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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:

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"CCASS (Central Clearing And Settlement System) has been providing a reliable and efficient service since it became operational, hence greatly strengthening investor confidence. It has been one of the key factors behind the giant strides the Hong Kong securities market has made over the past decade," said the Hon. Donald Tsang, J.P., the Financial Secretary of the Government of the Hong Kong Special Administrative Region, at Hongkong Clearing's tenth anniversary reception held on 25 October 1999.

Mr Tsang was speaking as the Guest of Honour at the reception, at which Hongkong Clearing celebrated its tenth anniversary with about 900 guests from the financial services industry: "Hit by the Asian financial crisis (in 1998), the market faced unprecedented challenges. However, CCASS continued to function normally and reduced the risk exposure of the market, helping us sail through the turmoil..."

"In March 1999, I proposed a three-pronged market reform which includes the merging of the two exchanges and three clearing houses, the enhancement of market infrastructures and a reform on the regulatory framework. The merger proposal has been approved by the majority of members of the two exchanges and sanctioned by the Court.

HONGKONG CLEARING - TEN YEARS OF GROWTH AND ACHIEVEMENTS

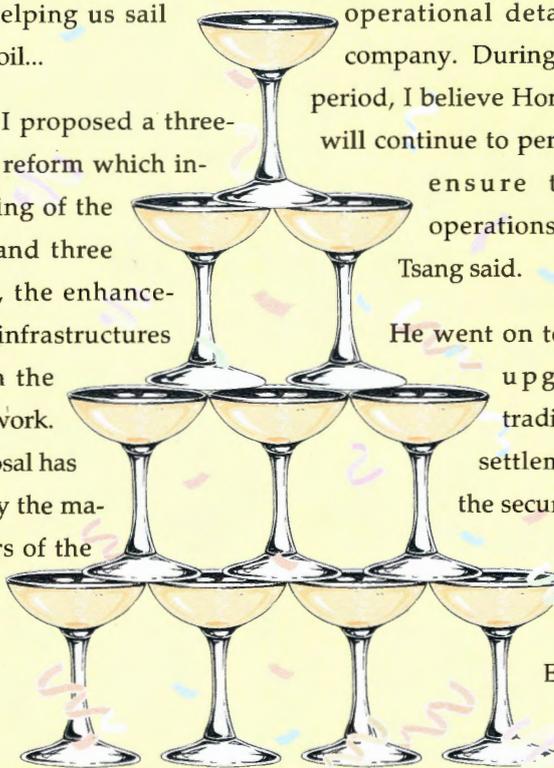


"With the help of the two exchanges and three clearing houses, the Preparatory Board of the Hong Kong Exchanges and Clearing Limited is now working on the operational details of the new company. During this transitional period, I believe Hongkong Clearing will continue to perform its duty to ensure the effective operations of CCASS," Mr Tsang said.

He went on to talk about the upgrade on the trading, clearing and settlement facilities of the securities and futures markets: "The Steering Committee on the Enhancement of

Financial Infrastructure has published its report and made specific recommendations, which include the enhancement of CCASS, integration of cash and derivative clearing, automation of securities trading and the development of straight-through processing. I hope that Hongkong Clearing will continue to work closely with other organisations to implement these recommendations.

"Stepping into the new millennium, I have no doubt that the Company will continue its excellent work in providing a robust and reliable clearing and settlement system under the new market structure following the merger, and further strengthen Hong Kong's status as an international financial centre." Mr Tsang concluded.



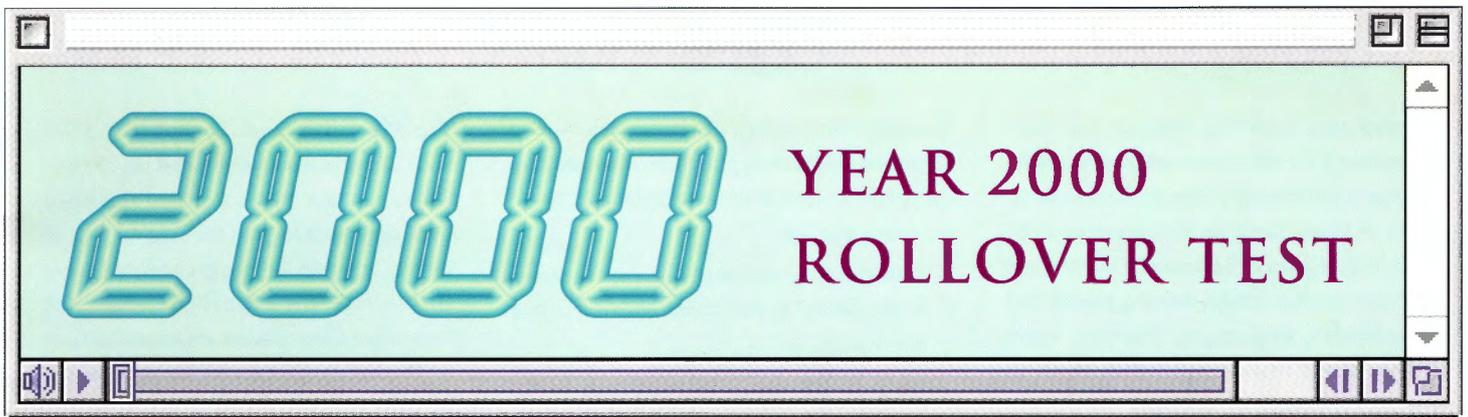


In his speech, John Chan, Chairman of Hongkong Clearing, said the Company had passed the tests that time and the markets have set the Company. "But today... more than anything else... it is tomorrow that excites us: the opportunity to meet new challenges - in our own case - the demutualisation and merging of Hongkong Clearing with the Stock

Exchange of Hong Kong and the Hong Kong Futures Exchange," Mr Chan said. "Doubtless, these momentous events will change us, and change us remarkably, but not, I think, beyond all recognition. Our people, their genius, their dedication and their commitment will be the same, and it is in this that we can all take pride and

invest our confidence."

Hongkong Clearing's growing international presence also won compliments from overseas markets. The chief executives from some of the world's leading clearing houses and depositories congratulated the Company on its achievements in a video shown at the reception.



After conducting various Year 2000 (Y2K) tests, the securities industry has progressed to the stage of contingency preparation for the millennium rollover. The Securities and Futures Commission (SFC) has initiated a Y2K Rollover Test to spot any Y2K-related issues in a timely manner and to control the risk at the beginning of the new millennium. The test will be conducted on 1 January 2000.

The test is coordinated by Hongkong Clearing, The Stock Exchange of Hong Kong Limited (SEHK), The SEHK Options Clearing House Limited, Hong Kong Futures Exchange Limited and HKFE Clearing Corporation Limited.

