



# INSIDE CLEAR TALK

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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:

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

Website address: <http://www.hkclearing.com.hk>

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Following the announcement of the securities and futures market reform by the Financial Secretary in March 1999, the Government released its proposal on 8 July 1999 in relation to the demutualisation and merger of the two exchanges and three clearing houses under a new holding company, the Hong Kong Exchanges and Clearing Limited (HKEC).

### A commercial business structure

According to the paper "Hong Kong Exchanges and Clearing Limited: Reinforcing Hong Kong's Position as a Global Financial Centre" published by the Government, HKEC will be a commercial organisation that is performance oriented and profit driven, with the aim of enhancing services to investors, issuers and intermediaries and seeking strategic alliances with global partners to ensure competitiveness.

HKEC's board of directors will be a decision making body shaping the company's policies and will be chaired by a non-executive Chairman. Leadership of the company will come from the Chairman, the Chief Executive Officer and the Chief Operating Officer. HKEC will have five wholly owned subsidiaries or business units (BUs), responsible for Cash Products, Derivative Products, Information Services, Information Technology, and Clearing and Settlement respectively.

The company's daily management responsibilities will be carried out by two leadership committees, namely the Executive Committee and the Management Committee. The Executive Committee will review key issues related to HKEC's strategies and operations for submissions to board, and the Management Committee will focus

**NEW  
HOLDING  
COMPANY  
NAMED FOR  
THE SECURITIES  
AND FUTURES  
MARKETS**

on co-ordination among BUs and between BUs and functions.

### Checks and balances for public interests

Besides the current regulation over exchanges and clearing houses provided for under the various securities-related ordinances, specific measures are proposed to prevent monopolistic abuses by HKEC. The Securities and Futures Commission (SFC) will also have approval authority over the fees that HKEC charges.

## Hong Kong Bond Market

### EXCHANGE FUND NOTES TO BE LAUNCHED IN AUGUST

The Stock Exchange of Hong Kong (Stock Exchange) signed a Listing Agreement for Exchange Fund Notes (EFN) with the Hong Kong Monetary Authority (HKMA) on 19 July 1999. Hongkong Clearing also signed an agreement with the HKMA to admit EFN as eligible securities in CCASS.

EFN will be listed on the Stock Exchange on 16 August. Trades executed on the Stock Exchange will be settled through CCASS.



Picture shows (from left) Stewart Shing, Chief Executive of Hongkong Clearing; John Chan, Chairman of Hongkong Clearing; Alec Tsui, Chief Executive of the Stock Exchange; Lee Hon Chiu, Chairman of the Stock Exchange; Joseph Yam, Chief Executive of HKMA and Tony Latter, Deputy Chief Executive of HKMA during the toasting at the signing ceremony.



Given the importance of the integrated clearing and settlement unit under HKEC in safeguarding the integrity and stability of Hong Kong's financial system, the policy making function for the clearing unit will be entrusted to a high power, independent governance committee within HKEC. It is to ensure that HKEC will perform its risk management function in a prudent manner and that risk-management-related decisions will not be affected by profit-related considerations.

A shareholding limit of 5% will also be put down in the law to prevent control of HKEC by any individual parties or parties acting in concert. In addition, any changes in the corporate structure involving changes in the equity ownership of HKEC's subsidiaries will require the approval of the SFC in consultation with the Financial Secretary.

To ensure that wider public and market interests will also be represented in the

decision making process of HKEC, the Government will appoint eight directors to the 15-member inaugural board in March 2000 and not less than five to the second board of HKEC, which will have a total of 12 to 15 directors, in 2003.

#### Access to HKEC markets

In the proposed business model, ownership of the exchanges and access to their trading facilities would be separated. Ownership in the form of shares in HKEC could be freely traded in the market, whereas the trading rights will have to be acquired separately. Current members of the two exchanges will be automatically granted the rights to trade in the respective markets and products of HKEC that are the same as those they currently have.

Access to the exchanges will be broadened gradually. It is proposed that HKEC may begin to offer new trading rights to its cash and

derivatives markets after two years of its inception. Meanwhile, access to the markets may be obtained through acquisition of trading rights from existing members of the exchanges.

