



Hong Kong

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HKEX CONSULTS ON PROPOSAL TO STREAMLINE IPO SETTLEMENT PROCESS

On 16 November 2020, the Stock Exchange of Hong Kong (**HKEx**) published a concept paper outlining a proposal to modernise Hong Kong's IPO settlement process¹ (the **Concept Paper**) through the introduction of a new IPO settlement platform (Fast Interface for New Issuance (**FINI**)), which will be a mandatory platform for the handling of future Hong Kong IPOs should the proposal be adopted.

The platform, which will be operated by the HKSCC, will essentially act as a central repository for data throughout the IPO settlement process for both the institutional and retail tranches of Hong Kong IPOs, allowing professional market intermediaries involved in the IPO process to coordinate in one place. Workflows will be streamlined, data will be constantly updated and tasks such as data aggregation, validation and processing will be automated.

The proposal aims to address the issues plaguing the incumbent IPO settlement process, namely the heavy reliance on manual operations and the lack of a shared infrastructure, which contribute to a prolonged settlement period (typically taking five business days), an uncompetitive feature of Hong Kong's IPO regime.

The key features of the proposal include:

- digitalisation of the IPO settlement process, involving: the discontinuation of paper-based subscription forms and

withdrawal of support for faxes and cheques (brokers and share registrars may still serve clients in the manner they prefer, provided the data is entered into FINI in the prescribed digital form);

- submission of placee lists via FINI, involving: automated validation of placee information; upload function for supporting information; functions to add, edit or withdraw submissions with ease; and electronic signatures appended to digital forms and submission where possible, reducing the need for wet signatures and mailing physical documents; and
- reform of the pre-funding mechanism for the Hong Kong public offer so that only the actual share allotment value of each broker will be collected by the issuer after balloting.

The key benefit of the proposal is a shorter IPO settlement cycle, which will allow shares to start trading on "T+1", the day after pricing. This goal was originally set out in the HKEx 2019-2021 Strategic Plan² and compares favourably to Hong Kong's current settlement timeline.

The HKEx welcomes feedback on the Concept Paper until 15 January 2021.

¹ HKEx. 16 November 2020. "Concept Paper: Modernising Hong Kong's IPO Settlement Process". Available at: https://www.hkex.com.hk/-/media/HKEX-Market/Services/Next-Generation-Post-Trade-Programme/Fini/FINI_Concept-Paper_EN.pdf?la=en

² <https://www.hkexgroup.com/-/media/HKEX-Group-Site/ccd/About-HKEX/Strategic-Plan-2019-to-2021/HKEX-20192021-Strategic-Plan.pdf>

1. Hong Kong's Current IPO Settlement Process

Hong Kong has a robust IPO market which has seen the HKEx consistently take the top spot in terms of funds raised, with HK\$314.2 billion raised in 2019 and a total of HK\$2.4 trillion raised since 2010. Hong Kong's attractiveness as a listing venue is attributable to, among other factors, its diverse investor base, proximity to Mainland markets and investors, liquid secondary markets and a well-established legal system.

Despite the size and maturity of Hong Kong's markets, Hong Kong's IPO settlement times dwarf those of other leading fundraising hubs such as London and New York (which are able to allow shares to start trading on the "T+1" day after pricing). In a Hong Kong IPO, after the IPO is priced, it takes an average of five business days for the new shares to be allocated, settled and admitted to trading on the HKEx ("T+5"). Taking into account the involvement of public offer investors and non-business days, the Hong Kong IPO settlement process is, on average, nine calendar days. This drawn out process creates prolonged market risk and exposes parties to potential fluctuations in the value of their positions, which is particularly evident in the case of dual-primary or secondary listings where the issuer has a live share price on another stock exchange.

The HKEx attributes Hong Kong's lengthy IPO settlement timeline to the "complex logistics" that have developed around the settlement process, namely the lack of shared infrastructure and the heavy reliance on human intervention and manual operations which can put immense pressure on market participants and threaten market functionality, not to mention the accompanying operational risk. The HKEx also points out that the incumbent approach lacks scalability to meet Hong Kong's long-term growth aspirations as a global listing venue.

