



## HKEX Consults on Further Expansion of its Paperless Listing Regime

In August 2024, the Hong Kong Exchanges and Clearing Limited (**HKEX**) issued a [Consultation Paper](#) on further expanding its paperless listing regime to improve operational efficiencies and reduce the use of paper. This follows the implementation of two earlier rounds of paperless listing reforms and other market modernisation and digitalisation initiatives including the introduction of FINI, proposals for the implementation of an uncertificated securities market (**USM**), and arrangements for Hong Kong's securities and derivatives markets to remain open during severe weather conditions.

### Paperless and Digitalisation Initiatives in Hong Kong Listing in Recent Years

The HKEX's first paperless initiative was implemented in July 2021 to require:

- listing documents for new listings of equities, debt securities and collective investment schemes to be published only in electronic form;
- subscriptions for new listings to be made electronically, except in the case of mixed media offers; and
- listing applicants and listed issuers to publish certain documents electronically on their own and the HKEX websites instead of putting them on physical display.

The paperless listing regime was expanded in December 2023 with the introduction of requirements:

- to submit electronically many of the documents previously required to be submitted in paper form to the HKEX; and
- for listed issuers to disseminate their corporate communications to securities holders electronically if allowed under the laws of their jurisdiction of incorporation.

For details of the paperless regime's expansion in December 2023, please see our [December 2023 newsletter](#).

In addition, the HKEX and the Securities and Future Commission (**SFC**) introduced a series of improvements to digitise and modernise the market structure, which include:

- *Fast Interface for New Issuance (FINI)*: FINI was launched by the HKEX in November 2023 to streamline the initial public offering (IPO) settlement process and reduced the time between IPO pricing and the start of trading from five to two business days;
- *Uncertificated Securities Market*: Hong Kong's uncertificated securities market is scheduled for implementation at the end of 2025 and will allow investors to hold certain securities in their own names without the need for paper documents; and
- *Severe Weather Trading*: following the publication of the HKEX's Consultation Conclusions in June 2024, arrangements enabling Hong Kong's securities and derivatives markets to remain open for trading during severe weather conditions were implemented in September 2024.

## Proposals for further expansion of HKEX's Paperless Listing Regime

### 1. Allowing Electronic Instructions from Securities Holders

Following the December 2023 expansion of the paperless listing regime, issuers are required to send corporate communications to their securities holders electronically provided this is allowed under the laws of their jurisdiction of incorporation. Actionable corporate communications (being corporate communications that seek instructions from securities holders on how they want to exercise their rights or make an election) must be sent to securities holders individually in electronic form. However, issuers are under no obligation to put mechanisms in place for securities holders to respond electronically to corporate communications which means that issuers can require securities holders to submit their instructions in paper form only.

The HKEX now proposes to require issuers to implement mechanisms to give securities holders the option of returning the following instructions to issuers electronically:

- instructions relating to a meeting of securities holders which require an indication as to attendance at the meeting and Proxy-related instructions (**Meeting Instructions**); and
- instructions sent in response to actionable corporate communications other than instructions responding to a provisional allotment letter issued in connection with a rights issue (**Non-meeting Instructions**).

Securities holders will then have the option to submit their response electronically or in hard copy forms. Issuers will not be restricted in their choice of mechanism for receiving electronic instructions. They could, for example, receive instructions by email or via a bespoke online platform.

To facilitate this proposal, the HKEX advises issuers:

- to check whether the laws and regulations of their jurisdiction of incorporation require them to amend their constitutional documents to comply with this proposal (e.g. where those laws and regulations require an issuer's constitutional documents to expressly allow the electronic receipt of security holders' instructions);
- of the need to put in place mechanisms to verify the authenticity of instructions received.

The HKEX is proposing that the requirements in relation to Meeting Instructions will apply to issuers of equity securities and public debt issuers. The requirements for Non-Meeting Instructions will apply to issuers of equity securities and issuers of structured products. The requirements will not apply to issuers of collective investment schemes or professional debt.

In line with these proposals, the HKEX would also revise the template proxy form attached to its general meeting guide to allow proxy appointments to be sent electronically. Additionally, the Form Filing Guide for the Meeting Notification e-Form would be modified to require issuers to give instructions on how securities holders can give instructions electronically.

The proposed implementation date for this proposal is the same as the implementation date for Hong Kong's uncertificated securities market, which is currently scheduled for the end of 2025. Issuers will then have a one-year transitional period to make any necessary changes to their constitutional documents.