#### Market regulation

On the regulation of intermediaries, it is proposed that all prudential regulation of exchange users will be handled by the SFC. This includes monitoring compliance with liquid capital requirements and ensuring that exchange users have in place proper systems of management and control. HKEC, on the other hand, will monitor particular aspects of the business of exchange users so as to assess and manage the risks inherent in the operations of its subsidiary business units. This would involve adequacy of risk management measures and compliance with exchange trading rules.

Current members of the two exchanges are to vote on the demutualisation and merger in September this year.

### Chairman and Deputy Chairman Awarded Gold Bauhinia Star

John Chan, Chairman of Hongkong Clearing, and Peter Wong, Deputy Chairman, have been awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region (HKSAR).

Mr Chan was awarded the GBS for his outstanding public and community service and significant contribution to the development of the securities market in Hong Kong. Mr Wong received the GBS for his long-standing commitment to public service and valuable contribution to the development of the Open University of Hong Kong.

The Chief Executive of the HKSAR, Tung

Chee Hwa, gave awards to 260 people in this year's Honours List which was published in the Government Gazette on 1 July. There were 5 Grand Bauhinia Medal Awards, 17 Gold Bauhinia Star Awards, 26 Silver Bauhinia Star Awards and 212 other awards.



John Chan



Peter Wong





# DOUBLE CONFIDENCE IN CCASS YEAR 2000 COMPLIANCE

In view of the potential adverse effect of the millenium bug, Hongkong Clearing's Internal Audit Department has been carrying out a comprehensive internal audit since early 1997. The audit was scheduled to be completed in 2000 after the overall project evaluation.

The audit aims at examining each of the Y2K initiatives independently and providing assurances to the general public, regulatory bodies and the Government regarding the Company's Y2K compliance status. Internal Audit's participation forms an integral part of the corporate endeavor in Y2K.

## Scope

As CCASS is Y2K compliant by design, the audit scope has been focused on testing the proclaimed compliant systems independently and examining the compliance work critically. Whether the audit recommendations were followed up in a timely manner was also a major concern. The Company's Audit Committee has been updated regularly with the submission of audit progress reports.

As the nature of Y2K audit went beyond information technology, a tailor-made audit approach was adopted. Critical initiatives listed in the Y2K master project plan were selected for examination. Major initiatives are outlined as follows:

Areas for examination	Objectives
1. Inventory & impact analysis	* To ensure all CCASS related system software, application systems and computer related equipment were included in the inventory and impact analysis with compliance status and solution properly identified
2. Time-machine set up	* To ensure the time-machine was properly set up to provide a reliable environment and a proficient platform for Y2K testing
3. CCASS and major internal systems	* To verify the Y2K compliance status of these proclaimed compliant systems
4. Interface tests with business partners	* To ensure that CCASS can interface with its business partners' systems during and after the century rollover
5. Street-wide tests	* To ensure the street-wide tests were well planned, prepared and conducted to facilitate the participants in testing their back office systems * To ensure full participation in the tests with exceptions timely followed up
6. Contingency plan	* To ensure the contingency plan was well planned and formulated by taking into account internal and external risky Y2K failure scenarios * To ensure the contingency plan was reasonably tested to maintain core operations and services during disastrous situations
7. Preserving Y2K	* To ensure policies and procedures are in place to prevent the introduction of non-compliant components, through new equipment acquisitions, software and hardware upgrade or program change, into the Y2K compliant environment * To ensure checking procedures are adequate in verifying data integrity and system functions before the systems go live on the first working day of the new millennium

As a result of examining the critical initiatives, seven audit papers have been issued with recommendations for immediate follow-up or rectification by relevant departments.

## CCASS Acceptance Test

The Internal Audit Department closely monitored the CCASS Acceptance Test. Audit tests were conducted to ensure that the CCASS Acceptance Test was carried out according to the testing strategy and schedule. All exceptions detected in the CCASS Acceptance Test were corrected and documented together with the Test results. The audit of the CCASS Acceptance Test was completed in February 1999 and the Test results were signed off by the management.

## Independent Tests

In addition to the audit reviews, the Internal Audit Department conducted Y2K tests

independently. In the third street-wide test held in June 1999, the auditors simulated themselves as CCASS Participants and input self-designed trade data and conditions to test certain key CCASS functions. Error data were also intentionally input to test the system response under the Y2K environment. No exceptions were detected and results of the test showed that CCASS and related systems are Y2K compliant.