The mechanics of the public offer process also pose challenges, particularly in relation to Hong Kong dollar liquidity. The "pre-fund and refund practice" requires intermediaries participating in the public offer tranche to commit and transfer full IPO subscription funds to the issuer on behalf of their subscribing clients up front, with subsequent refunds based on the ultimate allotment of shares and final offer price. The significant interbank cash flows involved in the practice can lead to short-term liquidity challenges in the Hong Kong dollar interbank market, which the HKEx has identified as "*incompatible with achieving a "T+1" IPO listing timetable*".

A further issue is the lack of flexibility. Owing to the entrenchment of market practices surrounding the IPO settlement process, issuers are unable to materially accelerate their own IPO settlement, a point which is demonstrated by the secondary listings of Alibaba and NetEase, both of which attempted to reduce settlement times by opting for digital-only retail subscriptions and shifting processing work to a weekend. Despite their efforts, shares were only able to start trading on T+4 (i.e. saving one day).

2. HKEx Proposed IPO Settlement Platform (FINI)

a. Overview of FINI

FINI is a platform that will be used to handle the IPO settlement process from receipt of the post-hearing letter to the official start of trading. It will act as a central repository for data for both the institutional and retail tranches of the IPO settlement process for primary, dual-primary and secondary listings, listings by introduction and transfers from GEM. FINI will not handle subscription, allotment or settlement of any preferential offerings or employee offerings, however their allocation results would be required to be input into FINI. This is owing to soft consultations suggesting that market participants prefer to maintain these functions in a single system.

FINI will be accessible as a web interface on desktops, smartphones and tablets and it is designed to be used by the various intermediaries and advisers involved in the IPO settlement, which includes retail brokers, share registrars, IPO sponsors, underwriters, distributors and legal counsel. Regulatory bodies involved in the process (the Securities and Futures Commission (SFC), the HKSCC and the SEHK Listing Division) will also use FINI to provide certain approvals before the listing. Users will only be able to use FINI to conduct tasks relevant to their roles and as such will only be able to see information on IPOs they are involved in which is relevant to their responsibilities.

IPO issuers and end-investors will not be required to use FINI. Instead, issuers will be served by their sponsor, legal advisers, underwriters and share registrar, who will interact with FINI on their behalf. CCASS participants, share registrars or distributors will interact with FINI on behalf of end-investors. IPO issuers' and end-investors' experience of the IPO settlement process is therefore expected to remain largely unchanged, other than a shorter wait time between committing to issue/acquire shares and the start of trading.

b. Key Changes to Hong Kong's IPO Settlement Process

i. *Shorter IPO Settlement Timeline*

If the proposal is adopted, the most significant change to Hong Kong's IPO settlement process would be a considerably shorter settlement timeline, which will allow shares to start trading as soon as "T+1", the day after pricing. This is made possible by streamlining the workflow of various intermediaries involved in the IPO settlement process, automating certain tasks, providing a central system for communication and collaboration and amending the mechanisms of the pre-funding practice.

A "T+1" settlement timetable is expected to bring benefits in terms of a reduction in the market risk period, a reduction in the influence the prolonged settlement period has on the pricing of the IPO and will boost Hong Kong's competitiveness as a global listing venue.

ii. *Amendments to the Mechanics of Pre-funding Hong Kong IPOs*

The HKEx proposes a confirmation mechanism where only the actual share allotment value of each broker will be collected by the issuer after balloting. The proposal would require funds in respect of an intermediary's aggregate client subscription value for a particular IPO to be confirmed by the intermediary and its designated bank before the ballot. At least 10% of the subscription value will have to be pre-funded in cash by the intermediary, while the remainder may be supported by either cash or committed credit facilities. After the ballot, only the portion of funds corresponding to the intermediary's actual allotment of shares in the IPO will be collected by the issuer's bank as settlement. This ensures that any shares allotted to the Hong Kong public are sufficiently supported by available settlement funds.

Investors will still be able to fully pre-fund their IPO subscriptions and brokers will retain discretion over their business and financing model (including as to the subscription value percentage they collect from end-investor subscribers), so long as their services comply with the applicable regulatory requirements.

