?refNo=23CP3> and <https://apps.sfc.hk/edistributionWeb/gateway/EN/consultation/doc?refNo=23CP8>, respectively.

<sup>6</sup> This conclusions paper can be accessed at <https://apps.sfc.hk/edistributionWeb/api/consultation/conclusion?lang=EN&refNo=23CP3>.

		<ul style="list-style-type: none"> <li>- to all modes of application</li> </ul> <p><i>(Note: See paragraphs 18 to 19 below for more information about these parameters.)</i></p>
Dematerialisation fee	the fee should not exceed \$5 per title instrument, subject to a \$20 minimum	<ul style="list-style-type: none"> <li>- only where the instrument is in the name of individual(s)</li> <li>- only for the ASR's baseline service level</li> </ul> <p><i>(Note: See paragraphs 24 to 25 below for more information about these parameters.)</i></p>
T&R fee	<ul style="list-style-type: none"> <li>- no T&amp;R fee should be charged for transfers to investors from HKSCC Nominees Limited (<b>HKSCC-NOMS</b>);</li> <li>- for all other transfers, the fee should not exceed 0.02% of the transaction value, subject to a \$20 minimum</li> </ul>	<ul style="list-style-type: none"> <li>- in respect of all transfers of prescribed securities, ie, whether the securities are <b>participating securities</b><sup>7</sup> or non-participating securities, and whether the transfer is effected using a paper-based or electronic process</li> <li>- only for the ASR's baseline service level</li> </ul> <p><i>(Note: See paragraphs 28 to 29 below for more information about these parameters.)</i></p>

5. In developing these proposals, we have been guided by the following principles and considerations:
- USM is a major market initiative that will bring benefits to different market segments and stakeholders, including investors. It would not be unreasonable therefore for investors to pay for services provided under the USM environment.
  - Fees imposed should be fair and reasonable, and an appropriate balance should be struck in terms of how costs are shared.
  - Fees charged to investors should seek to encourage their early participation in USM, and limits should focus on individuals. This is because the processes and arrangements involved when dealing with corporates (and other similar entities) may be more complex.
  - There is no compelling need to regulate fees charged by ASRs to issuers because issuers will be able to negotiate these directly with their ASRs, and competition among ASRs will ensure that fee levels remain fair and reasonable.

<sup>7</sup> See the [Glossary](#) for a more detailed explanation of “participating securities”.

- (e) Given the significant role that ASRs will play in the USM environment, it is important that fees be set at levels that ensure the commercial viability of their business and thus avoid any undue market disruption.

### ***Comments invited***

- 6. The proposed limits will impact investors/shareholders in particular, as well as other stakeholders such as issuers and ASRs. We urge all interested parties to submit written comments on the proposals discussed in this paper. The deadline for submissions is **23 April 2025**.

### ***Layout of this paper***

- 7. This paper is divided into the following sections.
  - (a) [Section I](#) provides a brief introduction and some key background information.
  - (b) [Section II](#) expands on the principles and considerations guiding our proposals.
  - (c) [Section III](#) discusses our specific proposals and rationale.
  - (d) [Section IV](#) discusses matters pertaining to fees other than the three key fees.
  - (e) [Section V](#) discusses other relevant matters.
- 8. This paper should be read in conjunction with the March 2023 Consultation, the October 2023 Consultation and the July 2024 Conclusions.



## I. Introduction and background

9. The SFC has been working with Hong Kong Exchanges and Clearing Limited (**HKEX**) and the Federation of Share Registrars Limited (**FSR**) on implementing a USM regime in Hong Kong. The key objectives and benefits of USM are as follows.
  - (a) **Option to enjoy both better investor protection and trading convenience:** Investors will have the option to hold participating securities in their own names and without paper certificates. They will thus be able to enjoy full shareholder rights while also enjoying the convenience of managing and trading their securities electronically.
  - (b) **Enhanced corporate governance and investor engagement:** Issuers will benefit from greater shareholder transparency as investors move towards holding participating securities in their own names. This will facilitate better investor communication and engagement, and in turn enhance corporate governance.
  - (c) **More efficient, digitalised and greener markets:** The removal of paper and manual processes will enhance efficiency for market participants, provide more opportunities for straight-through processing, and contribute to greener markets in line with global trends. Collectively, this will also further elevate Hong Kong's market infrastructure, thus reinforcing its competitiveness and status as an international financial centre.
10. Following consultations in 2019/2020, an operational model for implementing USM was endorsed, and the primary law amendments needed to support this operational model were enacted.
11. Additionally, between March 2023 and July 2024, the SFC conducted and concluded consultations on the proposed subsidiary legislation, code and guidelines for implementing USM. In the course of those consultations, the SFC sought views on standardising the charging basis and setting limits in respect of the three key fees that ASRs might charge to investors following the implementation of USM, namely:
  - (a) a USI set-up fee – this refers to the fee that an ASR may charge an investor when setting up a USI Facility for them;
  - (b) a dematerialisation fee – this refers to the fee that an ASR may charge an investor when converting their prescribed securities from certificated to uncertificated form; and
  - (c) a T&R fee – this refers to the fee that an ASR may charge an investor when processing a request to register a transfer of any prescribed securities, eg, from the investor's USI Facility to their broker account for the purpose of selling the securities.
12. Respondents generally supported standardising the charging basis and setting limits for the above fees. We also received various other comments and suggestions. In light of the feedback, we noted that we would consult on the specific limits before finalising them, and keep the various comments and suggestions in view when doing so. Accordingly, this consultation paper seeks views on proposed limits for the three key fees.