Ongoing audit results revealed that the Y2K compliance project has been carried out as planned. Resources like manpower, finance and computer supplies were properly allocated. As of today, based on the results of audit accomplishments, the Internal Audit Department supports the Company's declaring its Y2K compliance on all mission critical systems on 1 January 1999. The Company's management is pleased with the project progress and is confident that CCASS continues to function efficiently in the new millennium.





# UPDATE ON THE ISSA'S REGIONAL FORUM ASIA-PACIFIC HONG KONG CONFERENCE

Having been invited by the International Securities Services Association (ISSA) to chair its first Regional Forum Asia-Pacific until May 2000, Hongkong Clearing will host an ISSA Regional Conference in Hong Kong on 30 September 1999.

Senior executives representing custodian banks, clearing houses and depositories, exchanges, brokers and asset managers from the Asia-Pacific region have been invited to attend the Conference.

Four representatives from Australia, Japan, Singapore and Hong Kong will speak on the key topic of the Conference — "Convergence of Infrastructure of Exchanges: Impact on the Local Market and the Entire Region". The key topic will also be the subject for panel discussion and group discussion.

## AGENDA

30 SEPTEMBER 1999

### Topics & Speakers

#### Opening Remarks

- \* Josef Landolt, Managing Director, UBS AG and ISSA Chairman
- \* Stewart Shing, CEO and Director, Hongkong Clearing and ISSA Board Member

#### Highlights of the ISSA Regional Conference Zurich

- \* Urs Stahli, Executive Director, UBS AG and ISSA Secretary

#### Convergence of Infrastructure of Exchanges:

##### Impact on the Local Market and the Entire Region

- \* Andrew Sheng, Chairman, Securities and Futures Commission, Hong Kong
- \* Angus Richards, Managing Director, ASX Settlement and Transfer Corp. Pty. Ltd., Sydney
- \* Kok Kar-Wing, Director, The Central Depository (PTE) Ltd., Singapore
- \* Hitoshi Yagi, Deputy Director, Japan Securities Depository Centre, Tokyo

#### Panel Discussion

#### Group Discussion

#### Presentation: Standards for Market Regulation at Times of Market Unrest; Subsequent Discussion

- \* John Gubert, Head of Group Securities Services, HSBC Holdings plc, London

## VISIT BY THE HONG KONG CHINESE ENTERPRISES ASSOCIATION

A delegation from The Hong Kong Chinese Enterprises Association's Securities Industry sub-committee visited Hongkong Clearing in July 1999. The Association was formed in 1991 by Chinese Enterprises in Hong Kong as a chamber of commerce. Its newly formed Securities Industry sub-committee focuses on information exchange and cooperation among the member companies.

Delegates visiting Hongkong Clearing included Mr Jiufeng Dong, Executive Vice-Chairman & President of COSCO (Hong Kong) Group Limited; Mr Fung Chi Kin, Managing Director of BOCI Securities Limited; Mr Zhuo Fu Min, Chief Executive Officer of Shanghai Industrial Holdings Limited, and Mr Yan Biao, Executive Director of China Resources Enterprise, Limited.



Picture shows: Alan Lee, Executive Director of Operations Services Division (first from left), and Stewart Shing, Chief Executive (third from left) with the delegates.



# FIFTH CONFERENCE OF CENTRAL SECURITIES DEPOSITORIES (CSD5)



About 150 delegates from 55 countries representing 94 central securities depositories and financial institutions attended the Fifth Conference of Central Securities Depositories (CSD5) in Toronto from 25 to 27 May 1999. The biennial international Conference was hosted by the Canadian Depository for Securities Limited this year. The aim of the Conference was to provide an opportunity to participants to exchange their view and experiences. Stewart Shing, Chief Executive, and Alan Lee, Executive Director of Operations Services Division, of Hongkong Clearing attended the Conference.