The proposed amendment to the pre-funding mechanism would not alter the contractual responsibilities of any party, in particular:

- subscriptions for securities under the public offer will continue to be governed by the terms and conditions set out in the issuer's offering document, which each subscriber is bound by;
- CCASS Participants who submit subscriptions under the public offer via FINI will continue to be bound by the General Rules of CCASS and CCASS Operational Procedures in effect from time to time; and
- arrangements between retail brokers and their clients will continue to be subject to their bilateral brokerage agreements and SFC regulations for licensed corporations that provide public offer subscription services.

iii. *Paperless Subscription and Digital Interactions*

FINI, in support of environmentally sustainable market evolution, will largely digitalise interactions during the IPO settlement process through online data entry, API messaging and file upload. This will include a number of paper forms, faxes and emails being converted to standardised online forms. In particular:

- the FINI e-form (the specifics of which are outlined in the FINI workflow in Appendix 1) will replace 11 different PDF/physical forms that are completed and submitted to the HKSCC by IPO sponsors;
- paper-based subscription forms for public offers (both yellow and white) and the acceptance of cheques and cashier's orders stapled to the paper-based forms will be discontinued; and
- the placee list submission and review process will be done through FINI, replacing the current Excel file template that is submitted separately by each distributor. FINI will validate incoming placee lists for duplication, missing information and other issues, which will replace the manual checking currently carried out by the Listing Division.

The process will however continue to be inclusive for all investors as intermediaries will be able to interact with clients in the manner they wish, for example, brokers and share registrars may continue to offer their own paper subscription forms and payment methods to clients, provided that the relevant data is ultimately input into FINI. Investors who prefer to hold shares by way of share certificates will also be able to

continue to do so, pending the introduction of an uncertificated securities market regime in Hong Kong. Please see Charltons' June 2020 newsletter³ for an overview of the HKEx and SFC's joint consultation conclusions on a paperless securities market for HKEx-listed securities.

As for issuers wishing to adopt a Mixed Media Offer (**MMO**), MMOs require a printed subscription form to be issued which will not be supported by FINI. Issuers adopting a MMO would have to issue their own physical application forms and rely on retail brokers and/or share registrars to input orders from subscribers who use such forms into FINI.

c. Unchanged Features of Hong Kong's IPO Settlement Process

i. *IPO Book-building and Pricing Practices*

Certain tasks will continue to happen "off-platform", including book-building, price determination and balloting. The HKEx states that these practices have generally worked well for the Hong Kong market and soft consultations suggest that there is little appetite for reform. Others felt that the IPO pricing practices should be addressed in a separate market consultation. Therefore, the HKEx is not proposing any reforms to these practices in conjunction with FINI, however they are open to suggestions for improvement.

The Concept Paper touches on the algorithm-driven IPO book-building and pricing mechanism, which has been adopted by other equity markets, notably the Australian Stock Exchange (**ASX**). It notes that the mechanism has seen limited uptake in markets where it has been adopted: only 1.5% of IPOs on the ASX used the "on-market book-building" service between January 2014 and September 2020. Its introduction in Hong Kong would also require substantive regulatory changes.

ii. *Roles and Responsibilities of IPO Market Participants*

The introduction of FINI is not intended to alter the existing roles and responsibilities of the market intermediaries, regulatory authorities and advisers involved in the Hong Kong IPO settlement process.

The activities which the various parties are expected to conduct on FINI and off-platform are summarised in the table below.

Party	Activities Conducted on FINI	Activities Conducted outside of FINI
Retail Brokers	<ul style="list-style-type: none"> Submit public offer subscriptions Confirm pre-funding 	<ul style="list-style-type: none"> Serve "EIPO channel" investors Arrange subscription funding
Share Registrars	<ul style="list-style-type: none"> Submit public offer subscriptions Confirm balloting results 	<ul style="list-style-type: none"> Serve "White eIPO channel" investors Conduct balloting Manage issue of share certificates Manage issuer's Register of Members
IPO Sponsors	<ul style="list-style-type: none"> Validate IPO reference data & timings Confirm the IPO price range/final price 	<ul style="list-style-type: none"> Arrange publication of IPO prospectus Arrange publication of announcements
Underwriters and Distributors	<ul style="list-style-type: none"> Submit placee lists for clearance Submit supporting documents 	<ul style="list-style-type: none"> Conduct roadshow and book-building Determine IPO price range and final price
SEHK Listing Division	<ul style="list-style-type: none"> Review allotment results and placee lists 	<ul style="list-style-type: none"> Vet issuers' listing applications Other regulatory functions

³ <https://www.charltonslaw.com/consultation-conclusions-issued-on-paperless-securities-market-for-hkex-listed-securities/>

Party	Activities Conducted on FINI	Activities Conducted outside of FINI
HKSCC	<ul style="list-style-type: none"> Operate the FINI platform Manage public offer operations 	<ul style="list-style-type: none"> Admit shares into Central Securities Depository for trading
SFC	<ul style="list-style-type: none"> Review allotment results and placee lists 	<ul style="list-style-type: none"> Vet issuers' listing applications Other regulatory functions

FINI will operate as a permissioned, role-based system. Authorised users will only be able to use FINI to perform the activities that are specific to their role on a particular IPO. Accordingly, users will only have access to information relating to IPOs in which they are involved and will only be able to conduct activities relevant to their particular role.

Impacts of the Proposed IPO Settlement Process on Hong Kong Market Participants

Market Participants	Possible Impacts
Retail Brokers	<ul style="list-style-type: none"> FINI will replace the existing EIPO functions of the CCASS interface. The proposed change to the public offer pre-funding validation mechanism will potentially involve changes to the operational arrangements between brokers, their CCASS Participants and their banks, particularly in respect of the pre-funding validation checks required by HKSCC in lieu of interbank transfers.

Market Participants	Possible Impacts
Retail Brokers	<ul style="list-style-type: none"> The shortened settlement cycle and changes to the requirements for pre-funding will likely affect the duration and draw-down usage of margin lending, depending on brokers' business models and operational arrangements. FINI will use RTGS CHATS rather than the EPI infrastructure for the money settlement of each CCASS Participant's EIPO allotment. HKEx will coordinate this change with CCASS Participants and their designated banks in advance. New direct debit authorisation agreements will be required.
Share Registrars	<p>Certain interactions with the HKSCC will be modernised, including:</p> <ul style="list-style-type: none"> White eIPO subscriptions lists will be uploaded to FINI conforming to the prescribed subscriber identity standards; HKSCC will provide the issuer's share registrar with a consolidated, cleansed and structured "basis for allotment" file shortly after the close of the public offer; and The share registrar will submit the allotment results file to HKSCC via FINI for further handling.
IPO Sponsors	<ul style="list-style-type: none"> IPO Sponsors will be asked to confirm details of IPOs and their reference data on the FINI platform involving the digitalisation of certain interactions currently done by email, hard copy or fax.

Market Participants	Possible Impacts
IPO Sponsors	<ul style="list-style-type: none"> As allotment results are approved, FINI will automatically generate relevant statistical summaries (of subscriptions, allocations and placee concentration) that may be used by the issuer's advisers to prepare the allotment results announcement.
Underwriters and Distributors	<ul style="list-style-type: none"> The "T+1" settlement timetable may require adjustments to syndicates' operating practices e.g. roadshow timing, placee information collection, and the sub-allocation and trade booking processes Control lists and placee submission will move on to FINI, which may require user training.

3. Regulatory Impacts of the Proposed IPO Settlement Process

The HKEx states that the proposal is compatible with Hong Kong's current legal framework and that no legislative change is contemplated for its implementation, however certain changes to the Listing Rules will be necessary, including prescribing that FINI is a mandatory system and that all documents and forms submitted through FINI will be subject to the dual filing regime with the SFC. The HKEx notes that a separate market consultation on the proposed amendments to the Listing Rules may be required.

If the proposal is adopted, amendments to CCASS and CCASS Operational Procedures and amendments to the terms and conditions governing the admission of eligible securities into CCASS and associated operating procedures will be required.

4. Timeline for Implementation of the Proposed Reforms to the IPO Settlement Process

If the proposal is adopted, FINI will be a mandatory platform for handling all future Hong Kong IPOs and will be introduced at the same time as the "T+5" settlement process is discontinued.

The HKEx considered an "opt-in" approach or a "parallel run" model, however both were concluded to be unsuitable based on cost considerations, unfair constraints on choice of intermediaries for issuers and the potential for market confusion.

Further to receiving feedback from respondents on the Concept Paper, the HKEx will publish a timetable for the market transition, however it is preliminarily expected that the platform will launch no earlier than Q2 2022.

5. Next Steps

Following feedback on the Concept Paper, the HKEx intends to publish a more detailed timetable for the transition to FINI, which will include a detailed operating model of FINI and technical details.

The HKEx also plans to commence with expert focus groups, user training and platform workshops for each FINI user group in 2021.

The Terms and Conditions of FINI will be published in due course (which users will have to agree with in order to use the platform). The Terms and Conditions will cover inter alia FINI's handling of investors' personal data and other settlement obligations

Appendix 1: FINI Workflow

The following is a summary of the proposed IPO settlement process using FINI, which the HKEx deems the “T+1” timetable, where T is the IPO pricing day. The HKEx states that this timeline would be the recommended baseline that FINI would support, however issuers may opt for a longer “T+2” process or one with weekends or public holidays. The HKEx expects to issue detailed guidance regarding feasible IPO timeline variants in due course.

Stage in IPO Settlement Process	Steps for Users / FINI
<p>Offer initiation</p> <p><i>By “T-5”, 2 pm</i></p>	<p>IPO sponsors (the Sponsor) will be invited to access FINI via the internet using a unique key code issued by the Listing Division.</p> <p>The sponsor will complete an offer initiation e-form capturing all relevant information about the new offering (the IPO reference data), including:</p> <ul style="list-style-type: none"> • information about the issuer; • details of the offering; and • details of the advisers on the offering. <p>Once the e-form is complete, HKSCC will perform a final consistency check before putting the IPO under pending status.</p> <p>FINI will then schedule the IPO to go active and start the public offer period on “T-4”, 9 am Hong Kong time.</p> <p>Listing documents are published on HKExnews through the e-submission system on the morning of “T-4”.</p> <p><i>Clawback and reallocation mechanism under Practice Note 18 (PN18):</i> the clawback trigger points and allocations applicable to each offering (those set out in PN18 or otherwise if the issuer has applied for and been granted a clawback waiver) and reallocation of shares between tranches outside of PN18 (a modified clawback) will be captured at the IPO initiation stage. Based on the results of the public offer, FINI will apply these inputs to automatically calculate any resulting share reallocation between tranches.</p>
<p>IPO reference data live</p> <p><i>From “T-4”, 9 am</i></p>	<p>IPO reference data will be used to pre-populate certain forms, automate calculations, validate incoming submissions, generate timetable alerts, help the issuer’s advisers populate its allotment results announcements and other downstream tasks.</p> <p>A subset of the IPO reference data (the non-confidential elements) will be made available to the general public in a standardised application programming interface format.</p>

Stage in IPO Settlement Process	Steps for Users / FINI
<p>Public offer management</p> <p><i>“T-4” to “T-1”</i></p>	<p><u><i>Input investors’ subscriptions (by “T-1”, 9.30 am)</i></u></p> <p>Retail brokers and share registrars who offer public offer share subscription services to investors will input clients’ subscription details into FINI. CPs and share registrars will be able to create, amend or withdraw any number of clients’ subscriptions during the offer period without having to re-upload an entire file each time. The same identity information will be required from subscribers regardless of which channel they use.</p> <p>FINI will check the incoming subscriptions for completeness and verify the subscriber has not already applied for shares in the same IPO.</p> <p>Subscriptions will be accepted by FINI continuously during the IPO public offer period, with the cut-off being 9.30 am on “T-1” (the public offer book-close day).</p> <p>Sponsors will be able to view the aggregated public offer subscription data in real-time on FINI.</p> <p><u><i>Validate pre-funding (by “T-1”, 12 noon)</i></u></p> <p>Each CCASS Participant’s total pre-funding requirement will be calculated and displayed on FINI in real-time during the subscription input period.</p> <p>By “T-1”, 9.30 am (subscription deadline), CCASS Participants must confirm: (i) no further additions to their subscription list; and (ii) that sufficient funding is available to meet their total pre-funding requirement corresponding to their subscription list. Once this confirmation is received, each CCASS Participant’s designated bank will be automatically notified by FINI and asked to confirm the availability of the pre-funding requirement for that Participant.</p> <p>By “T-1”, 12 noon (public offer close), designated banks must provide the confirmation of pre-funding to HKSCC via FINI. If the bank is unable to confirm a CCASS Participant’s pre-funding position, that CCASS Participant will be allowed to either downsize or withdraw (but not to upsize or add) any entry in their subscription list via FINI. Any such changes by the CCASS Participant will trigger a new notification from FINI to their designated bank, whose confirmation must be received by 12 noon.</p> <p>At “T-1”, 12 noon, CCASS Participants’ subscriptions with positive bank confirmations will become irrevocable and will be submitted into the ballot by HKSCC on the CCASS Participants’ behalf. If no confirmation arrives by this deadline, the CCASS Participant’s subscription list will not be included in the ballot.</p> <p>For share registrars that submit “White eIPO” public offer subscriptions to FINI, the mechanism for pre-funding validation will, in principle, be the same as that for CCASS Participants: evidence of the required funds to support a share registrar’s confirmed subscription value will have to be provided to FINI by “T-1”, 12 noon. However, there will be some differences in share registrars’ validation workflow given the structural differences between the business models of share registrars and retail brokers.</p>

Stage in IPO Settlement Process	Steps for Users / FINI
<p>Public offer management</p> <p><i>“T-4” to “T-1”</i></p>	<p><u>Allot shares via ballot</u> (by “T-1”, 2 pm)</p> <p>The public offer will formally close on “T-1” at 12 noon. All public offer subscriptions with validated pre-funding will become irrevocable and FINI will generate the “basis for allotment” to be used for balloting.</p> <p>If an issuer has provided for a clawback to the public offer tranche, the over-subscription level will be used to determine the basis for allotment. At around “T-1” 12 noon, the issuer’s advisers will be notified of any clawback triggered and the resulting reallocation of offering shares by tranche will be shown on FINI.</p> <p>The issuer’s share registrar will be responsible for allotting shares to public offer subscribers on the issuer’s behalf.</p> <p>The timing for balloting will be as follows:</p> <ul style="list-style-type: none"> • “T-1”, 12 noon – FINI transmits the basis for allotment to the issuer’s share registrar • By “T-1”, 2 pm – the share registrar conducts the ballot and prepares an allotment results file, which it transmits back to FINI • “T-1”, 2 pm (or shortly thereafter) – FINI broadcasts the public offer allocations to CCASS Participants. The share registrar may also publish the public offer allotments via its own channels. <p>The HKSCC also plans to introduce a mini-website for public offer subscribers to directly check their allocations. This would remove the need to append PDF files listing thousands of HKIDs and passport numbers to IPO allotment results announcements.</p> <p><u>Settle public offer proceeds</u> (by “T-1”, 5.30 pm)</p> <p>HKSCC (via FINI) will generate SWIFT messages instructing each CCASS Participant’s designated bank to send funds in respect of that Participant’s share allotment via RTGS CHATS to the issuer’s receiving bank(s) at around 2 pm on “T-1”.</p> <p>Money settlement will be conducted within the “T-1” 2.30 pm-5.30 pm RTGS CHATS operational window with the settlement outcome notified to HKSCC after 5.30 pm. To effect successful settlement, banks may use the on-held cash pre-funded in each CCASS Participant’s account, or, if necessary, draw down any standby credit facilities that have been extended to the CCASS Participant for same-day availability.</p> <p>Based on the money settlement outcome, FINI will facilitate the deposit of successfully settled share allotments to each CCASS Participant’s CCASS account in the usual manner by 5.30 pm on the following business day (“T”).</p>