## **2. Real-time Electronic Payment of Corporate Action Proceeds**

HKEX's Listing Rules do not specify how issuers should distribute corporate action proceeds to their securities holders. The distribution of paper cheques by post is currently the predominant method. "Corporate action proceeds" include dividends and other entitlements, refunds relating to applications for rights issues and open offers and payments relating to takeovers and privatisations. However, the current process often results in a delay in payment beyond the announced payment date due to the time required for cheque deposit and clearance at banks.

To improve efficiency and enable shareholders to access corporate action proceeds as close to the announced payment date as possible, the HKEX proposes that listed issuers provide an option for securities holders to receive corporate action proceeds electronically via Clearing House Automated Transfer System (**CHATS**) by the announced payment date. CHATS is a Hong Kong inter-bank payment system for settling transactions in local or foreign currencies. However, the HKEX will permit issuers to provide additional methods of payment, including by cheque, autopay and FPS as alternatives to provide greater flexibility for stakeholders.

The HKEX would require listed issuers to inform securities holders of the available payment options and seek their instructions on their choice. Issuers would need to obtain functional electronic payment information for securities holders electing to receive payment via CHATS. If a securities holder fails to indicate a choice of payment method or does not provide its functional electronic payment information, the issuer could adopt any payment method (including a non-electronic method) previously used to pay corporate action proceeds to the securities holder.

Issuers would be required to bear outward charges, e.g. bank charges, arising on payments made to securities holders through CHATS. Securities holders opting to receive corporate action proceeds via CHATS would be subject to any inward charges imposed by their banks and issuers would be required to inform them of the possibility of incurring these charges in the relevant announcement or corporate communication.

This proposal would apply to issuers of equity securities and collective investment schemes only. The proposed implementation date is the date the uncertificated securities market takes effect.

## **3. Electronic Payment of Subscription Monies**

Since the launch of FINI, all IPO subscriptions and subscriptions for public offers by listed issuers of equity securities take place electronically via the FINI platform. The HKEX Listing Rules do not, however, stipulate how subscription monies must be paid to listed issuers for offers made to their existing securities holders. The HKEX is proposing to require listed issuers to offer the option to pay subscription monies electronically for offers made to their existing securities holders. These offers would include, open offers, rights issues, preferential offers and bonus issues of securities. The HKEX will not mandate that securities holders pay subscription monies electronically and they would still have the option to pay subscription monies either by paper cheque or cashier order.

The proposal also offers listed issuers the flexibility to elect their electronic payment method (such as autopay or FPS); they would not be required to use CHATS. Issuers would be required to disclose instructions on how to pay subscription monies and give details of their electronic payment details in the relevant announcement or corporate communication. The HKEX expects securities holders to continue to bear any charges incurred on their payment of subscription monies electronically, which is in line with the current practice.

The proposal will not apply to placings, including top-up placings, as the method of payment of subscription monies is generally determined among the placing agent, the placee(s) and the issuer.

The proposed requirements will apply only to issuers of equity securities and collective investment schemes, as alternative payment methods for debt securities and structured products are already in place.

## **4. Abolishing Mixed Media Offers ("MMOs")**

Mixed media offers were introduced in 2011 to allow paper application forms to be made available with electronic versions of prospectuses for public offerings of shares and debentures listed on the HKEX.

Under the first phase of its paperless listing reforms implemented in July 2021, the HKEX introduced requirements for listing documents to be published only in electronic form and for IPO subscriptions to be made electronically, except for those involving a mixed media offer. FINI was launched in November 2023 and requires all IPO subscriptions and subscriptions for public offers conducted by listed issuers of equity securities to be conducted via

the FINI platform.

The HKEX is proposing to fully abolish MMOs, thereby removing the option to issue application forms in printed form for a public offer of equity securities, collective investment schemes and debt securities. Applications for public offers of equity securities and collective investment schemes would instead be required to be made by on-line subscription. Subscriptions for public offers of debt securities will continue to be conducted through channels such as placing banks and/or HKSCC.

The implementation date for this proposal will be specified in the HKEX's consultation conclusions. In any event, it will be no earlier than that date of repeal of the 2011 class exemption notice that allows mixed media offers.