"Best Practices" was the theme of the Conference on the first day and Mr Shing was the moderator for the afternoon sessions. Representatives from European Central Securities Depositories Association (ECSDA), Asia-Pacific Central Securities Depository Group (ACG), Central and Eastern European Central Securities Depositories and Clearing Houses Association (CEECSDA), and S.D. Indeval, Mexican CSD (The Americas) were invited to present the latest developments in their regions. Delegates from the European Central Bank, the Securities and Exchange Commission of the United States, S.W.I.F.T. and IBM gave their views from the regulator's and partner's viewpoint.

In the discussion session on "Finding Consensus on Best Practices", three topics

-- *Straight-Through Processing (STP), Netting and Gross Settlement, and Integration of Payment and Clearing Systems* -- were examined.

On STP, participants expressed their views on the role of CSD in global STP, the impediments to moving towards STP, the involvement and challenges faced by CSD in the global STP model, and the impacts of technological changes on STP.

In the discussion on *Netting vs. Gross Settlement*, participants concluded that both methods are equally valid and should be retained. "Netting" is preferable for large volume and low value transactions, and "Realtime Gross Settlement" is more suitable for large value trades, particularly in debt securities.

In the discussion on *Integration of Payment and Clearing Systems*, issues like the participation criteria for payment and settlement systems, the coordination of the operating hours and payment default procedures of the two systems, and technical issues associated with the system interface were also covered.

The theme of the Conference on the following day was "Developing International Standards for Cross-Border Linkages". Delegates from ECSDA, ACG, The Depository Trust Company and Scandinavian Co-

operation reported on their regional developments. Speakers from Bank of Canada, Euroclear Operations Centre and Cedelbank presented the topic from regulator's and international clearing and settlement depositories perspectives. Senior executives from State Street Bank and Trust Company and Midland Securities Services were invited to discuss the challenges to depositories to meet the demands of the financial community.

Models for cross-border linkages of CSDs in Europe dominated the discussion sessions on the topic. Four models: ECSDA's bilateral links, Euroclear's hub and spokes, Cedel's single clearing house, and Scandinavian's "S4" project were introduced and analysed.

The next International CSD Conference --CSD 6-- will be held in Sydney in May 2001. Austraclear Limited will be the host organisation.



Stewart Shing (left), Chief Executive and Allan Cooper, Chairman and CEO of The Canadian Depository for Securities Limited.



# CCASS STATISTICS

The Hang Seng Index closed at 12,147 at the end of May. It surged to 14,005 on 22 June and closed at 13,532 at the end of the month.

## Exchange Trades

In May, an average of 95,647 trades were processed daily in CCASS, involving 6.13 billion shares with a value of \$7.36 billion. In June, the daily average trades handled by CCASS increased to 100,161, involving 5.67 billion shares with a value of \$7.89 billion.

During the months of May and June, more than 99.97 per cent of Exchange trades were processed daily in CCASS.

## Netting Efficiency of CNS Trades

In May, an average of 94,433 Exchange trades valued at \$6.84 billion went through CCASS daily for CNS. An average of 17.32 per cent of the novated contracts created were due for settlement daily.

The daily average number of trades went through CCASS for CNS in June increased to 98,798 valued at \$7.33 billion. After novation and netting, 17.65 per cent of the novated contracts were due for settlement daily.

In May, novated contracts generated a daily average of \$13.67 billion in money obligations which were netted to \$3.07 billion. Daily average funds netting efficiency was 76.58 per cent. In June, \$14.66 billion a day in money obligations were netted to \$3.24 billion. Daily average funds netting efficiency was 77.30 per cent.

## Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for May was 99.48 per cent on the due day and 99.96 per cent on the settlement day following the due day. The corresponding figures for June were 99.48 per cent and 99.95 per cent.

## Settlement Instructions (SIs)

In May, an average of 22,793 SIs were settled daily in CCASS, involving 5.02 billion shares with a market value of \$19.31 billion.

In June, the figures decreased to 22,346 SIs, involving 4.89 billion shares with a value of \$17.69 billion.

## Investor Settlement Instructions (ISIs)

In May, an average of 183 ISIs were settled daily in CCASS, involving 27.32 million shares with a market value of \$35.95 million.

In June, an average of 172 ISIs were settled daily in CCASS, involving 37.87 million shares with a market value of \$37.48 million.