All CCASS Participants and Designated Banks are required to participate in the test which aims at providing facilities for them to perform a wellness check on their CCASS Terminals and back-office systems. An Information Package covering the details of the test was distributed to CCASS Participants and Designated Banks in November 1999.

Testing Scope & Environment

As the test focuses on the proper running of various system components, CCASS Participants and Designated Banks are not required to perform detailed testing on each CCASS function.

The test will simulate the first business day in the new millennium, that is, 3 January 2000. CCASS online sessions will be opened to all CCASS Participants and Designated Banks according to the normal schedule.

The CCASS production environment will be used in the test. All production data from 30 December 1999 will be carried forward and used in the test. As CCASS Participants and Designated Banks can also input test data, they should be cautious not to mix up the reports produced by test data with that of the production data. All test data input during the test will NOT be carried forward to the production environment on the actual day of 3 January 2000.

Enhanced CCASS Terminal (ECT) users should note that specific functions for ECT will be tested by Hongkong Clearing internally on the same day.

Multiple CCASS Terminals & Back-Office Systems

CCASS Participants and Designated Banks who installed multiple CCASS Terminals should check all those Terminals by logging-on to CCASS. ECT users should also observe the same rule. In addition, the Y2K compliance status of their back-office systems should also be verified.

Results & Confirmation for 1 January 2000

All CCASS Participants (except Broker Participants) and Designated Banks are required to complete the "Year 2000 Rollover Test Confirmation for 1 January 2000" and return it to Hongkong Clearing by 4:00 p.m. on 1 January 2000. The Confirmation will be forwarded to the appropriate regulatory bodies for follow-up. Broker Participants should complete the "Year 2000 Rollover Test Confirmation for 1 January 2000" contained in the Stock Exchange's "Year 2000 Rollover Test Information Package" and return it to the Exchange.

Y2K Hotline

For enquiries during the preparation and execution of the test, CCASS Participants and Designated Banks can call 2597 0606 for technical assistance, and 2852 8000 for other Y2K-related issues.

Status Review on 3 January 2000

The smooth operation of CCASS Participants and Designated Banks on the first business day of the new millennium is essential. Therefore, CCASS Participants (except Broker Participants) and Designated Banks are required to report their systems' Y2K compliance status to Hongkong Clearing by completing the "Year 2000 Status Review Checklist for 3 January 2000" by 9:00 a.m. on 4 January 2000. The Checklist will also be forwarded to the appropriate regulatory bodies for follow-up. Broker Participants should report to the Stock Exchange by completing the "Year 2000 Status Review Checklist for 3 January 2000" contained in the Exchange's Information Package.

If CCASS Participants (except Broker Participants) and Designated Banks encounter any Y2K problem on 1-4 January 2000, they should notify Hongkong Clearing immediately by phone at 2852 8000 and then by completing and returning the appropriate forms attached to Hongkong Clearing's Information Package by fax to 2579 0111.

ISSA HONG KONG CONFERENCE HIGHLIGHTS CONVERGENCE ISSUES

Hongkong Clearing hosted the first conference of the ISSA (International Securities Services Association) Regional Forum Asia-Pacific in Hong Kong on 30 September 1999. Some 70 delegates of 34 financial institutions (such as custodian banks, clearing houses and depositories, exchanges, brokers, asset managers and market regulators) from 16 countries attended the meeting.



Josef Landolt, ISSA Chairman, discusses the new ISSA structure, its membership changes and the review of the ISSA recommendations at the conference.

The key topic of the conference was "Convergence of Infrastructure of Exchanges: Impact on the Local Market and the Entire Region". Four speakers from Hong Kong, Australia, Singapore and Japan were invited to deliver presentations on the topic.

Andrew Sheng, Chairman of the Securities and Futures Commission of Hong Kong, explained the background of the merger of exchanges and clearing houses in Hong Kong, which was initiated in March 1999, and introduced the Steering Committee on the Enhancement of

Financial Infrastructure. In his speech, he also identified six guiding principles for sustained competitiveness that are applicable to all securities markets:

1. Transparency and risk management are fundamental to the health and stability of the market.
2. Straight-through processing captures transactions at source, eliminates manual steps, and completes the processing automatically and seamlessly.
3. Finality and timely settlement of trades is a fundamental market requirement.
4. Compliance with international standards and adoption of best practices (e.g. Real Time Gross Settlement and appropriate coding schemes such as International Securities Identification Number) are pre-requisites for operational efficiency and risk management in a global market.
5. Strategic alliances with leading markets and financial centres is a gateway for accessing global markets, a window to key technology and the key to Hong Kong's sustained competitiveness as an international financial centre.
6. Openness to information technology innovation and application of state-of-art technology to securities trading and settlement.

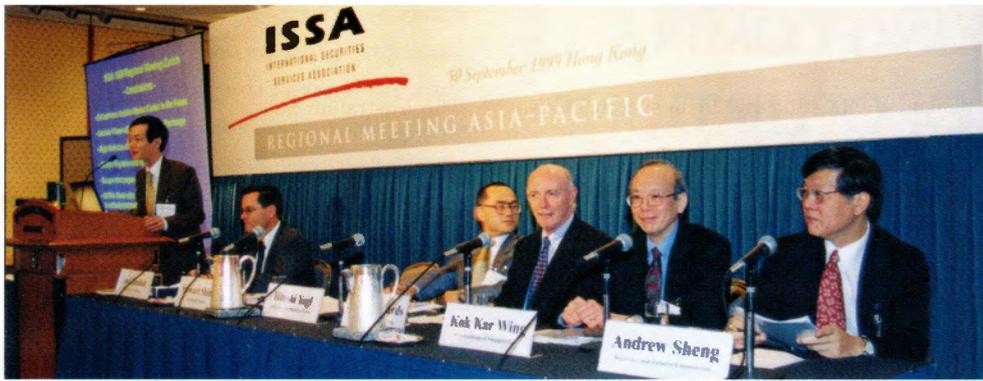
The Australian Stock Exchange (ASX) was itself demutualised and listed on 13 October 1998. In late 1998, the Sydney Futures Exchange approached the ASX to propose a merger between the two exchanges. However in June 1999, the Australian Competition & Consumer Commission announced its refusal to give informal clearance for the merger.

Against this background, Angus Richards, Managing Director of the ASX Settlement and Transfer Corporation Pty Ltd., spoke about the process and drivers of the demutualisation of ASX.

On discussing the industry concerns such as whether the profit motive of a demutualised exchange could easily be reconciled with the preservation of market integrity, the dilution or even loss of control by broker community, the potential for higher charges or monopoly rents and the possible loss of an Australian "icon", Mr Richards commented that concerns about these things were largely unjustified.