Stage in IPO Settlement Process	Steps for Users / FINI
<p>Public offer management</p> <p><i>“T-4” to “T-1”</i></p>	<p>In the unlikely case of a money settlement failure, remedial measures will be adopted as follows:</p> <ul style="list-style-type: none"> <i>In the case of settlement failure due to a minor money settlement difference</i> – HKSCC will consider in exceptional circumstances reissuing a new payment instruction to the CCASS Participant and allow a partial settlement of its allotted shares; <i>In the case of settlement failure due to factors unrelated to a CCASS Participant’s funding position or beyond its control (e.g. technical outage or bank operator error)</i> – HKSCC will consider providing additional time for a second settlement window on “T-day” morning, which would not affect the issuer’s listing timetable; and <i>If the settlement failure cannot be resolved (e.g. on a CCASS Participant’s insolvency)</i> – HKSCC will notify the issuer’s sponsor of the number of public offer shares allotted to that CCASS Participant that have failed settlement shortly after “T-1”, 5.30 pm. The issuer’s underwriters will be asked to re-allocate these shares to the institutional tranche, including them in their place lists when submitting these to the Listing Division and SFC on “T-Day”.
<p>Confirm pricing</p> <p><i>By “T”, 10 am</i></p>	<p>While the final IPO price can be confirmed at any time during or even before the offer period, the issuer’s sponsor will be asked to input the final IPO price into the FINI system by 10 am on “T”: the pricing day, at the latest. The HKEx state that they expect most issuers to price their offerings well before the “T” 10 am deadline.</p> <p>FINI will validate that the final price is within the range at which the IPO was marketed to investors, and will update the IPO’s status, reference data and downstream workflows accordingly.</p> <p>In exceptional circumstances, such as offering delays or cancellations, a workflow will be triggered which incorporates both the regulatory and operational implications of the event and assists sponsors with the necessary steps (e.g. providing a draft postponement of offer announcement, notifying regulators, prompting the sponsor to update IPO reference data).</p> <p><i>Pricing flexibility mechanism:</i> FINI will support a pricing flexibility mechanism, including the one under Guidance Letter 90-18, and FINI will automatically generate suggested text for a price reduction announcement for the issuer to use.</p>
<p>Submit placee information</p> <p><i>By “T”, 2 pm</i></p>	<p>Distributors will use FINI to submit their placee lists to the Listing Division and the SFC for review. The place submission function is expected to provide a significant improvement to the current system which requires each Hong Kong IPO placee list to be submitted separately by each distributor and reviewed by the Listing Division. The review is typically time-consuming since it requires the Listing Division to identify duplicate entries across different placee lists, check their completeness and raise comments or queries. One of the advantages of FINI is that it will be able to check for duplication of placees against other distributors’ placee lists and against the public offer subscriptions already accepted for the particular IPO. Any duplicates who are believed to have applied in the same tranche or in both tranches will be flagged to the submitting distributor.</p>

Stage in IPO Settlement Process	Steps for Users / FINI
Obtain regulatory clearance <i>By "T", 5 pm</i>	If all placee information is submitted on time, the regulators' target timetable for providing clearance to the placee allocations will be by 5 pm on "T". The Listing Division will communicate the clearance using the FINI interface, which will notify the issuer's sponsor accordingly.
Announce allotment results <i>By "T", 11 pm</i>	Once the placee allocations have been cleared, FINI will automatically generate a draft allotment results announcement. The issuer's counsel will be able to download the document and refine it as required, before seeking clearance from the Listing Division and publishing it on HKExnews. The latest permissible time for announcement publication is 11 pm. HKEx expects issuers to publish the allotment results announcement as soon as practicable after obtaining regulatory clearance.
Start of trading <i>"T+1", 9 am</i>	Start of trading of the new IPO shares on the HKEx will occur in the usual way the morning after the announcement of the allotment results, with a physical or virtual listing ceremony taking place.
Settle public offer price difference refunds (if any) <i>From "T+1", 9 am onwards</i>	Public offer subscription and allotment values are usually calculated based on the number of shares subscribed/allotted multiplied by the <i>top</i> of the IPO's marketed price range (i.e. before the determination of the final IPO price). HKSCC via FINI will generate SWIFT messages instructing the issuer's receiving bank(s) to refund any remaining price difference to CCASS Participants between the top and final IPO price in respect of all allotted shares after commencement of trading. CCASS Participants are expected to inform their clients of the precise timing of their own client refunding arrangements.

The Concept Paper also provides information on how FINI will deal with certain aspects of the IPO process and other possible events.

Over-allotment Option

Details of the over-allotment option, if any, will be provided by the sponsor in the FINI e-form submitted during the offer initiation process. If the over-allotment option is exercised, details of the shares over-allotted, the impact on the issuer's overall shareholder structure and its share concentration analysis would be automatically populated into the allotment results announcement by FINI after the placee lists are cleared.

Delay to an Issuer's Listing Timetable

If the listing date is delayed for a short period, the listing applicant is expected to advise the Listing Division of the new listing timetable as early as possible. Once the sponsor receives approval of a revised timetable from the Listing Division, FINI will revise the timetable and other reference data for the IPO, such as the issue date of a supplemental prospectus setting out the revised timetable, arrangements for the public offer, and submitted subscriptions and applicable refund arrangements (if any). FINI will also provide guidance on the supplemental documents that will need to be published on HKExnews.

Cancellation of an IPO

In the event that a listing applicant decides not to proceed with its IPO after the public offer has commenced, the current practice will continue. The main difference will be that the sponsor will be required to update FINI with the decision to cancel the IPO at the same time as it notifies the HKEx. Depending on the IPO's progress at the time, HKSCC will unwind completed procedures where necessary.

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