## Depository Transactions

In May, the CCASS Depository handled an average of 1,387 deposit and withdrawal transactions per business day. The number of share certificates processed daily amounted to 18,000. The corresponding figures for June were 1,249 transactions involving 17,000 share certificates per business day.

As at the end of June, 888 stocks had been admitted into CCASS for clearing and settlement. About 371.60 billion shares were under the custody of the CCASS Depository, representing 51.95 per cent of the total number of shares of the admitted stocks in issue. The total market value of the shares was \$1,103.37 billion, representing 30.17 per cent of the total market capitalisation of the admitted stocks.

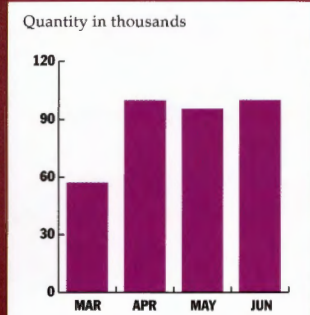
## Participants

At the end of June, there were 2,711 CCASS Participants, comprising 492 Broker Participants, 60 Custodian Participants, seven Stock Pledgee Participants, one Clearing Agency Participant and 2,151 Investor Participants.



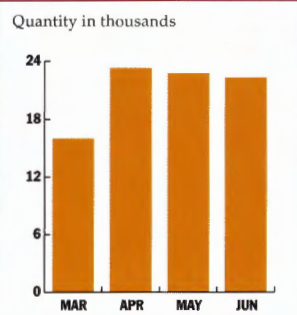
# OPERATIONS HIGHLIGHTS (MAR - JUN 99)

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



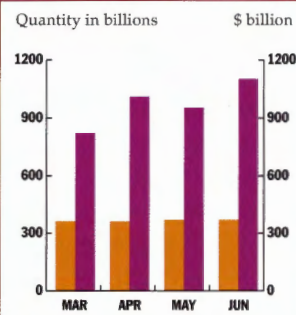
	Number of trades	% of total number of Exchange trades
Mar	57,378	99.99
Apr	99,950	99.99
May	95,647	99.99
Jun	100,161	99.95

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



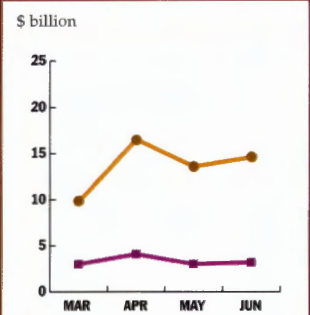
	Number of SIs	SIs by shares (billion)	SIs by value (\$ billion)
Mar	16,022	3.53	14.12
Apr	23,325	4.73	22.15
May	22,793	5.02	19.31
Jun	22,346	4.89	17.69

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



	Number of shares (billion)	Market value (\$ billion)
Mar	365.15	824.12
Apr	363.47	1,012.30
May	371.20	955.99
Jun	371.60	1,103.37

**Average Daily Funds Netting Efficiency under CNS**



	Money obligations arising from novated contracts (\$ billion)	Money obligations after netting (\$ billion)	Funds netting efficiency (%)
Mar	9.84	3.04	70.05
Apr	16.57	4.15	74.74
May	13.67	3.07	76.58
Jun	14.66	3.24	77.30

## Quick Quiz

1. Which Participants are eligible to use the SI (Settlement Instructions) batch file transfer service?

2. Which department should the Participants apply to for the use of the SI batch file transfer service?

3. When is the SI batch file transfer service available for use?

Answers on page 8.



## CCASS NOTICE BOARD

### AUTOMATIC CONVERSION OF ELIGIBLE SECURITIES SUBJECT TO SUB-DIVISION, CONSOLIDATION OR STOCK CONVERSION

For eligible securities subject to sub-divisions, consolidations or stock conversions, Hongkong Clearing will carry out automatic conversions of actual holdings or unsettled stock positions of Participants in CCASS\*. The aim is to minimize the need for Participants to exchange their original certificates representing Old Shares (existing securities prior to a sub-division, a consolidation or a stock conversion) for new certificates representing New Shares (new securities issued as a result of the sub-division, consolidation or stock conversion) at the registrars concerned, and also to minimize the inconvenience to Participants with respect to parallel trading arrangements. Under parallel trading arrangements, the certificates of the Old Shares will be deemed to represent the New Shares temporarily for the purpose of facilitating trading in the New Shares. They are referred to as Temporary Shares.