The Stock Exchange of Singapore and the Singapore International Monetary Exchange will be demutualised and merged in December 1999. Kok Kar Wing, Director of the Stock





(From left) Stewart Shing, Chief Executive of Hongkong Clearing and the Chairman of the ISSA Hong Kong conference; Josef Landolt, ISSA Chairman; Hitoshi Yagi, Deputy Director of the Japan Securities Depository Center; Angus Richards, Managing Director of the ASX Settlement and Transfer Corporation Pty Ltd; Kok Kar Wing, Director of the Stock Exchange of Singapore; and Andrew Sheng, Chairman of the Securities and Futures Commission of Hong Kong.

Exchange of Singapore, updated participants on the latest developments of the merger.

He said that the demutualisation will lead to greater competition from the opening up of the trading access and freeing of commission rates. Business initiatives to achieve lower cost and greater market liquidity will be pursued; new innovative products will be offered and competitive clearing and settlement services will be provided. The upcoming merger will put Singapore's market into a stronger financial position for negotiation with prospective strategic partners.

Japan has no plan for demutualisation at this stage. But according to a presentation by Hitoshi Yagi, Deputy Director of the Japan Securities Depository Center, it is possible that we may see a merger in Japan in the future. He said that the former Securities and Exchange Law did not have provisions for the merging of stock exchanges. However, following the abolition of the order concentration rule in December 1998,

it is possible that the functions of the existing regional stock exchanges will be decreased and consequently, this will stipulate what provisions will be required for a merger of stock exchanges.

In the panel discussion session following the presentations, participants were given the opportunity to speak out on the topic. Questions about intra-regional alliances and linkages and international market regulation to enhance cross-border linkages were raised. The latest situation-reports relating to the convergence of infrastructures in other countries, such as India and Taiwan, were also discussed.

Participants were divided into three groups for the Group Discussion session, where different opinions on the topic were exchanged in greater detail.

Since its inception in 1989, ISSA has striven to promote transparency, open communications channels between securities service providers, market participants and the public as a whole, and to promote the dissemination of new developments and ideas within the industry.



The Challenges of a New Millennium

The first few seconds of the new millennium may seem little different from those that went before, but there are enormous differences between the recent past and what we can expect from the future, according to Hongkong Clearing's Chairman, John Chan.

In a speech delivered to delegates attending the ISSA Hong Kong Conference, Mr Chan points to the last decade of rapid developments in computer and telecommunications technologies and to the huge impact these are now having on the way national and international financial markets operate. Markets are merging, temporal and geographical barriers disappearing, and transaction risks shrinking towards the certainties of realtime settlement.

But there are risks there, too, Mr Chan points out, including competition from on-line services available to every home with internet access. While our liquidity and reputations should serve us well, he said: "it becomes painfully evident that in this scenario there are no second bests; that our advantages could be lost almost overnight if we fail to offer the ever increasing body of investors a service that is second to none."

And a service that is comprehensible, he adds, because the ubiquity and complexity of technology has brought society to a point where it is unable to explain or fully understand much of what supports it. "We should at the very least ensure that investors, consumers, and the public at large have access to us, and - in a broad and comprehensive way - appreciate our importance to their wellbeing."

Still, if we feel we are floundering in a technological sea of uncertainty, Mr Chan argues that making time to take stock and recognise that priorities do not come pre-assigned and pre-packaged with technologies is more important than ever before, and one of the greatest challenges and benefits of ISSA conferences like that held in Hong Kong.



HONGKONG CLEARING COMPLETES ITS FIRST DECADE OF OPERATIONS

"1999 is the year in which Hongkong Clearing completes its first decade of operations, and the year in which every thought and plan must recognise the tremendous psychological break we are about to make with this decade, century and, of course, millennium," said John Chan, Chairman, in Hongkong Clearing's recently published annual report.

He said: "The Government's proposal to demutualise and merge the Stock Exchange of Hong Kong (the Stock Exchange), the Hong Kong Futures Exchange (the Futures Exchange) and Hongkong Clearing sets us a tremendous challenge, but it also recognises at an institutional level the goals we had already set ourselves at a functional level.

Our ability to anticipate market developments, prepare ourselves for new challenges, and meet the most severe tests over the past decade is evident. More than anything else, at this critical time in our history and our industry, it is an encouragement to enter the new millennium with optimism, and to strive for success with the determination, inspiration and confidence that has served us so well before."

During the financial year, the Company introduced three new discounts including the reduction of stock settlement fee and scrip fee, and the waiving of minimum monthly fee for the Investor Account Service. The cumulative discounts provided to Participants since the introduction of CCASS had reached \$1,774 million.

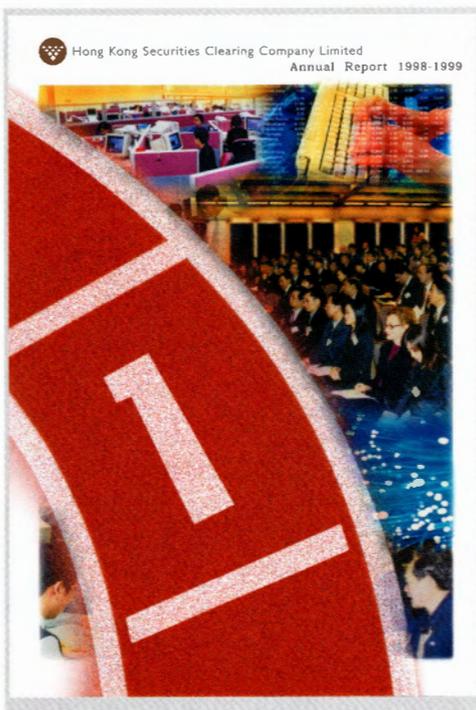


Hongkong Clearing has started work on establishing a link between CCASS and the Stock Exchange's proposed AMS/3 order routing system which will be launched in mid 2000. The proposed linkage will help lay the foundation for straight-through processing in securities trading, clearing and settlement.

In May 1999, the Company launched the Electronic Initial Public Offering (EIPO) service for CCASS Participants to subscribe to IPOs through CCASS Terminals or the CCASS Phone System.

Hongkong Clearing began discussions with The Depository Trust Company, the US Depository, on the feasibility and requirements of establishing a direct link between the systems of the two companies in order to support the settlement of shares dual listed on both the Stock Exchange and Nasd Amex. In addition, the Company also plans to enhance CCASS to support multi-currency settlement.

