



INSIDE CLEAR TALK

“
ISSUE 28
”

JULY 1997

1 - 2

- MoneyWorld Asia '97
- CCASS Handles Record High Transactions

3

- Hongkong Clearing Receives Visitors

4 - 5

- CSD4

6

- Stock Settlement Fee Reduced

7

- Financial Community Table Tennis Tournament
- Stock Pledgees and Lenders Admission Criteria Amended

8 - 9

- CCASS Statistics and Operations Highlights
- Quick Quiz

10

- CCASS Notice Board
- Direct Stock Admissions

ClearTalk

Clear Talk is the information bulletin of Hong Kong Securities Clearing Company Limited. All contributions, enquiries, letters to the editor, and any other items of interest are most welcome and should be addressed to:

The Editor, Clear Talk
c/o Corporate Communications Department
Hong Kong Securities Clearing Company Limited
12/F Chinachem Exchange Square
1 Hoi Wan Street, Quarry Bay
Hong Kong

For any enquiries regarding content of such contributions, please contact Betty Chan, Assistant Director, Corporate Communications Department.
Telephone: 2597-0870
Fax: 2579-0075

Clear Talk is intended to provide a forum for discussing matters of concern to our readers. While it aims to provide information, the rights and obligations of participants are governed by the General Rules of CCASS and CCASS Operational Procedures. No responsibilities for any loss arising to any person relying upon the information contained in this publication shall be accepted by Hong Kong Securities Clearing Company Limited.



- Over 3,000 investors visited Hongkong Clearing's booth during the three-day exhibition

MoneyWorld Asia '97 Draws Thousands of Investors to Hongkong Clearing's Booth

Hongkong Clearing together with over 100 local and international financial organisations participated in the MoneyWorld Asia - HK '97 Exhibition which was held on 23-25 May. More than 20,000 people came to the exhibition, and over 3,000 investors visited Hongkong Clearing's booth.

This was the second time that the MoneyWorld Asia Exhibition was held in Hong Kong. The focus of this year's exhibition was to provide an exchange of expertise between international professionals and to inform the public about the different forms of investments available in the market.

Hongkong Clearing displayed its full range of CCASS services at the exhibition with a special section on its planned Investor Participation in CCASS. Visitors showed strong interest in the project and were enthusiastic about its implementation in the first half of 1998. Many investors enquired about the details of operational procedures and fees.



- An investor collects various publications of Hongkong Clearing



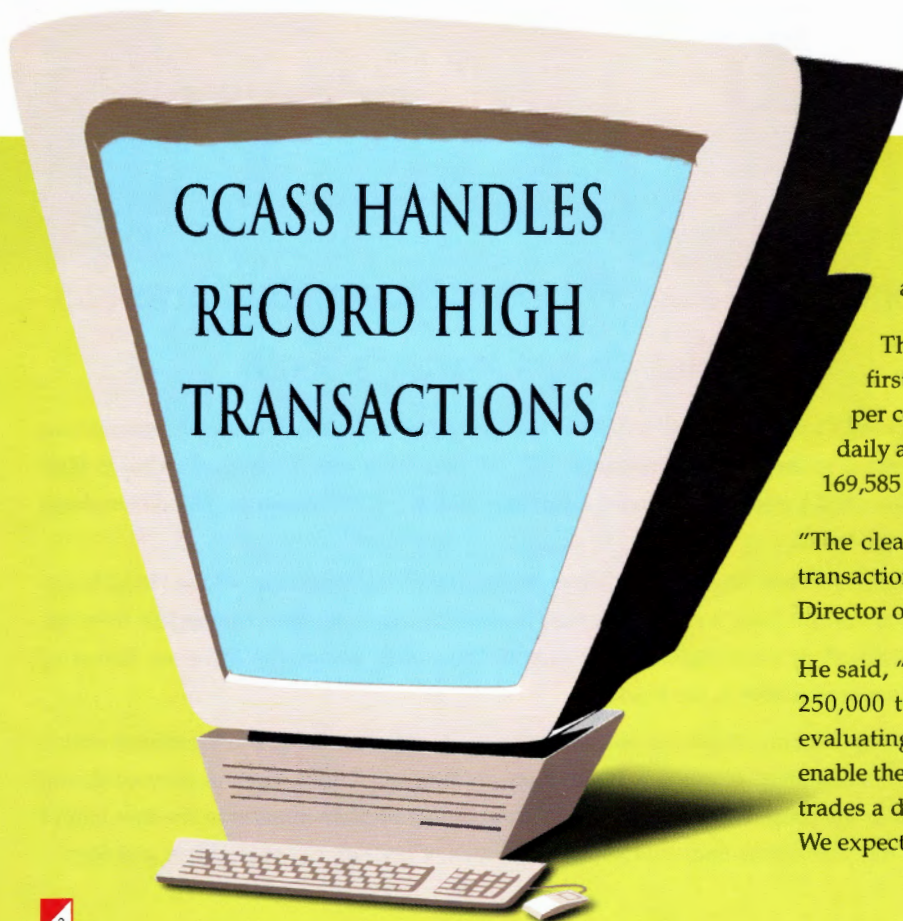
Other exhibitors included stock exchanges, government and regulatory authorities, asset management companies and banks from a number of countries including China, United States, Britain, Singapore, Japan, Germany, New Zealand, Australia and Canada.