Typically, the automatic conversions will be carried out in CCASS as follows:

1. At the end of the Settlement Day following the effective date of the sub-division, consolidation or stock conversion, actual holdings of Old Shares of Participants will be automatically converted in CCASS into holdings of Temporary Shares, based on the pre-determined ratio;

2. At the end of the Settlement Day before the day on which parallel trading commences, any further actual holdings of Old Shares as well as any unsettled stock positions of Old Shares of Broker Participants arising out of Exchange Trades, will be converted into holdings of stock positions in Temporary Shares;

3. At the end of the second Settlement Day following the last day of parallel trading, actual holdings of Temporary Shares of Participants will be automatically converted into holdings of New Shares on a one to one basis;

4. When all stock positions of Participants in the Temporary Shares in CCASS have been settled, further actual holdings of Temporary Shares of Participants will again be automatically converted into holdings of New Shares on a one to one basis.

In case the sub-division, consolidation or stock conversion affecting securities are not subject to parallel trading arrangements, Hongkong Clearing will at the end of the Settlement Day following the effective date of the sub-division, consolidation, or stock conversion, convert all the holdings in CCASS of Old Shares into New Shares, based on the relevant ratio.

\* *Outstanding Settlement Instructions of Intermediary Participants and Investor Settlement Instructions of Investor Participants will not be automatically converted in CCASS.*



## DIRECT STOCK ADMISSIONS

During the two months of May and June 1999, a total of 38 eligible new issues were admitted to CCASS of which 3 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	4	0	31	0	3	38
Issues adopted Jumbo Certificate arrangement	3	0	0	0	N/A	3



### Quick Quiz

1. Eligible Participants are those who have a particularly high volume of SI transactions and who can demonstrate that they have a genuine need for the SI batch file service.

2. Participants should apply to the Participant Services Department.

3. The SI batch file transfer service is available on each business day from 9:00am to 3:45pm for those SI to be settled on the same day and extended to 6:00pm for those SI to be settled on the next business day.



INVESTOR  
 ACCOUNTS  
 AND EXCHANGE  
 FUND NOTES  
 SERVICES  
 PROMOTED AT  
 MONEYWORLD  
 ASIA -- HK'99

About 3,000 investors visited Hongkong Clearing's booth at the MoneyWorld Asia -- HK'99 Exhibition, held at the Hong Kong Convention and Exhibition Centre from 28 to 30 May 1999. The Exhibition provided investors with information on a wide range of financial products and services, and a platform for financial institutions to educate the public on their specific roles. Over 40 local and international financial organizations from banking, fund management, stockbroking and regulatory sectors participated in the Exhibition.



Investors visit Hongkong Clearing's booth.

This is the fourth consecutive year that Hongkong Clearing has participated in the Exhibition. Joining the Securities and Futures Commission, the Stock Exchange of Hong Kong, and the Hong Kong Futures Exchange to host a common pavilion, Hongkong Clearing promoted its Investor Account Service and the EFN (Exchange Fund Notes) tendering and settlement services to the general investors.

Investors visiting Hongkong Clearing's booth were shown a video on the Investor Account Service. Company representatives demonstrated how a CCASS Investor Participant can affirm ISI (Investor Settlement Instruction) and apply for EIPO (Electronic Initial Public Offering) using a touch-tone phone, or a screen phone. Investors were able to see for themselves how easy it is to operate



Investors fill in the Investor Account application forms with the assistance of Hongkong Clearing's representatives.



Polyana Hung (right), Senior Manager of Participant Services Department, explains the operations of the Investor Account Service to investors.

the CCASS Phone System. Some investors filled in the Investor Account application forms during the Exhibition.

Hongkong Clearing also organised two seminars during the Exhibition. More than 220 investors attended the seminars at which the operations and benefits of the Investor Account Service were explained. Upcoming plans of the service, including access to Investor Accounts through the Internet and the move towards straight-through processing of securities transactions, were also covered in the seminars.