On the international front, Hongkong Clearing was invited by the International Securities Services Association (ISSA) to chair its first Regional Forum Asia-Pacific for the period up to May 2000. The Regional Forum Asia-Pacific held an ISSA Regional Conference in Hong Kong in September 1999.



Hongkong Clearing reported a net surplus for the financial year ended 30 June 1999 of \$132 million, a decrease of 64 percent over the previous year. The decrease was due to lower market turnover and the Company's continuing policy of passing on fee reductions to CCASS Participants.

To keep pace with the development of the global market place, Hongkong Clearing increased the number and range of its products in order to maintain its competitiveness. Examples of this are the admission of Exchange Fund Notes and Hong Kong Mortgage Corporation Notes into CCASS in August and October 1999 respectively, and the development of a settlement facility for the Growth Enterprise Market.



"Over the past decade, we have been assisted by the advances made by the telecommunications and computer industries. The increases in data transmission volumes and processing speed achieved during the decade have made many projects possible," said Stewart Shing, Chief Executive, in his administration report.

On market infrastructure, when the Financial Secretary appointed a Steering Committee on the Enhancement of Financial Infrastructure (SCEFI), Hongkong Clearing became a member

SEMINAR FOR H-SHARE CLIENTS



Chairmen and representatives of H-share companies at Hongkong Clearing's tenth anniversary.

To celebrate the tenth anniversary of Hongkong Clearing and to strengthen its client relationships, HKSCC Registrars Limited, the wholly owned subsidiary of Hongkong Clearing, invited its listed clients (both from Hong Kong and the Mainland of China) to attend a cocktail reception for Hongkong Clearing.



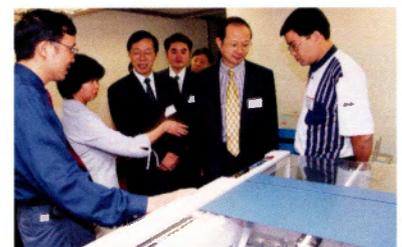
Participants at the seminar.

Seventy two Chairmen and senior executives from 41 listed companies attended the reception. Among them, 67 Chairmen and representatives of 37 H-share companies came from the Mainland of China.

The Company also organised a seminar on the day following the reception for its clients. Entitled *Operations of Hong Kong Securities Market*, the seminar was tailor-made for H-share company delegates.

The seminar introduced the functions and latest developments of Hongkong Clearing and HKSCC Registrars, such as the value-added services which will be implemented by HKSCC Registrars next year, including the provision of tailor-made reports on underlying shareholders and shareholdings of H-shares held by HKSCC Nominees Limited.

HKSCC Registrars also invited Vincent Lin, Assistant Director of Listing Division and David Lo, Assistant Director of Trading Department of the Stock Exchange of Hong Kong to be speakers at the seminar to update HKSCC Registrars' clients on the recent developments in the Hong Kong securities market; and also to explain the listing rules which H-share companies should pay special attention to, for example, rules in relation to share repurchases and the appointment of sponsors.



Fiona Leung, Manager of HKSCC Registrars (second from left) explains the operations of the share processing.



of the Committee. Mr Shing said, "As a member of SCEFI, Hongkong Clearing has worked with other committee members, including the Stock Exchange and the Futures Exchange, to shape the technology agenda of the Hong Kong Exchanges and Clearing Limited."

During the year under review, CCASS processed an average of 68,750 Stock Exchange trades daily involving 3.6 billion shares valued at \$6.4 billion. The corresponding figures for the previous year were 115,493 trades involving 5.8 billion shares valued at \$12.9 billion. The Depository handled a daily average of 1,356 deposit and withdrawal transactions involving 19,528 share certificates during the year, compared with 3,354 transactions involving 50,295 certificates during the previous year.

HKSCC REGISTRARS -THE CONVERSION AGENT FOR TraHK

The Tracker Fund of Hong Kong (TraHK), issued by the Exchange Fund Investment Limited, was listed on the Stock Exchange in November 1999. CCASS provides depository, clearing and settlement services for TraHK. Comprising 33 Hang Seng Index constituent stocks, TraHK is the first collective investment fund of its kind which offers investment results that closely correspond to, or track, the performance of the Hang Seng Index.

TraHK offers a Continuous Offering mechanism after the initial public offering. Investors may apply for the creation or redemption of TraHK Units (Units). Creation of Units can be made by tendering an



index basket application (a basket of Hang Seng Index shares) or by cash.

However, redemption Units may only be redeemed in kind and are not redeemable for cash. HKSCC Registrars, a wholly owned subsidiary of Hongkong Clearing, has been appointed as the conversion agent for the Continuous Offering mechanism. It handles the conversion of cash or index shares into Units (creation of Units) and Units into index shares (redemption of Units).

Requests for creation or redemption of Units must be submitted by Participating Dealers to Hongkong Clearing. As at 24 November 1999, there are 49 Participating Dealers. Brokers or Dealers who would like to become a Participating Dealer should apply directly to the Manager of TraHK (the Manager), State Street Global Advisors (HK) Limited.

Each Participating Dealer must pay TraHK a transaction fee (currently \$30,000) for each application lodged with Hongkong Clearing regardless of the size of the application to create Units by index baskets or redeem Units. However, to encourage the creation of Units by cash, the transaction fee will be paid from the Exchange Fund (up to \$30,000 for each application).

Creation of Units

Units may only be created and issued in Creation Unit size (currently one million Units) or its whole multiples.

By an Index Basket - Investors must submit an application via a Participating Dealer on a dealing day, by tendering a basket of index shares and pay or receive a cash amount¹ in exchange for the Units created.

By Cash - Investors may also request Participating Dealers to tender cash for the creation of Units on a dealing day under the Tap Facility. Under the Tap Facility, Units will be available for purchase for cash at a price reflecting the net asset value of TraHK and pay or receive a further cash amount¹. The maximum number of Units for creation will be determined by the Hong Kong Monetary Authority on a quarterly basis. If the limit is reached, the Tap Facility will be immediately suspended and applications made afterwards will not be accepted. Applications will be on a first-come-first-served basis.

Redemption of Units

Investors may request Participating Dealers to apply to Hongkong Clearing for the redemption of their units on a dealing day by delivering the Units and pay or receive a cash amount¹. Units can only be redeemed in Redemption Unit, currently one million Units each. Units other than those in redemption Unit size or its whole multiples will not be accepted.

For details on the Continuous Offering mechanism, please refer to the prospectus of the TraHK.

¹ The cash amount is determined by the Manager of TraHK based on the following formula: [(value of index shares per Unit + dividend equivalent amount per Unit) - net asset value per Unit] x number of Units. An investor will receive the positive cash amount from TraHK when he creates Units and pay the same if he redeems Units.