## 5. Hybrid General Meetings and E-Voting for HKEX-listed Issuers

The HKEX Listing Rules do not currently specify the format of general meetings or the method of voting that must be used. HKEX proposes to require listed issuers to amend their constitutional documents to allow them to hold hybrid general meetings and provide E-voting, to the extent allowed under the laws or regulations of their jurisdiction of incorporation. To comply with the proposed requirements, listed issuers may need to revise their constitutional documents to:

- remove any provision that prevents the holding of hybrid general meetings and/or the use of E-voting; and/or
- include express provisions allowing the holding of hybrid general meetings and the use of E-voting.

However, the HKEX will not mandate the use of hybrid meetings and E-voting. Listed issuers will retain the flexibility to choose the methods of hosting general meetings and voting that best align with their operational needs and the interests of their shareholders. Where issuers opt to hold hybrid general meetings, they must comply with the requirements of the core shareholder protection standards set out in Appendix A1 to the Main Board and GEM Listing Rules and adopt measures to ensure that securities holders have the right to speak and vote at general meetings.<sup>1</sup> The HKEX suggests that this could be achieved by allowing securities holders to ask questions orally or electronically by typing them into a dedicated platform and to cast their votes electronically.

The proposal would only apply to issuers of equity securities. The HKEX will specify the proposed implementation date for this proposal and details of a short transitional period in the consultation conclusions.

## 6. Applicability of the Paperless Regime Proposals by Issuer Type

The following table summarises the applicability of the paperless regime proposals by Issuer Type:

	<b>Electronic Instructions from Securities Holders</b>	<b>Real-time Electronic Payment of Corporate Action Proceeds</b>	<b>Subscription Monies via Electronic Means</b>	<b>Abolishing MMOs</b>	<b>Hybrid General Meetings and E-Voting</b>
<b>Issuer of equity securities</b>	Yes	Yes	Yes	Yes	Yes
<b>CIS</b>	No	Yes	Yes	Yes	No
<b>Issuer of structured products</b>	Non-Meeting Instructions only	No	No	No	No
<b>Public Debt Issuers</b>	Meeting Instructions only	No	No	Yes	No
<b>Professional Debt Issuers</b>	No	No	No	No	No

## HKEX Seeks Feedback on Web Accessibility of HKEX-listed Issuers' Corporate Communications

The HKEX received suggestions in response to an earlier consultation that the HKEX Listing Rules or the Corporate

<sup>1</sup> Under paragraphs 14(3) and 19 of Appendix A1 to the Main Board and GEM Listing Rules

Governance Code should refer to web accessibility guidelines, such as the Web Content Accessibility Guidelines. These are an international standard for web content accessibility developed by the World Wide Web Consortium which aim to assist persons with disabilities in gaining better access to web content.

The HKEX is now seeking feedback on whether it should incorporate or refer to web accessibility guidelines in the HKEX Listing Rules (including in the Corporate Governance Code) or the HKEX's guidance so that corporate communications made available on listed issuers' websites in accordance with the HKEX Listing Rules will conform with those guidelines.

## **HKEX's Other Proposed Rule Amendments**

The HKEX is also proposing various minor HKEX Listing Rule amendments that would not involve any change in the HKEX's policy.

### **Clarification of Conditions for Waivers from Annual Results/Reports Publication Requirements**

Note 4 to Main Board Listing Rule 13.46(2) sets out the conditions for the HKEX to grant waivers from the requirements to publish and distribute annual results and reports. Currently, these conditions only apply to waivers granted to overseas issuers and PRC issuers, despite originally being intended to apply to all newly listed issuers.<sup>2</sup> The HKEX therefore proposes to clarify the Main Board Listing Rules by adding a new note to Main Board Listing Rule 13.46(1) to apply the same waiver conditions to other issuers.

### **Alignment of Requirements**

The HKEX proposes the following amendments to the HKEX Listing Rules:

- ***Removal of independent non-executive director's annual confirmation***

The requirement for independent non-executive directors to file annual confirmations of their independence with listed issuers was removed from Main Board Listing Rule 3.13 and GEM Listing Rule 5.09 in December 2023. The HKEX is now proposing to remove the requirement for listed issuers to confirm in their annual reports whether they have received annual confirmations of independence from their independent non-executive directors under paragraph 12B of Appendix D2 of the Main Board Listing Rules and GEM Listing Rule 18.39B to align with Main Board Listing Rule 3.13 and GEM Listing Rule 5.09.

- ***Documentary requirements for listing applications***

The HKEX is proposing to amend Main Board Listing Rule 9.22(2)(c) to align the documentary requirements for listing applications made by listed issuers (namely, the requirements for translations of prospectuses) with the documentary requirements for new listing applicants under Listing Rule 9.11(33)(c).