• Picture shows (from left) Rafael Hui, Secretary for Financial Services, Stewart Shing, Chief Executive and Michael Sze, Executive Director of Hong Kong Trade Development Council at Hongkong Clearing's booth



• Investors filling in and returning personal particulars forms to receive further information about the Investor Participation project



Since the start of CCASS, Hongkong Clearing had its busiest day on 20 June when 206,421 trades were processed, involving 10.5 billion shares valued at \$26.6 billion.

The average daily number of transactions during the first half of 1997 was 109,872 trades, an increase of 174 per cent over the same period last year (40,067 trades). The daily average transaction for the month of June this year was 169,585 trades.

"The clearing and settlement of the consistently high daily transactions in June were smooth," said Henry Chan, Executive Director of Information Technology.

He said, "Presently, the CCASS system is capable of handling 250,000 trades a day comfortably. We are exploring and evaluating the feasibility of further upgrading our hardware to enable the system to handle an average volume of about 300,000 trades a day, and a peak volume of about 400,000 trades a day. We expect the installation to be in place before the end of 1997."



Hongkong Clearing receives local and overseas visitors

Senior executives of the People's Bank of China from its headquarters and branches in 14 provinces and cities visited Hongkong Clearing in May. Picture shows Alan Lee (left), Executive Director of Operations Services, greets Guo Ligen (right), leader of the delegation.

In April, a delegation from the Securities and Futures Commission of Taiwan, Taiwan Stock Exchange, Taiwan Securities Central Depository Company Limited and other financial organisations, visited Hongkong Clearing. Picture shows the delegation, led by Lu Daung-Yen (fifth from left), Chairman of the Securities and Futures Commission of Taiwan, tour the Service Counters Hall of the CCASS Depository, accompanied by John Chan (centre), Chairman.



Rebecca Lai (second from left), newly-appointed Deputy Secretary for Financial Services, met Stewart Shing (third from left), Chief Executive in May. She was accompanied by John Wan (right) and Wallace Lau (left) of the Financial Services Bureau.



A delegation from the Taiwan Securities Central Depository Company Limited (TSCD) paid a visit to Hongkong Clearing in June. Ringo Liang (left), Chief of Public Relation Section, TSCD and Mang Ching-Li (second from left), Vice Director of Auditing Department, TSCD, exchange information

on various issues with Kim Mok (right), Director of Compliance and Betty Chan (third from left), Assistant Director of Corporate Communications.



Over 90 delegates from central securities depositories and financial institutions around the globe participated in the Fourth Conference of Central Securities Depositories (CSD4). Hosted by Vaerdipapircentralen, the Danish Securities Centre, the Conference was held in Copenhagen from 28 to 30 May 1997. The theme of this year was *Globalisation and Risk Assessment*. Stewart Shing, Chief Executive and Alan Lee, Executive Director of Operations Services, attended the Conference.



Officially opened by Marianne Jelved, the Danish Minister of Economic Affairs, the CSD4 Conference began with an investigation of the *Impact of the Euro on Securities Markets*. Jean-Michel Godeffroy, Head of Payment Systems Section of the European Monetary Institute examined the global aspects of changes in the European Union.