CUSTODY & SETTLEMENT ASIA/PACIFIC'99 CONFERENCE



Alan Lee, Executive Director of Operations Services Division, participated in the Custody & Settlement Asia/Pacific '99 Conference in November 1999. Other participants included senior executives from the Securities and Futures Commission, Cedelbank, Deutsche Bank, HSBC, and other depositories/financial institutions across the region.

This year's conference focused on how the region handled last year's financial crisis and introduced more efficient settlement practices, with further moves towards scripless clearing, Delivery versus Payment and realtime settlements. Mr Lee (fourth from left) was one of the speakers at the Regional Central Depository Roundtable session, which discussed the regional development in securities settlement.

TECHNOLOGY TAKES THE LEAD IN ACG



Picture shows senior executives of ACG members at the Group's third annual meeting held in New Zealand.

The Asia-Pacific Central Securities Depository Group (ACG) held its third annual meeting from 4 to 5 November 1999 in Wellington, New Zealand. Since its establishment in Hong Kong in 1997, the Group has grown to include 19 member organisations from Australia, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Shanghai, Shenzhen, Singapore, Sri Lanka, Taiwan and Thailand.

Hongkong Clearing's Chief Executive Stewart Shing, Executive Director of Operations Services Division Alan Lee and Executive Director of Information Technology Division Henry Chan attended the third annual meeting.

Global Trends

The Secretariat, National Securities Depository Limited of India, reported that an association similar to ACG was formed in Peru this year, namely America's Central Security Depository Association. Global alliances and market reform continue to take place around the globe. With the help of technological advancements, ACG members are working towards straight-through processing (STP), shortening the settlement cycle and the achievement of full dematerialisation.

Reports of Task Forces

During the meeting, members of the five Task Forces under the Group presented progress reports. These Task Forces are responsible for producing research, analysis and proposals on technical issues, cross-border linkages, best practices, settlement risk management and exchange of information.

As the convener of the Technical Task Force, Hongkong Clearing presented a progress report, which outlined the global initiatives, operational models, key technologies and risk issues involved in STP. The Task Force will continue to examine the impact of Internet trading and e-commerce on depositories; it will also work towards proposing a model that will incorporate these technologies so as to achieve STP among ACG

members. It also proposed that ACG should consider the establishment of resource centres to transfer knowledge and experience among its members.

Regarding the cross-border linkages, features like the best practices for linkages and possible communication models were studied with regard to the establishment of a multi-lateral cross-border linkage among ACG members. European models as well as the factors affecting the Asia-Pacific region's developments were also discussed. The Cross-Border Linkages Task Force is convened by Japan Securities

Clearing Corporation.

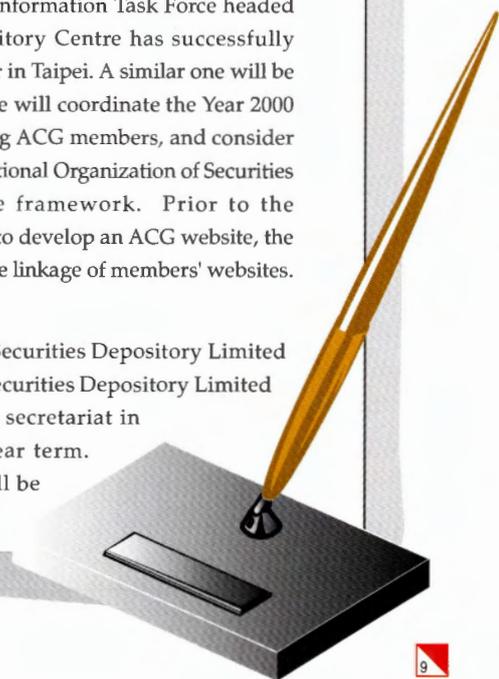
The Best Practices Task Force headed by New Zealand Central Securities Depository Limited has completed a member survey on achieving T+1 settlement by 2001 and STP. Results revealed that STP is acceptable to members and many are currently planning on it. The task force has also looked into a simplified fee structure for ACG members and will continue to obtain and disseminate information among members.

Various settlement risk management issues have been studied during the year. Topics such as Realtime Delivery versus Payment (RDP), Continuous Net Settlement versus trade-for-trade, immobilisation versus dematerialisation and contingency planning were examined in detail. The Settlement Risk Management Task Force convened by Korea Securities Depository is considering an option to expand its research scope to include the impact of derivatives markets on depositories, RDP for debt securities, linkage with the central bank system and back-up facilities for primary computer centres.

This year, the Exchange of Information Task Force headed by Japan Securities Depository Centre has successfully organized a training seminar in Taipei. A similar one will be held in 2000. The Task Force will coordinate the Year 2000 event announcements among ACG members, and consider an update of IOSCO (International Organization of Securities Commissions) disclosure framework. Prior to the consideration as to whether to develop an ACG website, the Task Force will coordinate the linkage of members' websites.

Next ACG Meeting

The New Zealand Central Securities Depository Limited will succeed the National Securities Depository Limited of India to be ACG's third secretariat in January 2000 for a one year term. The next ACG meeting will be held in Seoul in 2000.



CCASS STATISTICS

The Hang Seng Index closed at 12,733 at the end of September. It surged to 13,861 on the 13th of the month. The highest closing for October was 13,257, an increase of 4 per cent on the previous month.

Exchange Trades

In September, an average of 121,108 trades were processed daily in CCASS, involving 10.13 billion shares with a value of \$8.66 billion. In October, the daily average trades handled by CCASS decreased to 97,369 involving 6.71 billion shares with a value of \$7.87 billion.

During the months of September and October, more than 99.99 per cent of Exchange trades were processed daily in CCASS.

Netting Efficiency of CNS Trades

In September, an average of 119,629 Exchange trades valued at \$8.09 billion went through CCASS daily for CNS. An average of 13.87 per cent of the novated contracts created were due for settlement daily.

The daily average number of trades went through CCASS for CNS in October decreased to 96,073 valued at \$7.16 billion. After novation and netting, 15.33 per cent of the novated contracts were due for settlement daily.

In September, novated contracts generated a daily average of \$16.18 billion in money obligations which were netted to \$3.47 billion. Daily average funds netting efficiency was 78.51 per cent. In October, \$14.32 billion a day in money obligations were netted to \$3.67 billion. Daily average funds netting efficiency was 74.53 per cent.

Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for September was 99.50 per cent on the due day and 99.97 per cent on the settlement day following the due day. The corresponding figures for October were 99.44 per cent and 99.95 per cent.

Settlement Instructions (SIs)

In September, an average of 22,567 SIs were settled daily in CCASS, involving 5.44 billion shares with a market value of \$14.91 billion.