## II. General Principles and Considerations

13. In developing the proposals discussed in this paper, we have been guided by the following key principles and considerations.
- (a) **Reasonable for costs to be shared over time:** USM is a major market initiative that will bring benefits to different market segments and stakeholders, including investors. Hence, although the initial development costs and ongoing operational costs will be borne largely by HKEX and individual share registrars, it would not be unreasonable to require other market participants to pay for services provided under the USM environment.
  - (b) **Fees to be fair, reasonable, etc:** Fees imposed should be fair and reasonable, taking into account the work done and costs involved. An appropriate balance should also be struck in terms of how costs are shared among various stakeholders including issuers, investors, HKEX, individual share registrars and other market participants.
  - (c) **Fees imposed on investors:** In terms of fees charged by ASRs to investors:
    - (i) These should be at levels that **encourage early participation in USM** so as to facilitate the market's transition to full dematerialisation and help reduce costs for the market as a whole. In this regard, the levels at which the three key fees are set will be critical.
    - (ii) A **degree of regulatory oversight of the three key fees is necessary** given that investors will not be in a position to negotiate these or opt for alternatives. This is because ASRs are appointed by issuers and not investors. Moreover, because the fees are for routine services, a degree of alignment in their charging basis will help simplify processes and avoid confusion, thus enhancing efficiency.
    - (iii) In some cases, the **processes and work involved may differ in respect of investors who are individuals and those who are not**. In particular, for a corporate or other non-individual entity<sup>8</sup>, the process for setting up a USI Facility, or for obtaining instructions to dematerialise securities will be more complex<sup>9</sup>. In some cases, the quantity of securities to be dematerialised and number of certificates involved may also be much greater and require specific / customised arrangements. Higher fee levels may thus be necessary. In general therefore, our focus is on individuals rather than corporate entities. We understand also that the vast majority of registered holders are individuals.<sup>10</sup>

---

<sup>8</sup> By corporate and other non-individual entities, we mean any legal entity that is not a human being, eg, a corporation, partnership, statutory body, or other similar body or organisation.

<sup>9</sup> For example, the process of setting up a USI Facility for a corporate entity will be more complex as additional documents may have to be obtained and considered, such as its constitutional documents, board minutes, laws of the place of its establishment / incorporation, etc.

<sup>10</sup> Statistics provided by five share registrar groups suggest that individuals make up between 85% and 98% of the total number of registered holders of their issuer-clients.

- (d) **Fees imposed on issuers:** We expect that fees charged by ASRs to issuers will be driven by commercial considerations and negotiated between the parties, as is the case today. We also expect competition among ASRs will help ensure that such fees remain fair and reasonable. We therefore see no compelling need to regulate or cap these.
- (e) **Input from share registrars:** We are mindful that share registrars play a key role in our financial markets, and will play an even more significant role upon implementation of USM. It is important that their businesses and operations remain commercially viable so as not to cause undue disruption to the market. Accordingly, and to the extent feasible, we have sought relevant input from the five main share registrar groups currently operating in our market (**five share registrar groups**) regarding their current business and operations.

### III. Our Proposals

#### ***USI set-up fee***

- 14. The USI set-up fee refers to any fee that an ASR may charge an investor for setting up a USI Facility for that investor. It is expected to be a one-off fee.

#### The facility to be set up

- 15. **What is a “USI Facility”:** The term “USI Facility” refers to the new facility to be set up by an investor with an ASR for the purposes of holding prescribed securities in uncertificated form, and managing them directly and electronically. Securities reflected in a USI Facility will be registered in the name of the investor concerned, ie, the investor will hold legal title to the securities.<sup>11</sup> A point to note is that a USI Facility may only be used to hold and manage prescribed securities that are handled by the ASR with whom the facility is set up. Investors who hold multiple securities may therefore have to set up multiple USI Facilities if the issuers of those securities have appointed different ASRs.
- 16. **How to set up a USI Facility:** An investor wishing to set up a USI Facility with a particular ASR will have to complete the on-boarding procedures of that ASR. Investors may set up a USI Facility with an ASR even if, at the time, they do not hold any prescribed securities.<sup>12</sup>
- 17. **What are the key functions of a USI Facility:** A person may use their USI Facility with an ASR to, among other things:
  - (a) view the balance and details of any prescribed securities that are held by them in uncertificated form and handled by the ASR in question;

---

<sup>11</sup> The acronym “USI” stands for uncertificated securities that are held and managed by their registered holder through a facility set up with an issuer’s ASR.

<sup>12</sup> For more information about setting up a USI Facility, see section 4.1 of the FSR’s 4 November 2024 [Information Paper For Issuers and Shareholders – Implementation of an Uncertificated Securities Market \(USM\) in Hong Kong \(FSR’s Information Paper\)](#).

