

The Hong Kong Chartered Governance Institute

Online Submission:

The Stock Exchange of Hong Kong Limited's (Exchange) Consultation Paper on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments

The Hong Kong Chartered Governance Institute 香港公司治理公會

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Exchange Consultation Paper on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments

[Unless the context requires otherwise, the terms and expressions used in this submission shall have the meanings set out under the Consultation Paper (CP).]

About HKCGI

The Hong Kong Chartered Governance Institute (Institute/HKCGI), formerly known as The Hong Kong Institute of Chartered Secretaries, is the only qualifying institution in Hong Kong and the Mainland of China for the internationally recognised Chartered Secretary and Chartered Governance Professional qualifications.

With over 70 years of history and as the Hong Kong/China Division of The Chartered Governance Institute (CGI), the Institute's reach and professional recognition extend to all of CGI's nine divisions, with more than 40,000 members and students worldwide. The Institute is one of the fastest growing divisions of CGI, with a current membership of over 7,000, 300 graduates and 3,000 students with significant representations within listed companies and other cross industry governance functions.

Believing that better governance leads to a better future, HKCGI's mission is to promote good governance in an increasingly complex world and to advance leadership in the effective governance and efficient administration of commerce, industry and public affairs. As recognised thought leaders in our field, the Institute educates and advocates for the highest standards in governance and promotes an expansive approach which takes account of the interests of all stakeholders.

Support for proposals

On 21 September 2021, when the Exchange consulted on 'Paperless Listing and Documents on Display', our Institute supported the proposals. The rationale, then, as now, for supporting the current proposals are:

'These measures would bring convenience to the investment public; enhance transparency of disclosures/access to information; and reduce unnecessary administrative burdens in company administration respectively which are all good governance related practices. They are also the responsible actions to take as part of Hong Kong's efforts to 'go green' and to branding as a technological hub which are part of the essentials as an international financial centre.'

In fact, over the years, our Institute, in promoting good governance practice, has actively and consistently supported the Exchange to expand its efforts to go paperless. Accordingly, our Institute supports all of the Consultation Paper's proposals, namely:

- **Proposal 1:** To reduce the number of documents required to be submitted to the Exchange and to mandate submission by electronic means
- **Proposal 2:** To mandate electronic dissemination of corporate communications to securities holders by listed issuers after listing
- **Proposal 3:** To restructure the Appendices to the Listing Rules, and
- **Other related rule amendments.**

We have member comments, which our Institute agrees is worthy of consideration, that where shareholders require paper documents under the proposed LR2.07A(4)(a) that there should be flexibility to satisfy the requirement by the listed issuer's provision of a device (for e.g., CD-ROM or USB) containing printable format of the requested documents. Otherwise, there is a need to print in excess of the required paper documents to satisfy the probability of shareholders' requests for printed documents. From the applied governance perspective, it is impossible to wait for shareholders' document requests and decide on the number of copies to print. This is especially the case with the timeline for Actionable Corporate Communications. Perhaps, the proposed LR 2.07A(4)(a) should contain the option for listed issuers to 'provide an electronic device to allow for printing of the corporate communication (in a usual market format)' to satisfy shareholders' requests for printed documents.

Questions Raised

Question 1 Do you agree with our proposal to remove the documents identified in Table 1 in Schedule II and that doing so will not jeopardise market quality? Please give reasons for your views.

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| <p>We agree. This proposal brings convenience to the investment public, enhances the transparency of disclosures/access to information, and reduces unnecessary administrative burdens in company administration, respectively, which are all good governance-related practices. They are also responsible for taking part in Hong Kong's efforts to 'go green' and branding as a technological hub, which are part of the essentials of an international financial centre.</p> |
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Question 2 Do you agree with our proposal to codify the relevant obligations into the Listing Rules or Guidance Materials and repeal the undertakings, confirmations and declarations as set out in Table 2 in Schedule II? Please give reasons for your views.

We agree. See answer to Q1.

Question 3. Do you agree with our proposal to repeal the requirement for listing agreements for listing of debt securities (except for debt issues to professional investors), structured products and interests in CIS and investment companies by codifying the relevant obligations as set out in Table 3 in Schedule II? Please give reasons for your views.

We agree. See answer to Q1.

Question 4. Do you agree with our proposal to incorporate in the Listing Rules an issuer's obligation to obtain necessary authorisations and consents for its actions set out in part (e) of Table 1 in Schedule II? Please give reasons for your views.

We agree. We have no issue with the approach, which serves to reduce administrative burdens as part of applied governance practice.

Question 5. Do you agree with our proposal to require the submission of the overarching undertakings from new applicants and sponsors in the Form A1 referred to in paragraph 38? Please give reasons for your views.