In October, the figures decreased to 22,062 SIs, involving 5.05 billion shares with a value of \$19.22 billion.

Investor Settlement Instructions (ISIs)

In September, an average of 173 ISIs were settled daily in CCASS, involving 69.05 million shares with a market value of \$59.67 million.

In October, an average of 159 ISIs were settled daily in CCASS, involving 49.33 million shares with a market value of \$55.44 million.

Depository Transactions

In September, the CCASS Depository handled an average of 1,012 deposit and withdrawal transactions per business day. The number of share certificates processed daily amounted to 16,000. The corresponding figures for October were 1,019 transactions involving 16,000 share certificates per business day.

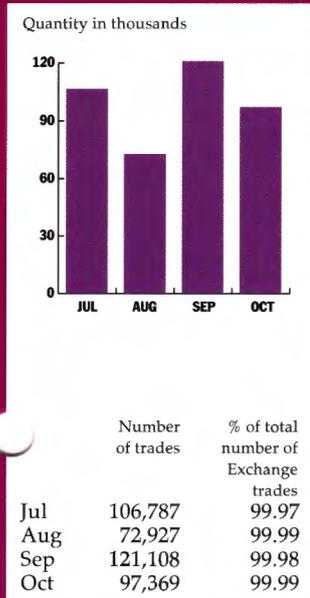
As at the end of October, 944 stocks had been admitted into CCASS for clearing and settlement. About 422.56 billion shares were under the custody of the CCASS Depository, representing 54 per cent of the total number of shares of the admitted stocks in issue. The total market value of the shares was \$1,109.35 billion, representing 29.98 per cent of the total market capitalisation of the admitted stocks.

Participants

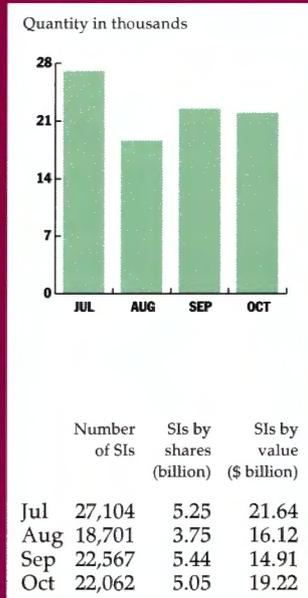
At the end of October, there were 2,922 CCASS Participants, comprising 494 Broker Participants, 61 Custodian Participants, seven Stock Pledgee Participants, one Clearing Agency Participant and 2,359 Investor Participants.

OPERATIONS HIGHLIGHTS (JUL - OCT 99)

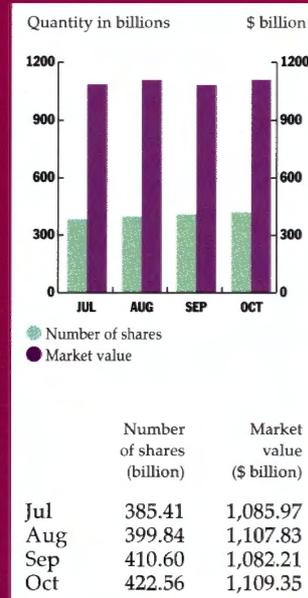
Average Daily Stock Exchange Trades Processed in CCASS
(including CNS trades, isolated trades and cross trades)



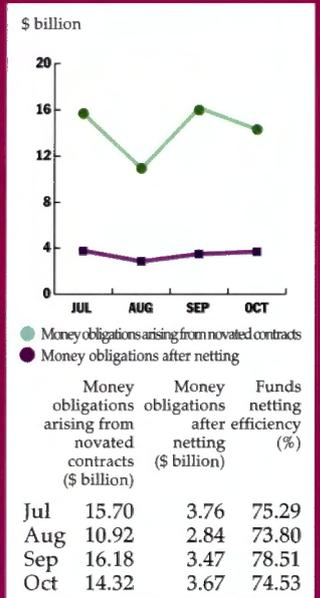
Average Daily Settlement Instructions (SIs) Settled in CCASS
(both receiving and delivering SIs are counted)



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



Average Daily Funds Netting Efficiency under CNS



Quick Quiz

1. The Batch Settlement Runs in CCASS have been re-scheduled in August 1999 with the addition of a new settlement run in the morning. What is the new schedule?

2. With the introduction of an additional Batch Settlement Run, the generation time of Electronic CHATS (Clearing House Automated Transfer System) Payment Instruction Reports for Designated Banks to prepare payments for RDP (Realtime Delivery versus Payment) settlement has been changed. What is the new schedule?

3. With the change in the Batch Settlement Run schedule, a new SI (Settlement Instruction) Matching Run is also created. What is the new schedule?

Answers on page 12.

ENHANCED CCASS FEATURES IN 2000

In the second quarter of 2000, Hongkong Clearing will introduce a settlement tolerance limit on Settlement Instructions (SIs) and will relax the matching rule for Broker-Custodian transactions. By implementing these enhancements, SI matching and settlement efficiency will be further improved, increasing the convenience of service to CCASS Intermediary Participants.

The proposed enhancement is based on the results of the settlement tolerance limit survey conducted in August 1999. The 555 questionnaires which were sent out to CCASS Participants generated a reply-rate of more than 50%.

The current practice of the settlement of SIs requires perfect matching of settlement details, such as money value and client account number. With the introduction of settlement tolerance limit, SI transactions will be matched despite minor discrepancy in money value which is equal to or less than \$10. However, a built-in flexibility option of selecting a zero limit will be set up for those Participants who do not want to apply the tolerance limit on their SIs.

If two SIs can be matched within the limit, the money value of the stock-receiving SI will be used as the settlement amount.

CCASS Intermediary Participants will have more flexibility in data input for their Broker-Custodian transactions when the relaxation of the matching rule for client account number becomes effective. Client account number refers to the number in which Custodian Participants identify clients. Only when both parties of Participants input the same details as the other, the field will become a matching field and the transaction will be executed. If one of the Participants leaves the field empty, the transaction will still be executed but the field will not become a matching field. Therefore, any Participants who find the matching of client account number essential will have to agree with their counterparties to input this information. If Participants who leave their client account number fields empty require a subsequent follow-up with their counterparties on the SIs, they can refer to the CCASS report on which the client account number input by their counterparties will be displayed. For more information, please refer to Circular #153/99 issued by the Participant Services Department on 30 September 1999.