Masao Takamori, Director of Clearing Operations in the Japan Securities Clearing Corporation, explained how the Euro would contribute to more efficient securities markets for the benefit of issuers and investors. Due to the significant impact of the Euro on securities industries worldwide, Mr Takamori called for improved communication between CSDs within and outside Europe on the latest development of the Euro project.

In the session, *Finding Best Practices for CSDs*, Nadine Limbourg, Manager of Securities Markets of S.W.I.F.T., Mathias Papenfuss, Vice President of Deutscher Kassenverein AG and Gerrit de Marez Oyens, Secretary General of FIBV, shared their views on securities industry standards in a changing environment and their approaches towards 'best practices' for CSDs.

CENTRAL DEPOSITORIES LOOK

Some of the best practices presented included Multiple Daily Settlement Cycles, Emphasis on Settlement Assurance, Netting by Novation and Real Time Integration of Payment Systems. CCASS has adopted most of these practices, while undertaking study to implement the rest to meet market needs.

Mr Shing was a panel member in the session, *Changes in CSDs*. He discussed the changing organisational structure and infrastructure of CSDs with the other five panel members. Presentations of the operation models by Austraclear of Australia, CRESTCo of UK, Indeval of Mexico and Cedel Bank of Luxembourg followed.

Based on the responses to questions raised in the CSD Guide, it was found that the majority of CSDs (49 per cent) belonged to the Central Bank or Stock Exchange and did not have separate legal status. One-third of the CSDs were independent, non-profit-making organisations and 18 per cent were privately owned.

The Conference then moved on to *Analysis of Risk — the CSD Perspective*. Randall D. Gyunn, Partner of Davis Polk & Wardwell argued that a better legal foundation would reduce the legal costs and risks of all market participants and give CSDs a competitive advantage in cross-border transactions.

In the same session, Adam Gilbert, Vice President of J.P. Morgan & Co. Inc. in New York and Chairman of the Working Group on Disclosure by Securities Settlement Systems — a working group of the Committee on Payment and Settlement Systems (CPSS) and International Organisation of Securities Commission (IOSCO) — gave a presentation on CPSS/IOSCO's Disclosure Framework for Securities Settlement Systems. He stressed the value of greater transparency in the operations of CSDs and foresaw the CPSS and IOSCO Secretariats serving as information clearinghouses, with disclosure framework and responses available on the internet web sites.

The CSD4 Conference closed with a preview for CSD5, which will be held in Toronto in 1999. The Canadian Depository for Securities will be the host organisation.

INTO GLOBALISATION AND RISK ASSESSMENT AT CSD4



- Stewart Shing (left), Chief Executive, at a panel discussion on the changing organisational structure and infrastructure of CSDs.



- Over 90 delegates from CSDs worldwide and other financial institutions participate in the Conference

STOCK SETTLEMENT FEE REDUCED TO 0.004 PER CENT

Hongkong Clearing announced further discounts on its fees from 1 July 1997.

Company Chairman, John Chan, said this was the fifth discount on fees since the implementation of CCASS, the Central Clearing And Settlement System, in 1992.

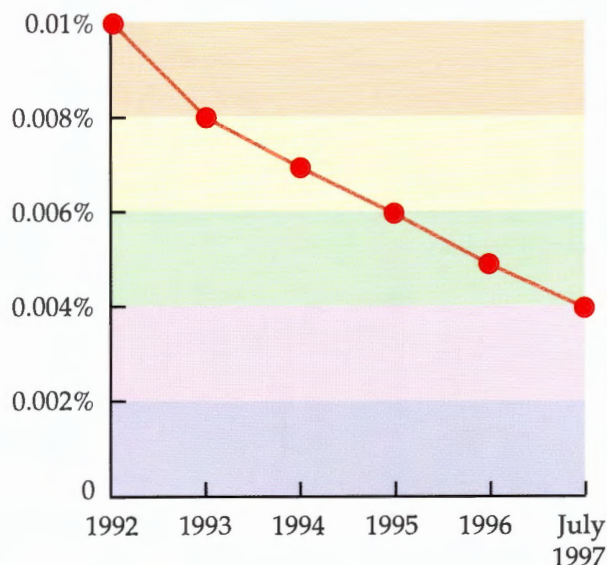
"One of our major corporate objectives is the reduction of the costs to our participants of clearing and settlement of Stock Exchange transactions. Following the latest 20 per cent reduction, our stock settlement fees will be 40 per cent of what they were in 1992," Mr Chan said.