- (b) administer their profiles, ie, amend their personal particulars such as their address and bank account details;
- (c) electronically initiate or affirm transfer instructions; and
- (d) receive corporate communications from issuers of prescribed securities that the person holds in uncertificated form.<sup>13</sup>

### Proposed limit

18. We propose that:

- (a) any USI set-up fee charged by an ASR to an investor should not exceed **\$50 per USI Facility**; and
- (b) this limit should apply:
  - (i) only where the USI Facility is to be set up in the name of a single holder who is an individual, or in the name of joint holders, all of whom are individuals;
  - (ii) only in respect of the ASR's baseline service for setting up a USI Facility, ie, the proposed limit is not intended to apply to any expedited or other service level that the ASR may offer; and
  - (iii) irrespective of how the investor applies for a USI Facility, eg, in person, by post, electronically, etc.

### Key considerations

19. In proposing the above, we have considered the following.

- (a) **Investors' contribution:** As noted in paragraph 13(a) above, it would not be unreasonable to require market participants (including therefore investors) to pay for services provided under the USM environment given that they will benefit from this initiative, as discussed in paragraph 9 above.
- (b) **Amount reasonable and not excessive:** While we consider it reasonable to expect investors to contribute, the amount of their contribution should be relatively low so as to encourage their early participation in USM. We are also mindful that some investors may need to set up more than one USI Facility, in which case their total contribution will depend on the number of facilities they need. In this regard, and based on information provided by the five share registrar groups, we expect that the majority of investors may need to set up only one USI Facility, and a substantial number may need to set up two at most. It follows that, in the vast majority of cases, we expect investors' contribution to be between \$50 and \$100. Bearing in mind that this would be a one-off fee (ie, not recurrent), we consider the amount to be fair and reasonable.
- (c) **No limit proposed for non-individuals:** As discussed in paragraph 13(c)(iii) above, the processes and work involved in setting up a USI Facility for corporates and other non-individuals may be more complex and hence involve more work. In particular, constitutional documents and board minutes may need

---

<sup>13</sup> For more information about the functions of a USI Facility, see section 4.2 of the FSR's Information Paper.

to be obtained and checked to ensure there is proper authority for setting up the USI Facility, and for acting on instructions sent through such a facility. Higher fee levels may therefore be necessary. That said, any USI set-up fee charged to such entities will in any event need to be fair and reasonable (as required by section 2.2 of the proposed Code of Conduct for Approved Share Registrars, **ASR Code**).

- (d) **Limit to apply to an ASR's baseline service only:** We understand that share registrars sometimes offer both a standard or baseline service level as well as additional service levels (eg, an expedited service level which entails a shorter processing time but higher fee). We see no regulatory need to set fee limits for all service levels. The proposed limit discussed above therefore applies only to the baseline service level for setting up a USI Facility, and such baseline service should allow for the set-up process to be completed within five business days after the day of receiving the application and all relevant information and documents. For more expedited service levels, we propose that ASRs be able to set their own higher fees.
- (e) **Limit to apply to all methods of application:** We expect that ASRs may offer different options for submitting applications to set up a USI Facility, eg, in person, by post, electronically, etc. They may also restrict how certain persons submit their applications, or require additional safeguards for applications submitted using a particular method. We note that there may be legitimate reasons for such restrictions and safeguards. There may also be legitimate reasons for an applicant to opt for a particular method over another. In view of this, we propose that any limits for the USI set-up fee should apply to all application methods.

**Q1. Do you have any comments on the proposal that any USI set-up fee charged by an ASR to an investor should not exceed \$50 per USI Facility? If so, please elaborate.**

**Q2. Do you have any comments on the proposed parameters for such limit as discussed in paragraphs 18(b) and 19 above? If so, please elaborate.**

### **Dematerialisation fee**

20. Under USM, investors will be able to dematerialise their prescribed securities once they become participating securities.<sup>14</sup> The dematerialisation fee refers to any fee that an ASR may charge an investor for converting prescribed securities from certificated form to uncertificated form. It is expected to be a one-off (per certificate) fee.

---

<sup>14</sup> While there will be no obligation for investors to dematerialise any participating securities that they hold, they may have to do so in certain circumstances (eg, if they wish to sell only a portion of the securities represented by a title instrument, they will need to dematerialise the portion retained as the issuer will no longer be able to issue title instruments).

## Dematerialisation process

21. **What is dematerialisation:** Dematerialisation refers to the process of converting prescribed securities from certificated form to uncertificated form.
22. **What dematerialisation entails:** Under the proposed Securities and Futures (Uncertificated Securities Market) Rules, prescribed securities may be dematerialised at the initiative of an investor or the securities issuer. In both cases, the process generally entails the title instruments (eg, share certificates) being submitted to the issuer for validation and cancellation, and the register of holders being updated to reflect that the securities have been dematerialised. ASRs are required to complete this process as soon as reasonably practicable, and it is generally expected that this should take no more than a few days<sup>15</sup>.
23. **Importance of validating title instruments:** It is worth noting that the process for validating share certificates or other title instruments before cancellation is critical to safeguarding investors' interests and property rights. The process does take time as it involves (among other things) checking and verifying each instrument individually<sup>16</sup>, and may in some cases require independent verification with the registered holder for risk management purposes (eg, where the quantity or value of the securities covered by the instrument is significant).

