



Hong Kong's Readiness for Paperless Securities

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The Hong Kong securities market will be undergoing a long-overdue infrastructure upgrade with the introduction of paperless securities system (“**PSS**”) which will be implemented on **16 November 2026** subject to the Legislative Council’s negative vetting process. This remarkable change aligns Hong Kong’s clearing process with those of other leading international financial centres.

Key Features of PSS

3 ways to hold securities under PSS:

(1) In Holder’s Own Name (Paper form)

- Holders hold legal title to securities and are issued paper certificates.
- Holders are recorded on the issuer’s book as the registered owner of the securities and enjoy full shareholder rights directly.
- Transfer of legal title is time-consuming which may take around 10 business days.

(2) In Holder’s Own Name (Paperless)

- Holders hold legal title to securities which are in paperless form (*i.e.* no physical certificate is issued to them).
- Holders enjoy full shareholder rights directly and can transfer and manage their securities electronically online, riding on platforms that are operated by approved securities registrars and connected to systems of Hong Kong Securities Clearing Company Limited (“**HKSCC**”).

(3) Via Intermediaries

- Holders who hold securities through intermediaries (banks/brokers) and the Central Clearing and Settlement System (“**CCASS**”) do not hold legal title to the securities.
- Instead, HKSCC Nominees Limited (“**HKSCC Nominees**”) is recorded on the issuer’s book as the registered owner of the securities. Paper certificates are issued to HKSCC Nominees and kept in its vault.
- Holders only hold beneficial interest in the securities and need to rely on intermediaries and HKSCC Nominees to exercise shareholder rights (*e.g.* attend shareholders’ meetings, vote, receive dividends etc).

Benefits of PSS

Following the implementation of PSS, Hong Kong’s financial market infrastructure will be elevated by providing streamlining and automating process and minimizing the need for paper-based and manual processes.

(1) Benefits to Holders:

Holders can enjoy full shareholder rights directly, including the right to receive corporate communications, exercise corporate action rights, and rights to receive dividends and other

entitlements without the need to engage an intermediary. Holders may also view and manage holdings with just a few clicks, including sending instructions via the relevant approved securities registrar's electronic platform to deposit/withdraw securities into/out of CCASS, or to transfer them to someone outside CCASS. Holders may also enjoy faster and more efficient processing, including effecting transfer within the same day and within five business days (if the securities have yet to be converted into paperless securities).

(2) Benefits to Listed Issuers:

Under the PSS, it is expected that over 2,600 Hong Kong-listed issuers will enable their securities to be held and managed electronically, and as a result, an estimate of about 4.6 million paper certificates already held will be converted to uncertificated form. Consequently, listed issuers stand to gain better shareholder-transparency as a growing number of holders chooses to hold their securities under PSS and in their own names. The PSS will also allow listed issuers to communicate directly with shareholders, bypassing the intermediaries that they otherwise engage to deal on their behalf. As a result, the corporate governance of the listed issuers is strengthened by way of more interactions between listed issuers and their shareholders.

(3) Benefits to Markets:

Departure from the paper-based and the previously manual processes will improve efficiency for intermediaries and other market participants whereas their existing roles in the trading and clearing process remain unchanged.

Conclusion

Simply put, PSS is a cost-saving solution and will create a straight-through clearing processing for all. It not only supports greener markets but also enhances Hong Kong's securities market infrastructure.