We agree. We have no issue with the approach, which serves to reduce administrative burdens as part of applied governance practice.

Question 6. Do you agree with our proposal to consolidate the requirement for personal particulars of directors/ supervisors in Form FF004? Please give reasons for your views.

We agree. We have no issue with the approach to reducing administrative burdens as part of applied governance practice.

Question 7. Do you agree with our proposal to remove signature and/or certification requirements for documents set out in Table 5 in Schedule II? Please give reasons for your views.

We agree. We have no issue with the approach, which serves to reduce administrative burdens as part of applied governance practice.

Question 8. Do you agree with our proposal to remove from the Listing Rules any requirement for submission of multiple copies of the same document and to require submission of one electronic copy only in respect of the documents set out in Table 6 in Schedule II? Please give reasons for your views.

We agree. We have no issue with the approach, which serves to reduce administrative burdens as part of applied governance practice.

Question 9. Do you agree with our proposal to mandate electronic means as the only mode of submission to the Exchange unless otherwise specified in the Listing Rules or required by the Exchange? Please give reasons for your views.

We agree. See answer to Q1.

Question 10. Do you agree with our proposal to mandate the digitalisation of the prospectus authorisation and registration processes? Please give reasons for your views.

We agree. See answer to Q1.

Question 11 Do you agree with our proposal to amend the Listing Rules to mandate that listed issuers must disseminate corporate communications to their securities holders electronically if this is permitted by their applicable laws and regulations and their constitutional documents? Please give reasons for your views.

We agree. Over the years, we have supported the Exchange in dealing with the issue under CP#65 and 66. There are significant administrative burdens, and little value, in practice, from the governance perspective, in sending out paper notices to inform shareholders of corporate communications.

Question 12 Do you agree with our proposal to allow the consent of holders of a listed issuer's securities to be implied for the electronic dissemination of its corporate communications, to the extent permitted under applicable laws and regulations and its constitutional documents? Please give reasons for your views.

We agree. See answer to Q1.

Question 13 Do you agree with our proposal to state in the Rules that Actionable Corporate Communications must be sent to the securities holders individually and in electronic form if the holders provide functional electronic contact details? Please give reasons for your views.

We agree. It is in good governance to draw shareholders' attention to Actionable Corporate Communications.

Question 14 Do you agree that where a listed issuer does not have functional electronic contact details of a securities holder, an Actionable Corporate Communication must be sent to the holder in hard copy form, including a request for the security holder's electronic contact details to facilitate electronic dissemination of Actionable Corporate Communications in future? Please give reasons for your views.

We disagree. We believe that as a 'green' initiative, there should be a shared responsibility by shareholders. As long as it is permissible, at law, to serve electronic notice, that should be sufficient. We see it more as an issue of education. When there is an Actionable Corporate Communication posted on the listed issuer's website, it could be prominently noted that where shareholders desire to be notified in future, they need to register an electronic address with the listed issuer. They can download a form from the issuer's website and send it back to the listed issuer.

Question 15 If your answer to Question 13 above is yes, do you agree that we should define Actionable Corporate Communications as "any corporate communication that seeks instructions from an issuer's securities holders on how they wish to exercise their rights as the issuer's securities holders"? Please give reasons for your views.

We agree. We look forward to providing input to the Exchange's guidance on what items of communications amount to Actionable Corporate Communications, as appropriate.

Question 16 We invite comments on the manner in which the Appendices to the Listing Rules are proposed to be categorised/amended and whether they will give rise to any ambiguities or unintended consequences.

We do not currently see any issues. With usage, if problems arise, they can be dealt with administratively or in subsequent rounds of housekeeping amendments. The simplification of the Listing Rules achieved is in good governance from the transparency perspective.

Question 17 Do you agree with our proposal to remove the requirement for physical attendance by members to meet the quorum needed for meetings of the Listing Committee and Listing Review Committee? If your answer is "no", please give reasons for your views.

We agree.

Question 18 Do you agree with our proposal to make minor changes to the Listing Rules described in paragraph 122 to reflect current practices and requirements? If your answer is "no", please give reasons for your views.

We agree.

If there are any questions, please feel free to reach out to Ellie Pang FCG HKFCG(PE), Chief Executive, HKCGI or Mohan Datwani FCG HKFCG(PE), Deputy Chief Executive, HKCGI at 2881 6177 or research@hkcgi.org.hk.

Yours sincerely,

For and on behalf of
The Hong Kong Chartered Governance Institute

A handwritten signature in black ink, appearing to read 'Ernest Lee', written in a cursive style.

Ernest Lee FCG HKFCG(PE)
President