## Proposed limit

24. We propose that:
  - (a) any dematerialisation fee charged by an ASR to an investor should not exceed **the higher of:**
    - (i) **\$5 per certificate or other title instrument;** and
    - (ii) **\$20 per dematerialisation request per stock/line of securities;** and
  - (b) this limit should apply:
    - (i) only to title instruments registered in the name of a single holder who is an individual, or joint holders who are all individuals; and
    - (ii) only to the ASR's baseline service level for dematerialising title instruments, ie, the proposed limit is not intended to apply to any expedited or other service level that the ASR may offer.

## Key considerations

25. In proposing the above, we have considered the following.
  - (a) **Proposed limit fair and reasonable:** We consider the proposed limit to be fair and reasonable for the following reasons.

---

<sup>15</sup> More specific timelines are set out in the ASR Code. For details, see section 2.1(c) of Schedule 2 to the ASR Code, and the notes to that section.

<sup>16</sup> Similar to paper money, title instruments have embedded security features to guard against forgery. These would need to be checked to ensure the instrument's authenticity.

- (i) Given the work involved (as described in paragraphs 21 to 23 above), and taking into account information and estimates provided by a few share registrar groups, we expect the costs of dematerialising a title instrument to be much higher than \$5.
  - (ii) As dematerialisation will benefit both issuers and investors, it would be reasonable to expect both to bear a portion of the costs involved.
  - (iii) In the case of investors, a fee of \$5 per title instrument with a minimum of \$20 per dematerialisation request seems a reasonable and affordable amount.
  - (iv) We are mindful that in some cases registered holders may be holding large numbers of title instruments in respect of a single stock, eg, because they have been collecting scrip dividends on a regular basis for a number of years. However, even where holders hold up to 50 title instruments in a particular stock, the dematerialisation fee payable by them for that stock would be \$250 (50 x \$5), and hence not excessive. Moreover, statistics provided by the five share registrar groups indicate that:
    - in the vast majority of cases, investors hold **four or fewer** title instruments per stock/line of securities<sup>17</sup>, and hence would in any event pay the \$20 minimum per stock; and
    - a relatively small percentage of registered holders hold more than 50 title instruments per stock<sup>18</sup>.
- (b) **No limit proposed for non-individuals:** As with the USI set-up fee, we propose that any limit for dematerialisation fees should apply in respect of individual holders only (including joint holders who are all individuals). As noted above, the processes and work involved for corporates and other non-individuals may be more complex and involve more work. Constitutional documents and board minutes may need to be obtained and checked to ensure there is proper authority for acting on any dematerialisation instructions. Where the quantity of certificates involved is particularly high (as in the case of HKSCC-NOMS), customised arrangements may be needed. That said, any dematerialisation fee charged to such entities will in any event need to be fair and reasonable (as required by section 2.2 of the proposed ASR Code).
- (c) **Limit to apply to baseline service only:** For the same reasons as discussed in paragraph 19(d) above, we consider that the proposed limit for the dematerialisation fee should apply only in respect of an ASR's baseline service level, and that such level should allow for completing dematerialisation within five business days after the day of receiving all relevant information and documents. For more expedited services, we propose that an ASR be allowed to charge a higher fee.

---

<sup>17</sup> More specifically: (i) for 90% of issuers, around 70% of their registered holders hold four or less title instruments; and (ii) for 77% of issuers, around 70% of their registered holders hold two or less title instruments.

<sup>18</sup> Based on information provided by the five share registrar groups, around 0.08% to 3.66% of the registered holders that they respectively service hold more than 50 title instruments per stock.

- (d) **No per-holder limit proposed:** We have considered whether to set a per-holder-per-stock limit as well to cap the dematerialisation fee payable by a registered holder in respect of a single stock. However, we do not consider this necessary or appropriate. Based on information provided by the five share registrar groups, in the vast majority of cases, registered holders do not hold large numbers of title instruments per stock – see paragraph (a)(iv) above. Moreover, different considerations may apply in each case, making it difficult to apply a single limit to all such cases, eg, the title instruments involved may have been issued over a prolonged period thus making the validation process more complex. A better option therefore would be for the issuer and/or ASR concerned to consider whether and how best to cap any dematerialisation fees payable.

**Q3. Do you have any comments on the proposal that any dematerialisation fee charged by an ASR to an investor should not exceed the higher of: (i) \$5 per title instrument; and (ii) \$20 per request per stock/line of securities? If so, please elaborate.**

**Q4. Do you have any comments on the proposed parameters for such limit as discussed in paragraphs 24(b) and 25 above? If so, please elaborate.**

### **T&R fee**

26. The T&R fee refers to any fee that an ASR may charge an investor for processing and registering transfers of prescribed securities. Similar to today, we expect this to be a recurrent fee which will be charged on an on-going and per transfer basis.

### Transfer process under USM

27. Upon implementation of USM, an electronic process for effecting transfers of prescribed securities will be introduced. This process will entail one party to the transfer sending an electronic instruction to initiate the transfer, and the other party sending an electronic instruction to affirm the transfer. The ASR will need to validate the instructions, and conduct certain stamp duty related checks, before proceeding to register the transfer. Meanwhile, the paper-based process will also be retained for limited purposes (eg, effecting transfers of non-participating securities). The paper-based process will remain the same as today, ie, both the transferor and transferee will have to sign an instrument of transfer and the ASR will need to validate their signatures and check that the instrument is properly stamped.<sup>19</sup>

---

<sup>19</sup> For more information about transfers, please see section 5 of the FSR's Information Paper and sections 2.7 to 2.24 of HKEX's 2 October 2024 [Information Paper for Intermediaries – Implementation of an Uncertificated Securities Market \(USM\) in Hong Kong](#).



## Proposed limit

28. We propose that:

- (a) subject to paragraph (b) below, any T&R fee charged by an ASR to an investor should not exceed **the higher of:**
  - (i) **0.02% of the transaction value** (based on the market price of the securities transferred as at the close of their last trading day); and
  - (ii) **\$20 per transfer request;**
- (b) **no T&R fee** should be charged by an ASR in respect of any transfer to investors from HKSCC-NOMS; and
- (c) the above should apply:
  - (i) irrespective of whether the transfer:
    - is of participating securities or non-participating securities; and
    - effected using a paper-based process or an electronic process; but
  - (ii) only to the ASR's baseline service level for processing and registering transfers.

## Key considerations

29. In proposing the above, we have considered the following.

- (a) **Current approach no longer appropriate:** Currently, share registrars' transfer fees are charged on a per certificate basis. This approach will no longer be suitable for securities that have become participating securities given that it will no longer be possible to issue title instruments for such securities.
- (b) **Proposed approach and fee levels fair and reasonable:** We consider the proposed limit to be fair and reasonable for the following reasons.
  - (i) As the current per certificate basis will no longer work, an alternative charging basis is needed for the new electronic process for effecting transfers. While a flat fee (charged on a per transfer basis) would be simple, it would require the fee to be set at a relatively high level (ie, much higher than the \$20 minimum proposed). This is because the flat fee will need to cover large-value transfers<sup>20</sup> as well. This would unfairly prejudice investors effecting small-value transfers, and may discourage them from participating in USM (ie, from holding securities in uncertificated form in their own names). Another option would be to adopt a multi-tiered approach (ie, involving multiple flat fees for different transaction values). However, a sufficient number of tiers would need to be set in order to address concerns about unfair prejudice. This could make the charging basis unnecessarily complex. Also, a multi-tiered approach would mean that in marginal cases, investors may not be able to ascertain in advance which tier their transaction will fall into, thus making it difficult to estimate costs. In view of the above, we propose adopting an ad valorem formula for the T&R fee.

---

<sup>20</sup> Information provided by three of the five share registrar groups, indicates that (on average) around 65%-67% of transfers handled every year between 2021 and 2023 had a value of \$100,000 or less.

This presents a more equitable approach as the fee paid will be proportionate to the value of the transfer, and hence to the work involved<sup>21</sup>. It is also much simpler to administer, and can provide better certainty as regards costs.

- (ii) The proposed rate of 0.02% with a minimum of \$20 per transfer request means that transfers valued at \$100,000 or less will all be subject to the \$20 minimum. This seems a reasonable and affordable amount for investors. We note that the current transfer fee is \$2.50 per certificate (for the baseline service level). It is difficult to draw a direct comparison between this fee and the proposed \$20 minimum given the very different nature of their charging basis. We are also mindful that the \$2.50 level has been in place for over 20 years and is hence considerably outdated.
  - (iii) While the USM initiative is expected to reduce costs overall, the impact in each case may differ depending on the particular circumstances. This is particularly so in the context of the T&R fee because such fee will no longer be charged on a per title instrument basis. Invariably therefore, the T&R fee under USM will be less than today in some cases but more in others. Nevertheless, we do expect overall cost savings for investors who opt to hold participating securities in uncertificated form in their own names compared to those who continue to hold in paper form or through intermediaries<sup>22</sup>.
- (c) **No charge for transfers from HKSCC-NOMS:** We propose that no T&R fee should be charged for transfers from HKSCC-NOMS.<sup>23</sup> Such transfers are effected when securities are withdrawn from the Central Clearing and Settlement System (**CCASS**). Given that investors will already be paying a T&R fee when depositing securities into CCASS, we do not consider it reasonable to require them to pay a T&R fee on withdrawal as well, particularly because such withdrawal will likely be subject to other charges<sup>24</sup>. By reducing investors' costs in this way, we hope that investors will be encouraged to participate in USM by holding securities in uncertificated form in their own names.
- (d) **Application to transfers of all prescribed securities:** We propose that any limits prescribed should apply to *all* transfers of prescribed securities (as described in paragraph 28(c)(i) above). We believe this will be simpler and clearer for investors. Introducing limits for transfers of participating securities only, and retaining the current per certificate fee for transfers of other prescribed securities, could cause confusion and misunderstanding given that:

---

<sup>21</sup> Large-value transfers may require additional checks and verifications for risk management purposes.

<sup>22</sup> For investors holding in paper form, they may be incurring storage costs, and various other costs associated with manual/paper-based processes (eg, arranging for the delivery and (where necessary) stamping of relevant documents when effecting a transfer, completing relevant formalities and processes for replacing lost title instruments, etc). For investors holding through intermediaries, they may be incurring various fees for services provided by their intermediaries (eg, custody fees, dividend collection fees, etc).

<sup>23</sup> For the avoidance of doubt, the proposal here is that neither the transferor (ie, HKSCC-NOMS) nor the transferee (ie, the investor concerned) should be charged any T&R fee in respect of such transfers.

<sup>24</sup> Currently, both HKSCC and CCASS participants impose a charge on investors when they withdraw securities from CCASS.

- (i) the majority of prescribed securities will become participating securities over a period of five years;
  - (ii) investors may not be familiar with which securities have become participating and which have not;
  - (iii) transfer instructions may straddle the date of the securities becoming participating, which may cause more confusion; and
  - (iv) a single uniform fee across all prescribed securities, and implemented early on, would facilitate investors' transition to full dematerialisation.
- (e) **No cap proposed:** We have considered whether the proposed limit should be subject to a maximum amount as well (ie, whether the fee should be capped). However, we do not consider this necessary given that the majority of transfers tend to be of a small value<sup>25</sup>, and only a small percentage of transfers are of a substantial value<sup>26</sup>. Moreover, if a cap were to be imposed, the proposed 0.02% ad valorem rate would need to be increased, which would have an adverse impact on small-value transfers. Alternatively, the cap would need to be set at a sufficiently high level, which may render it not particularly meaningful. We are also mindful that, currently, the total number of transfers effected per year is not high<sup>27</sup>. However, the figure may rise as the market transitions to full dematerialisation. We will therefore keep under review the proposed ad valorem rate and the need for a maximum to ensure their continued suitability.
- (f) **Limit to apply to baseline service levels only:** As with the USI set-up fee and the dematerialisation fee, we consider that the proposed limit for the T&R fee should apply only in respect of baseline service levels. In this regard, the baseline service levels will be:
- (i) for participating securities, as soon as reasonably practicable<sup>28</sup>; and
  - (ii) for non-participating securities, within 10 business days after receiving all relevant information and documents (eg, properly executed transfer documents, relevant certificates, etc).

We note that, currently, share registrars also provide other service levels for processing and registering transfers, and charge different fees for the same. In particular, higher fees are charged for expedited services. We believe it is more appropriate for ASRs to have flexibility for determining fees in relation to service levels other than their baseline service level.

- (g) **Cases involving both dematerialisation and transfer:** There may be cases involving both a dematerialisation and a transfer of prescribed securities, ie, where the transferor holds the securities in certificated form and the transferee will be holding the securities in uncertificated form. We propose that, in such

---

<sup>25</sup> See footnote 20 above.

<sup>26</sup> Based on information provided by three of the five share registrar groups, around 3% of the total number of transfers handled by them in 2023 (collectively) were valued at HK\$10,000,000 or more.

<sup>27</sup> Based on information provided by the five share registrar groups, the total number of transfers handled by them in 2023 (collectively) was around 99,000. The total was about 91,000 for 2022 and 82,000 for 2021. (These figures exclude transfers from HKSCC-NOMS to investors.)

<sup>28</sup> This is per section 2.1(b) of Schedule 2 to the proposed ASR Code. The notes to that section expand on what "as soon as reasonably practicable" means.

cases, ASRs should be entitled to charge both the dematerialisation fee and the T&R fee. This is necessary to avoid securities holders being effectively penalised for dematerialising their securities earlier, and thereby incentivised to delay the dematerialisation of their securities.<sup>29</sup>

**Q5. Do you have any comments on the proposal that:**

**(a) no T&R fee should be charged by an ASR in respect of any transfer to investors from HKSCC-NOMS; and**

**(b) for all other transfers of prescribed securities, any T&R fee charged by an ASR should not exceed the higher of: (i) 0.02% of the transaction value; and (ii) \$20 per transfer request?**

**If so, please elaborate.**

**Q6. Do you have any comments on the proposed parameters for such limit as discussed in paragraphs 28(c) and 29 above? If so, please elaborate.**

30. As indicated in the July 2024 Conclusions, any limits eventually adopted in respect of the three key fees will be set out in Schedule 1 of the ASR Code. The draft of the specific amendments in this regard (based on the discussion in this Section III) are set out in [Annex 1](#).

## IV. Other fees

### **Other situations where a new title instrument may be issued**

31. We note that, currently, share registrars adopt the transfer fee for a range of other services that involve the issue of title instruments. Examples include:
- (a) where a registered holder requests existing title instruments to be replaced with new ones of different denominations or following a change in the holder's name;
  - (b) where the title instrument submitted in connection with a transfer represents a larger number of securities than are the subject of the transfer, and the transferor is entitled to a new instrument representing the portion not transferred;
  - (c) where a registered holder is entitled to receive a new title instrument following a share split or consolidation exercise;

---

<sup>29</sup> If (for example) the dematerialisation fee were waived, it would mean securities holders who hold back on dematerialising their securities until they need to transfer them will be better off than those who opt to dematerialise earlier (ie, before effecting any transfer) because they will only have to pay the T&R fee. Apart from being unfair, this would encourage securities holders to delay dematerialising their securities until they need to transfer them, thus slowing down the market's transition to full dematerialisation.

- (d) where a registered holder requests a lost or damaged title instrument to be replaced with a new one; and
  - (e) where a joint registered holder requests a new title instrument to be issued following the death of the other joint registered holder.
32. In light of our proposal to change the charging basis for the T&R fee and set a limit in respect of it (as discussed in paragraphs 28 to 29 above), the question arises whether limits on fees for issuing title instruments in such non-transfer situations should also be prescribed under the ASR Code. For the following reasons, we do not consider it appropriate or necessary to do so.
- (a) These fees tend to be more in the nature of a one-off or occasional event rather than a regular or recurrent one.
  - (b) The proposed ASR Code already includes an overarching requirement for ASRs' fees to be fair and reasonable in the circumstances, and commensurate with the services provided and work done – see section 2.2 of the proposed ASR Code.
  - (c) The range of situations in which a title instrument may need to be issued is quite broad, and the adoption of a single fee across all may not be appropriate.
  - (d) The need to issue title instruments will diminish over time as more prescribed securities become participating securities with the result that title instruments for them can no longer be issued. Any limits prescribed will therefore only apply in respect of non-participating securities and be relatively short-lived.
33. In view of the above, we propose to leave it to individual ASRs to determine any fees for issuing title instruments in non-transfer related circumstances.
34. A point worth highlighting in this context is that, currently, the **Listing Rules**<sup>30</sup> prescribe timelines and fee limits for certain matters, including the registration of transfers and the issue of title instruments<sup>31</sup>. These provisions are inconsistent with the proposal discussed in paragraphs 29(f) and 32 above. It follows that if these proposals are adopted, consequential amendments will be needed to the Listing Rules.

### **1 % brokerage fee**

35. We noted in the July 2024 Conclusions<sup>32</sup> that, when consulting on the three key fees, we would address the question of whether the 1% brokerage fee (currently provided for in the Listing Rules<sup>33</sup>) should also be chargeable by an ASR when handling IPO applications collected through electronic platforms operated by them. The issue arose in light of our proposal that ASRs be able to provide services relating to IPOs without having to partner with a Type 1 intermediary.<sup>34</sup>

---

<sup>30</sup> This refers to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, and includes the Main Board Listing Rules and the GEM Listing Rules.

<sup>31</sup> See rules 13.58 to 13.62 of the Main Board Listing Rules and rules 17.63 to 17.75 of the GEM Listing Rules.

<sup>32</sup> See paragraphs 231 to 234 of that paper.

<sup>33</sup> See rule 7 of the Main Board Fees Rules and rule 6 of the GEM Fees Rules.

<sup>34</sup> See paragraphs 102 to 104 and 144 to 146 of the March 2023 Consultation and paragraphs 231 to 234 of the July 2024 Conclusions.

36. For the following reasons, we see no reasons why the 1% brokerage fee should not be chargeable by ASRs.
- (a) Broadly speaking, the fee is described as a brokerage fee that is payable by persons subscribing for or purchasing securities, and to the exchange participant through which the application is made or arranged. By operating electronic platforms to receive IPO applications for prescribed securities, ASRs would essentially be performing a similar function and regulated as such by the SFC.
  - (b) As we understand it, share registrars that currently partner with a Type 1 intermediary to operate such electronic platforms may receive a portion of the 1% fee (either from the Type 1 intermediary concerned or the IPO issuer). It would not be reasonable to deny ASRs this payment simply because they no longer have to partner with a Type 1 intermediary.
37. We therefore propose that the 1% brokerage fee currently provided in the Listing Rules should be chargeable by ASRs as well in respect of IPO applications submitted through their electronic platforms. It follows that if this proposal is adopted, consequential amendments will be needed to the Listing Rules as well.

## V. Other relevant matters

38. **Limits to be reviewed regularly:** We propose that any limits reflected in the ASR Code be reviewed on a regular basis to ensure their continued suitability, taking into account factors such as the pace of dematerialisation and USI set-up, the costs of providing the services in question, etc. Additionally, in the case of limit for the dematerialisation fee, we may consider raising or removing this limit after a period of time if this becomes necessary to further encourage the market's transition to full dematerialisation.
39. **Limits to apply to issuers also:** For the avoidance of doubt, we clarify that the limits discussed in this paper are intended to be binding on issuers as well, ie, the limits should not be bypassed by an issuer charging any of the three key fees directly. If necessary, we will work with HKEX to make this clear in the Listing Rules.
40. **ASRs not precluded from charging issuers:** The limits discussed in this paper are intended to apply in respect of any fees charged by an ASR to an existing or prospective registered holder. There is no intention to impose any limits on fees charged by an ASR to an issuer, including in respect of the setting up of any USI Facility, the dematerialising of any prescribed securities or the processing and registration of any transfer of prescribed securities. Issuers are in a position to negotiate these fees on a competitive and commercial basis.

## VI. Comments invited

41. The proposed limits for the three key fees will affect various stakeholders, including in particular investors and issuers. We therefore urge interested parties to submit written comments on the proposals discussed in this paper. The deadline for submissions is **23 April 2025**.