DIRECT STOCK ADMISSIONS

During the two months of September and October 1999, a total of 57 eligible new issues were admitted to CCASS of which 5 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	8	0	34	10	5	57
Issues adopted Jumbo Certificate arrangement	5	0	0	0	N/A	5



Quick Quiz

1. Under the new schedule, four Batch Settlement Runs are carried out at 10:30am, 12:00noon, 2:00pm and 3:45pm.

2. The Electronic CHATS Payment Instruction Reports are now generated at 11:00am, 11:30am, 12:30pm and 2:30pm.

3. Six SI Matching Runs are conducted at 10:00am, 11:30am, 1:30pm, 3:15pm, 3:45pm and 6:00pm.

ELECTRONIC INITIAL PUBLIC OFFERING SERVICE DEBUTS

Hongkong Clearing's Electronic Initial Public Offering (EIPO) service has been used for T S Telecom Technologies Limited's flotation on the Growth Enterprise Market (GEM). This is the first time that the EIPO service has been made available to Hong Kong investors.

Randy Hung, Executive Director and Chief Financial Officer of T S Telecom, said: "As T S Telecom is a hi-tech company specialising in the provision of power monitoring systems, cable monitoring systems and network access equipment to telecommunications service providers, we welcome the use of new technology to facilitate the subscription for our IPO. In addition, the liquidity of our stocks on the first trading day will be further enhanced as the new shares will already be credited to the stock accounts of CCASS participants."

Stewart Shing, Chief Executive of Hongkong Clearing, said: "The EIPO service reduces costs and clerical errors, shortens turnaround time and eliminates the risk of lost cheques and share certificates. Since it uses the electronic mechanism of CCASS, investors will benefit from added convenience and extended subscription hours.

"At present, Hongkong Clearing is also in discussion with several companies that are considering the use of EIPO service for their Main Board or GEM listings," he added.

Simple Operations

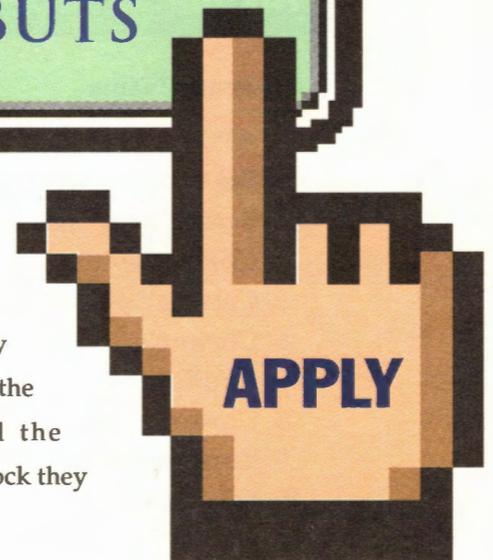
Under the EIPO system, Investor Participants in CCASS can call the CCASS Phone Operations Hotline and follow the voice

prompts to apply for shares. They are only required to input the stock code and the quantity of the stock they are applying for.

CCASS then creates an Electronic Payment Instruction (EPI), which debits the application monies from Investor Participants' Designated Bank accounts and credits them to the issuer's receiving bank.

CCASS will send details of the applications to the registrar, which checks for multiple applications and makes adjustment for rejected EPIs from the receiving bank. When the registrar has completed the balloting process, share certificates, allotment files and refund instructions are sent to CCASS, which updates successful applicants' stock accounts. New EPIs will be generated to make refunds to Investor Participants whose applications are wholly or partially unsuccessful.

Investors who have not opened Investor Accounts in CCASS can apply for shares through CCASS Participants such as brokers or custodians, who have access to the EIPO service through their CCASS Terminals installed in their offices. Investors can also apply for shares using the existing yellow and white forms.



HONGKONG CLEARING STRENGTHENS SERVICES TO FACILITATE BROKERS TO PROVIDE THE INVESTOR ACCOUNT SERVICE

The top 30 brokers who inputted the most ISIs for clients

Company Name	Contact Phone Number
1. APC Securities Co Ltd	2847 2287
2. Bel Trade Securities Co Ltd	2909 7688
3. Berich Brokerage Ltd	2815 5662
4. CEF Brokerage Ltd	2913 6328
5. Celestial Securities Ltd	2287 8888
6. Cheung's Securities Brokers Ltd	2782 6470
7. Chu Chung Tin Securities Ltd	2526 2654
8. Clover Securities Co Ltd	2851 9019
9. Core Pacific-Yamaichi Securities (H.K.) Ltd	2826 0700
10. DBS Securities Hong Kong Ltd	2971 1791
11. Global Credit Securities Ltd	2520 7388
12. Grand Onward Securities Ltd	2801 5388
13. Hantec Securities Co	2526 1085
14. Hing Wai Allied Securities Ltd	2541 3183
15. Hou Tak Securities Ltd	2545 0770
16. HT Securities Ltd	2235 7888
17. Ko's Brother (Securities) Co	2332 9692
18. Lehin Securities Ltd	2525 5595
19. Luen Hing Securities Ltd	2521 2421
20. Luen Sing & Co	2868 9004
21. Makindo Securities (Hong Kong) Ltd	2537 3398
22. Master Trademore Securities Ltd	2541 0188
23. Pacific Challenge Securities Ltd	2970 8000
24. Quest Stockbrokers (HK) Ltd	2877 6828
25. Sun Hung Kai Investment Services Ltd	2822 5556
26. Tai Fook Securities Co Ltd	2848 4323
27. Times Securities Co Ltd	2840 1898
28. Uni-Crown Investment Ltd	2854 3370
29. Victory Securities Co Ltd	2522 5390
30. Wocom Securities Ltd	2853 0111

Note : This list is arranged according to alphabetical order and not according to the number of ISIs inputted. The list will be updated half-yearly.

Since the launch of the Investor Account Service in May 1998, Hongkong Clearing has introduced a range of new features for both Investor Participants and Intermediary Participants (such as brokers and custodians).

Latest Enhancements for Intermediary Participants

The latest enhancements for Intermediary Participants were introduced in August 1999, which include the ISI (Investor Settlement Instruction) securities on-hold mechanism and multiple Designated Bank accounts.

With ISI securities on-hold, shares transferred to an Investor Account on a Delivery versus Payment (DVP) basis are put on-hold until the corresponding payment is confirmed good by the Investor

Participant's Designated Bank. This helps to minimise brokers' exposure to the risks involved in providing the Investor Account Service to clients.

Besides, Broker and Custodian Participants can now register up to three Designated Bank accounts to facilitate their management of money settlement for Investor Accounts.

List of the Top 30 Brokers Who Inputted the Most ISIs

Hongkong Clearing has often received enquiries from investors checking names and contacts of brokers which provide Investor Account Service to clients. The Company has short-listed the top 30 brokers who have inputted the most ISIs for their clients, for investors' reference. (Please refer to page 2.)