- ***Alignment of Main Board and GEM Listing Rule Requirements***

- As there is no comparable requirement under the Main Board Listing Rules, the HKEX is proposing to remove the requirement under GEM Rule 18.50C for listed issuers to submit a copy of their annual report to the HKEX for publication on the HKEX's website no later than three months after the end of their financial year. Both Main Board and GEM issuers are required to issue their annual reports no later than four months after the end of the financial year under Main Board Listing Rule 13.46 and GEM Listing Rule 18.03.
- The HKEX proposes to require GEM listing applicants to provide the estimated market capital of the total equity of the GEM issuer in their listing application forms (Form A published in GEM Regulatory Forms). This proposed amendment will align the market capitalisation information requirement for Main Board and GEM Board listing applicants.

### **Amendments relating to Debt Securities**

<sup>2</sup> See proposal 7 in the Consultation Paper on Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Minor Rule Amendments (August 2019) at: <https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/August-2019-Codification-of-General-Waivers/Consultation-Paper/cp201908.pdf>

The HKEX is also proposing the following amendments to the Listing Rules relating to debt securities.

- ***Publication window for prescribed announcements***

Main Board Listing Rule 2.07C(4) allows the issuers of debt securities to the public (**Public Debt Issuers**) to publish certain prescribed announcements during trading hours in certain circumstances. The HKEX proposes to amend Main Board Listing Rule 2.07C(4)(a) to allow issuers of debt securities to professional investors under Chapter 37 of the Main Board Listing Rules (**Professional Debt Issuers**) to publish during trading hours the same prescribed announcements in specific circumstances as currently provided for Public Debt Issuers.

- ***Audited interim financial statements for eligibility assessment***

The HKEX is proposing to clarify that the requirement for listing applicants to have produced “audited accounts for two years” under Main Board Listing Rule 37.06 requires audited accounts for “two financial years” rather than two calendar years. The HKEX notes that Main Board Listing Rule 37.06, which also requires that the two financial years’ audited accounts are made up to a date no later than 15 months before the intended date of the listing document, may create a blackout period for certain applicants. The HKEX is therefore proposing an amendment so that applicants can be eligible to list under Chapter 37 of the Main Board Listing Rules if they can provide audited accounts for two financial years as well as audited interim financial statements covering at least the first six months of the financial year that ends not more than 15 months before the intended date of the listing document.

- ***Professional Debt Issuers’ continuing obligations***

- o The HKEX proposes to expand the coverage of the continuing obligation for Professional Debt Issuers under Main Board Listing Rule 37.49(b) (GEM Listing Rule 3042(b)) so that their obligation to notify the HKEX in advance of any proposal to amend the trust deed also applies to any proposal to amend any other document that secures or constitutes the debt securities.
- o It also proposes to revise the continuing obligation for Professional Debt Issuers under Main Board Listing Rule 37.53 to require the submission of interim financial statements to the HKEX rather than interim financial reports.

- ***Public Debt Issuers’ continuing obligations***

The HKEX is proposing to revise the continuing obligations of Public Debt Issuers under paragraphs 12(1) and 19(2) of Appendix E4 to the Main Board Listing Rules and GEM Listing Rules 31.15(1) and 31.19(2) to require them to notify the HKEX of any proposal to amend a trust deed or other document securing or constituting listed debt securities and to provide the HKEX with a draft of the proposed amendment.

- ***Validity period of a debt programme***

The HKEX is proposing to amend Main Board Listing Rule 37.41 (GEM Listing Rule 30.34) to clarify that the validity period for a debt programme is one year after the date of the listing document rather than the date of publication.

- ***Definition of supranationals***

The HKEX proposes to amend the definition of “supranationals” in the Main Board Listing Rules to include the list of multilateral agencies set out in Part 4 of Schedule 1 to the Securities and Future Ordinance.

- ***Bilingual publication of financial statements***

Amendments are proposed to require all Public Debt Issuers, other than States and supranationals, to publish English and Chinese versions of their financial statements as set out in paragraph 20(1) of Appendix E4 to the Main Board Listing Rules.

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CHARLTONS  
易周律師行

Hong Kong Office

Dominion Centre 12th Floor  
43-59 Queen's Road East Hong Kong

[enquiries@charltonslaw.com](mailto:enquiries@charltonslaw.com)

[www.charltonslaw.com](http://www.charltonslaw.com)  
Tel: + (852) 2905 7888  
Fax: + (852) 2854 9596