## Glossary

<b>ASR / approved securities registrar</b>	an approved securities registrar, ie, a person approved by the SFC to provide securities registrar services under new section 101AAG of the SFO introduced under section 7 of the Securities and Futures and Companies Legislation (Amendment) Ordinance 2021
<b>ASR Code</b>	the SFC's proposed Code of Conduct for Approved Securities Registrars, a draft of which is at Annex 4 of the July 2024 Conclusions
<b>CCASS</b>	the Central Clearing and Settlement System operated by HKSCC
<b>five share registrar groups</b>	the five main share registrar groups currently operating in the market
<b>FSR</b>	the Federation of Share Registrars Limited
<b>FSR's Information Paper</b>	the FSR's 4 November 2024 <a href="#"><u>Information Paper For Issuers and Shareholders – Implementation of an Uncertificated Securities Market (USM) in Hong Kong</u></a>
<b>HKEX</b>	Hong Kong Exchanges and Clearing Limited
<b>HKSCC</b>	Hong Kong Securities Clearing Company Limited, a recognized clearing house under the SFO and wholly owned subsidiary of HKEX
<b>HKSCC-NOMS</b>	HKSCC Nominees Limited, the central nominee that is the registered holder of all securities held in CCASS
<b>IPO</b>	an initial public offer of securities
<b>July 2024 Conclusions</b>	the SFC's July 2024 <i>Consultation Conclusions paper on proposed subsidiary legislation, code and guidelines for implementing an uncertificated securities market in Hong Kong</i>
<b>Listing Rules</b>	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong, and includes the Main Board Listing Rules and the GEM Listing Rules
<b>March 2023 Consultation</b>	the SFC's March 2023 <i>Consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market in Hong Kong</i>
<b>October 2023 Consultation</b>	the SFC's October 2023 <i>Consultation paper on proposed code and guidelines for implementing an uncertificated securities market in Hong Kong</i>
<b>participating securities</b>	prescribed securities that are USM-enabled in the sense that all relevant procedures and formalities for legal title to the securities

	to be evidenced and transferred without paper have been completed – see paragraph 50 of the March 2023 Consultation and paragraphs 29 and 30 of the July 2024 Conclusions
<b>prescribed securities</b>	the six categories of securities that are listed on the Stock Exchange of Hong Kong Limited and may participate in the USM regime – see paragraph 23(a) of the March 2023 Consultation for more details
<b>securities registrar services</b>	services that may only be provided by ASRs – see paragraphs 102 to 105 of the March 2023 Consultation
<b>SFC</b>	the Securities and Futures Commission
<b>SFO</b>	the Securities and Futures Ordinance (Cap 571)
<b>three key fees</b>	the USI set-up fee, the dematerialisation fee and the transfer and registration fee (as described in paragraph 1 above)
<b>title instrument</b>	the paper certificate or other document issued as evidence of title to any prescribed securities
<b>Type 1 intermediary</b>	an intermediary that is licensed or registered under the SFO to carry on business in dealing in securities
<b>USI Facility</b>	a facility for holding / evidencing prescribed securities in uncertificated form, and managing them directly and electronically – see paragraph 23(d)(i) of the March 2023 Consultation
<b>USM</b>	the initiative or regime for implementing an uncertificated securities market in Hong Kong



## Annex 1: Proposed amendments to Schedule 1 to ASR Code (marked-up version showing changes to the version attached in July 2024 Conclusions)

### Schedule 1: ~~Maximum levels~~ **Limits** for certain fees and charges that may be charged by an ASR to current or prospective registered holders

	Description of service	Service level	<del>Maximum</del> <b>Limit for the fee / charge</b>
1.	Setting up of a USI facility with an ASR	Baseline service level, ie, the level which requires the set-up process to be completed within five business days after the day of receiving the application to set up a USI facility and all relevant information and documents.	Any fee charged should not exceed \$50 per USI facility.  <i>Note: This limit only applies if the USI facility is set up in the name of: (i) a single holder who is an individual; or (ii) joint holders who are all individuals.</i>
2.	Dematerialization of prescribed securities	Baseline service level, ie the level that requires the dematerialization to be completed within five business days after the day of receiving the request for dematerialization and all relevant information and documents.	Any fee charged should not exceed the higher of: (i) \$5 per certificate or other title instrument; and (ii) \$20 per dematerialization request per stock/line of securities.  <i>Note: This limit only applies in respect of certificates and title instruments that are registered in the name of: (i) a single holder who is an individual; or (ii) joint holders who are all individuals.</i>
3.	Processing and registering <del>of</del> transfers of	Where the transfer is: (i) effected by way of a	For transfers where the transferor is HKSCC

	<p>prescribed securities <del>(held or to be held in uncertificated form)</del></p>	<p>specified request (as defined in section 2 of the USM Rules); or</p> <p>(ii) effected by way of an instrument of transfer, and the transfer process is to be completed within 10 business days after receiving all relevant documents (eg, the properly executed and stamped instrument of transfer, the relevant title instrument, etc).</p>	<p>Nominees Limited and the transferee is someone else, no fee should be charged.</p> <p>For all other transfers, any fee charged should not exceed the higher of:</p> <p>(i) 0.02% of the transaction value (based on the market price of the securities transferred as at the close of their last trading day); and</p> <p>(ii) \$20 per transfer request.</p>
--	---	--	--