A MOBILE AQUARIUM



Hongkong Clearing introduced a new campaign that uses a colourful tram to promote the Investor Account Service beginning 22 September 1999. The brightly painted tram is decorated to resemble an aquarium full of tropical fish. Investors' comments about the benefits of the Service and Hongkong Clearing's Investor Service Enquiry Hotline number (2979 7000) feature prominently in the design.

In August 1999, Hongkong Clearing admitted Exchange Fund Notes (EFN) into CCASS, the Central Clearing And Settlement System. The Company also admitted the Hong Kong Mortgage Corporation (HKMC) Notes into CCASS in October 1999. CCASS Participants, including Investor Participants, can now tender for and settle both types of Notes through CCASS. The coming issue of HKMC Notes will be in the first half of 2000.

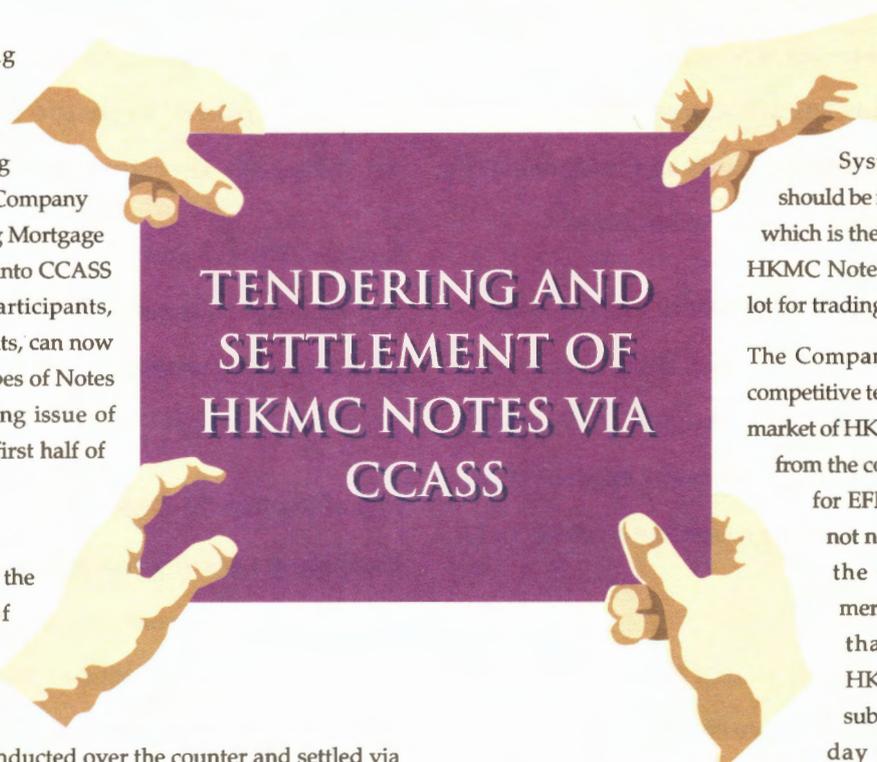
Trading and settlement

Investor Participants will find the trading and settlement of HKMC Notes the same as that of EFN. Currently, trading of HKMC Notes in the professional market is conducted over the counter and settled via the Central Moneymarkets Unit (CMU) of the Hong Kong Monetary Authority. However, trading of HKMC Notes in the retail market is handled by the current Automatic Order Matching and Execution System (AMS) of the Exchange. Settlement is processed by CCASS, following the T+2 (two business days after the trade day) rule, which will be done on a "trade-for-trade" basis.

Unlike the scripless arrangement of EFN, the Notes are represented by a Global Note, and no individual certificate or note will be issued. Investor Participants will receive the allotted HKMC Notes, payment of interest and repayment of principal of the Notes through their Investor Accounts in CCASS.

Tendering

Like EFN, Hongkong Clearing maintains an account with the CMU as a recognised dealer and a member of the CMU. Investor Participants can apply for HKMC Notes by inputting tender instructions between two



TENDERING AND SETTLEMENT OF HKMC NOTES VIA CCASS

to four business days before the tender day (t), via the CCASS Phone System. Tender instructions should be made in multiples of \$50,000, which is the minimum denomination of HKMC Notes and which forms a board lot for trading on the Exchange.

The Company has tailor-made a non-competitive tendering system for the retail market of HKMC Notes, which is different from the competitive tendering system for EFN. Investor Participants do not need to input the price bid in the tender instructions, but merely take the application price that HKMC has specified. HKMC will then announce the subscription price on the tender day which is defined as t

average accepted price determined by the professional market's competitive tender process. If the application price is less than the subscription price, Investor Participants have to pay an issue premium through CCASS. If the reverse occurs, the surplus application money will be refunded to Investor Participants via CCASS.

The allocation of HKMC Notes will be the same as for EFN, in which HKMC Notes will be credited to Participants' stock accounts at day-end of t+1, provided that all applicable issue premiums have been paid. Like EFN, HKMC Notes will normally be listed on the Exchange on t+2.

The same charges will be applied to both EFN and HKMC Notes. For every authorised or cancelled tender instruction input, CCASS will charge an Investor Participant \$5. A brokerage fee of 0.1% of the tender monies will be collected by CCASS on behalf of brokers or the Exchange. Following is the tender processing schedule:

HKMC NOTES TENDER PROCESSING SCHEDULE

t-4 Day	t-3 Day	t-2 Day	t-1 Day	t (Tender)Day	t+1 Day	t+2 Day
Announcement of new HKMC Notes issued by HKMC in the morning Commencement of tender instruction input by Investor Participants via CCASS Phone System (2:00 pm - 7:00 pm)	Tender instruction input by Investor Participants via CCASS Phone System continues (9:00 am - 7:00 pm)	Closing of tender instruction input (3:45 pm) Collection of tender monies by CCASS (After 3:45 pm)	Modification and revocation of tender instructions by Investor Participants via CCASS Phone System (9:00am-3:45pm)	Submission of tender instructions to CMU by CCASS(9:00 am) Announcement of preliminary allotment results by CMU (About 12:00 noon) Collection of issue premium / Refund of excess tender monies by CCASS (After 3:45 pm)	Actual allotment by CCASS after receipt of allotment results from CMU (After 7:00pm)	Listing and trading of HKMC Notes on the Exchange

Note: • Tender instruction input on Saturday: 9:00 am - 3:00 pm
 • Modification and cancellation of tender instructions on Saturday: 9:00 am - 1:00 pm
 • CMU = Central Moneymarkets Unit
 • Unlike EFN, HKMC Notes adopt a non-competitive tendering system.
 Therefore, there will be arrangements for collection of issue premium / refund of excess tender monies by CCASS on tender day.