The CCASS stock settlement fee will be reduced from 0.005 per cent to 0.004 per cent per side per trade for Exchange trades, exercised stock options positions, and Settlement Instruction transactions. The minimum fee of \$2 will remain unchanged, but the maximum fee will be reduced from \$250 to \$200.

"Hongkong Clearing will also reduce the scrip fee charged to participants for registration and transfer of share certificates from \$2.50 to \$2 per board lot. We will continue to pay company registrars the full \$2.50 per board lot and will absorb the balance ourselves," he said.

In addition, the frequency of CCASS scrip fee collection on registered warrants will be reduced from twice a year to once a year. Scrip fees will only be collected on the anniversary of the date of issue. No scrip fees will be collected for registered warrants on expiry or delisting.

Hongkong Clearing will also waive collection of CCASS scrip fees on deemed book-close dates relating to corporate actions involving stock consolidation and stock splitting.



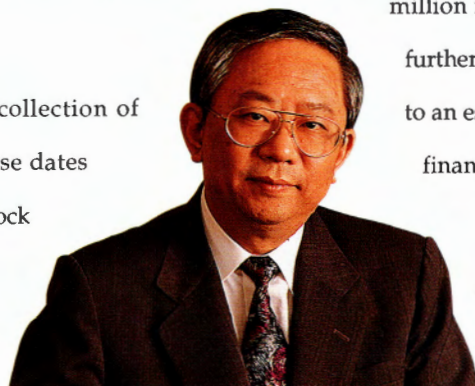
Stock Settlement Fee

	1992	1993	1994	1995	1996	1997 July
Stock Settlement Fee	0.01%	0.008%	0.007%	0.006%	0.005%	0.004%
	min. \$3 max. \$300	min. \$2 max. \$300	min. \$2 max. \$300	min. \$2 max. \$300	min. \$2 max. \$250	min. \$2 max. \$200

Mr Chan said: "These further reductions in costs to our participants reflect the satisfactory business results achieved for the 1996-97 financial year.

"They also reflect our commitment to maintaining high value services to our participants at the lowest possible cost to them."

Up to May 1997, Hongkong Clearing was able to provide \$581 million in fee discounts to CCASS participants. With the further discounts in July, the total amount will be increased to an estimate of \$914 million up to the end of the 1997-98 financial year.



John Chan

FINANCIAL COMMUNITY TABLE TENNIS TOURNAMENT

Hongkong

Clearing, The Stock Exchange of Hong Kong and Hong Kong Futures Exchange participated in a table tennis tournament organised by the Chinese Gold & Silver Exchange Society in May as part of the Society's activities to celebrate Hong Kong's reunification with China.

Hongkong Clearing was represented by a 5-member team led by Board Director, Syed Bokhary. Other team members consisted of two Hongkong Clearing staff, Henry Chan and Yuen Ka Keung; and representatives from two CCASS participants: Kong On Man of Sanfull Securities Limited and Wong Pui Hoi of Bank of China Group Securities Limited.

The tournament was won by the Chinese Gold & Silver Exchange Society. Hongkong Clearing was the second runner-up.



- Syed Bokhary (left), Board Director of Hongkong Clearing teams up with Leong Ka Chai, Board Director of the Futures Exchange to kick off the table tennis tournament.

criteria for admission to CCASS of stock pledgees and lenders are **amended**

The Board of Directors of Hongkong Clearing has approved amendments to CCASS Rules covering the admission as participants of stock pledgees and stock lenders effective from 19 June.

The admission criteria for stock pledgee and stock lender applicants have been amended to remove the requirement that their pledge or loan transactions under CCASS are only with CCASS participants as principal.

The original intention of admitting stock pledgees to CCASS recognised that margin loan financing for stock transactions was common. If stock pledgees were not admitted to CCASS, broker participants would have had to withdraw the securities

to be pledged from CCASS.

Hongkong Clearing has received enquiries from licensed money lenders, deposit taking companies and banks concerning participation in CCASS as stock pledgees. However, their stock pledging transactions were with investors and / or clients of CCASS participants, rather than exclusively with CCASS participants.

The amended criteria relax the requirement that the pledge transactions have to be with CCASS participants as principal. Similar amendments have been made to allow stock lender applicants for participation in CCASS to lend securities to investors and/or clients of CCASS participants.

CCASS STATISTICS

The market remained stable in the month of April; but trading in May turned substantially active. Hang Seng Index climbed further during these months and closed at 14,757 on 30 May.

Exchange Trades

In April, an average of 83,289 trades was processed daily in CCASS, involving 4.6 billion shares valuing \$9.1 billion. The daily average of Exchange trades increased to 145,547 in May, involving 9.1 billion shares valued at \$15.6 billion.

During these two months, CCASS processed 99.93 per cent of Exchange trades daily.

Netting Efficiency of CNS Trades

A daily average of 81,854 trades with a total value of \$8.2 billion went through CCASS for Continuous Net Settlement (CNS) in April. An average of 163,708 novated contracts was created daily and netted to 32,231 CNS positions, leaving 20.41 per cent of novated contracts for settlement.

In May, the daily average number of trades went through CCASS for CNS rose to 143,109 at a value of \$14.6 billion. An average of 286,218 novated contracts was created daily and netted to 49,702 CNS positions, leaving 17.44 per cent for settlement.

In April, novated contracts generated a daily average of \$16.5 billion in money obligations which were netted to \$3.9 billion. The daily money obligation generated from novated contracts in May was \$29.1 billion and was netted to \$5.4 billion. The daily average funds netting efficiency for April and May were 75.46 and 81.23 per cent respectively.

Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for April were 96.29 per cent on the due day and 99.84 per cent on the settlement day following the due day. The figures of May were 95.36 per cent and 99.79 per cent.

Settlement Instructions (SIs)

In April, an average of 20,645 SIs was settled daily in CCASS, involving 5.3 billion shares with a market value of \$21.7 billion.

The average number of SIs settled daily in CCASS in May was increased to 33,022 which involve 8.5 billion shares valued at \$30.0 billion.

Depository Transactions

In April, the CCASS Depository handled an average of 1,399 deposit/withdrawal transactions per business day, and processed 42,000 share certificates a day. The corresponding figures were 2,392 transactions involving 55,000 share certificates per business day in May.

As at the end of May, 1,407 stocks had been admitted into CCASS for clearing and settlement. About 321.8 billion shares were under the custody of the CCASS Depository, representing 52.01 per cent of the total issued share capital of the admitted stocks. The total market value of the shares was \$1,343 billion, representing 31.68 per cent of the total market capitalisation of the admitted shares.

Participants

At the end of May, there were 565 CCASS participants including 494 broker participants, 63 custodian participants, seven stock pledgee participants and one clearing agency participant.

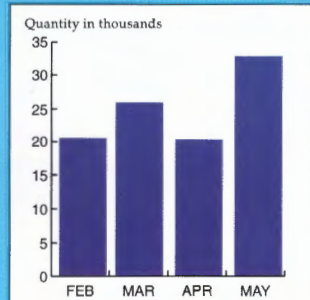
OPERATIONS HIGHLIGHTS (FEB-MAY 97)

Average daily Stock Exchange trades processed in CCASS
(including CNS trades, isolated trades and cross trades)



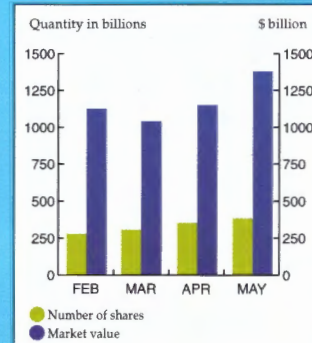
	Number of trades	% of total number of Exchange trades
Feb	72,362	99.96
Mar	93,098	99.95
Apr	83,289	99.95
May	145,547	99.91

Average daily settlement instructions (SIs) settled in CCASS
(both receiving and delivering SIs are counted)



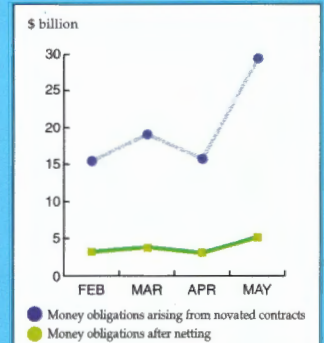
	Number of SIs	SIs by shares (billion)	SIs by value (\$ billion)
Feb	20,926	6.1	23.6
Mar	26,001	8.1	27.6
Apr	20,645	5.3	21.7
May	33,022	8.5	30.0

Securities under CCASS custody
(balances at the end of each month)



	Number of shares (billion)	Market value (\$ billion)
Feb	272.1	1,145.5
Mar	291.5	1,098.9
Apr	305.2	1,158.5
May	321.8	1,343.3

Average daily funds netting efficiency under CNS



	Money obligations arising from novated contracts (\$ billion)	Money obligations after netting (\$ billion)	Funds netting efficiency (%)
Feb	15.8	3.9	74.97
Mar	18.7	4.4	76.19
Apr	16.5	3.9	75.46
May	29.1	5.4	81.23

Quick Quiz

1. Do CCASS broker participants earn interest on their contributions to the Guarantee Fund?

2. If two counterparty broker participants elect to isolate an Exchange trade from CNS and settle it under the Isolated Trades system, who should do it? When?

3. In what currency should CCASS eligible securities be denominated?

Answers on page 10.

CCASS Notice Board — Intra-day Marks

Hongkong Clearing has started to collect intra-day marks from broker participants since 14 February 1997. Broker participants' open Continuous Net Settlement (CNS) positions are marked to market at 11:00 am daily and net unfavourable marks in excess of \$5 million are collected before 2:00 pm.

Hongkong Clearing collected \$112,372,820 intra-day marks on 2 June 1997, the highest record so far for one day up to 30 June 1997.

The highest amount of intra-day marks collected from a single participant in one day was \$50,754,515.

How to Pay Intra-day Marks?

1. Print the Intra-day Marks Collection Report which is available at around 11:10 am to check the intra-day marks obligations.
2. Pay the intra-day marks obligation into Hongkong Clearing's bank account at one of the receiving banks before 2:00 pm. Instruct the paying banks to quote the participant ID in the payment details.
3. Make sure there are sufficient available funds in the bank account to be debited and that the payment instruction is correct. All bank charges associated with the payment will be borne by the participant.
4. Participants who fail to pay intra-day marks on time will be considered in default.

Name of the Receiving Bank of Hongkong Clearing		HongkongBank	Liu Chong Hing Bank	Standard Chartered Bank	Wing Hang Bank
Payment Methods	by RTGS payment	send out a RTGS payment from any licensed bank	send out a RTGS payment from any licensed bank	N/A	send out a RTGS payment from any licensed bank
	internal transfer through EBS terminal	through Hexagon	N/A	through VISTA	N/A
	internal transfer via provision of an original written instruction	N/A	to head office of Liu Chong Hing Bank	to any branch of the Standard Chartered Bank	to any branch of the Wing Hang Bank
	"transfer" deposit of a cheque	transfer deposit of a HongkongBank cheque with the participant's current account opening branch of the bank	transfer deposit of a Liu Chong Hing Bank cheque with any branch of the Liu Chong Hing Bank	transfer deposit of a Standard Chartered Bank cheque with any branch of Standard Chartered Bank	transfer deposit of a Wing Hang Bank cheque with any branch of Wing Hang Bank
	cash transfer by presenting a passbook	to any branch of the HongkongBank	to any branch of the Liu Chong Hing Bank	to any branch of the Standard Chartered Bank	to any branch of the Wing Hang Bank

DIRECT STOCK ADMISSIONS

During the two months of May and June 1997, a total of 100 eligible new issues were admitted to CCASS of which 22 issues adopted Jumbo Certificate arrangement.

	Ordinary Shares	Preference Shares	Registered Warrants	Debts	Rights	Total
Eligible new issues listed on the Stock Exchange and admitted to CCASS	20	-	68	-	12	100
Issues adopted Jumbo Certificate arrangement	20	-	2	-	N/A	22

Quick Quiz

1. Interest on contributions made in cash exceeding the minimum contribution of \$50,000 per "A" share at the Stock Exchange is payable to broker participants on a quarterly basis.
2. For an Exchange trade to be settled under the Isolated Trades system, the seller should key in "I" in the

"reference field" on the Exchange's trading terminal at the time of trade. Requests to isolate Exchange trades from CNS after the time of trade will not be entertained by Hongkong Clearing.

3. Eligible securities may be denominated in any major currency. However, unless otherwise specified by Hongkong Clearing, the currency for trading and settlement for CCASS purposes will be Hong Kong dollars.