2000

Y2K COMPLIANCE TESTS  
 SUCCESSFULLY COMPLETED

To ensure the securities industry is able to operate smoothly during and after the century rollover, three street-wide tests for Year 2000 (Y2K) compliance were successfully completed this year. The latest one was held in June 1999. No Y2K related problems were detected in all the three street-wide tests.

All active CCASS Intermediary Participants (such as brokers and custodians) and Designated Banks, except a few with full manual systems, have participated in at least one of the three street-wide tests.

Like the first and second street-wide tests, all key CCASS functions such as clearing and settlement of Exchange and Non-Exchange trades, depository and nominee functions were simulated with participating Intermediary Participants and Designated Banks in the third street-wide test.

Investor Participants

Five Corporate Investor Participants were also invited to join the third street-wide test to simulate the operations of the CCASS Phone System (both screen phone and touch-tone phone).

Hongkong Clearing has analysed the test results submitted by Intermediary Participants and submitted further reports to the Securities and Futures Commission.

Hongkong Clearing has developed a Y2K Contingency Plan and performed drills according to the Plan. The Company is working closely with the Y2K consultant appointed by the Financial Services Bureau to refine the contingency procedures and synchronise the details with other major business partners in the financial market. Hence, Hongkong Clearing is well prepared for the century rollover.



## A CLOSER LOOK AT EXCHANGE FUND NOTES

Starting from August 1999, retail investors will have a choice of investing in Exchange Fund Notes (EFN) to be traded on the Stock Exchange and settled in CCASS. The EFN issued by the Hong Kong Monetary Authority (HKMA) will be listed on the Stock Exchange, creating a second market for EFN. At present, trading of EFN is only conducted among professional players over the counters and settled by the Central Moneymarkets Unit of HKMA.

To introduce debt securities to the general public, the Stock Exchange, Hongkong Clearing, the City University of Hong Kong and other market practitioners, have joined together to present a series of public seminars entitled "Investing in Debt Securities". The seminars are being held at various venues in different districts, such as the City Hall, Shatin Town Hall and the Space Museum. Features of debt securities as well as their applications are discussed. Hongkong Clearing's representatives also took the opportunity to promote the Company's Investor Account Service, as Investor Participants will be able to tender for and settle EFN through CCASS.

More public seminars on debt securities are planned for August and September. In addition, roadshows will be held at shopping centres to publicise this new investment product.

EFN will begin to list on the Stock Exchange on 16 August 1999.



Picture shows Hongkong Clearing's representative explaining the tender and settlement procedure of EFN in CCASS.

Investors are now able to learn more about the Central Clearing And Settlement System (CCASS) and the Investor Account Service through the Internet by visiting Hongkong Clearing's website.

Hongkong Clearing has launched a new section entitled *The Investor's Guide to CCASS* at its website. Besides introducing CCASS's operations, the Guide explains how the Company charges brokers or custodians when they settle Exchange trades or conduct other transactions on behalf of their clients, the investors. The calculation of CCASS fees is illustrated with easy-to-understand examples. Investors will learn how the stock settlement fee, stock withdrawal fee or the registration and transfer fee is charged to their brokers or custodians, who may pass on the fees together with other administrative costs to them.

The Guide also lists out some of the frequently asked questions that investors are interested to know, and

### MORE CHANNELS TO LEARN ABOUT CCASS AND THE INVESTOR ACCOUNT SERVICE

their answers. Queries like "Why brokers demand payment from investors immediately after confirmation of an executed order although settlement takes place on T+2?" and "Why CCASS charges the registration and transfer fee even if no book-close dates are announced by listed companies and no benefit entitlements are declared?" are explained.

A chapter on Investor Account Service has been included in the Guide. It also explains how various CCASS fees, such as the ISI (Investor Settlement Instruction) stock settlement fee and the stock custody fee, are calculated and charged to Investor Participants, again with easy-to-understand examples.

Both Investor Participants in CCASS and general investors who have not opened an Investor Account will find the Guide informative and useful.

The Investor's Guide to CCASS can be viewed and downloaded at Hongkong Clearing's website at [www.hkclearing.com.hk](http://www.hkclearing.com.hk).

The Guide is also available for collection at Hongkong Clearing's Investor Service Centre (19/F, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay) and the Service Counters Hall of the CCASS Depository (2/F, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong).