



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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In December 1998, the Stock Exchange of Hong Kong established a joint website with the Nasdaq-Amex Market Group. The website allows investors to track Hong Kong, Nasdaq and Amex stocks, other US equities and mutual funds in either Hong Kong or US dollars.

A joint Stock Exchange-Nasdaq-Amex working group is now exploring the possibility of further cooperation between the two bourses, including dual listings. To support these initiatives, Hongkong Clearing has begun discussions with the Depository Trust Company (DTC), the US-based depository that provides clearing and settlement services to Nasdaq, on the feasibility of establishing a direct link between the two systems.

Significant progress has been made in the discussions with DTC, and the link is now scheduled to be ready by the end of 1999. The new link will make Nasdaq-listed stocks much more accessible to Hong Kong investors and strengthen Hong Kong's position as an international financial centre.

How It Works

Nasdaq stocks that have obtained a secondary listing on the Stock Exchange will trade on both the Hong Kong and New York exchanges. During the initial phase of the programme, only stocks that are listed and traded on Nasdaq will be eligible for a secondary listing in Hong Kong.

HONGKONG CLEARING TO OFFER CLEARING AND SETTLEMENT SERVICES FOR NASDAQ STOCKS

In Hong Kong, the Nasdaq-listed stocks will be valued in Hong Kong dollars and settled using Continuous Net Settlement on a T+2 basis. To facilitate cross-border settlement, Hongkong Clearing will open a participant account with DTC. Hongkong Clearing will also appoint DTC as its agent to handle cross-border settlement of Nasdaq stocks between DTC and Hongkong Clearing's Central Clearing And Settlement System (CCASS).

Stock Exchange trades of Nasdaq stocks will be settled in book-entry form in CCASS, and share certificates will be custodied in Hongkong Clearing's account maintained with DTC. Settlement of Nasdaq stocks between DTC and Hongkong Clearing will be achieved by adjusting the two clearing system's book-entry records.

New Options for Investors

To facilitate money settlement for Nasdaq stocks, including subscriptions



and distribution of cash dividends denominated in US dollars, Hongkong Clearing has opened a US dollar bank account with an US-based bank approved by DTC. CCASS Participants will be able to withdraw shares from CCASS, and the withdrawn share certificates issued by the US transfer agent (share registrar) will be directly re-registered into the name of the beneficiary. Arrangements for depository and nominee services are now under discussion and are expected to be finalised shortly.

Settlement, depository and nominee service tariffs for the Nasdaq-listed stocks are also under discussion, and Hongkong Clearing hopes to maintain standard CCASS fees for these counters. Additional expenses levied by DTC, including monthly maintenance fees, transaction fees and other charges are expected to be recovered from participants.

ENHANCED FEATURES FOR INTERMEDIARIES PROVIDING INVESTOR ACCOUNT SERVICE

To a large degree, the success of the Investor Account Service in CCASS depends on the support of market intermediaries such as brokers and custodians. Since the launch of the Investor Account Service last year, Hongkong Clearing has focused on strengthening the services it provides to intermediaries. The Company has introduced several internal control features for Broker/Custodian Participants, including the Investor Settlement Instruction (ISI) counterparty list and maker-checker functions.

The latest enhancements were introduced in August 1999. Broker Participants have been able to register up to three Designated Bank accounts to facilitate management of their clients' settlement funds, while a new securities-on-hold mechanism has also been put in place to help reduce brokers' exposure to risks involved in providing services to clients.

Securities-on-hold

The new securities-on-hold feature will minimise default risk for CCASS Intermediary Participants when they deliver shares to Investor Participants using Delivery versus Payment (DVP) ISIs. Under the new mechanism, which was implemented in August 1999, shares for DVP ISI will be put on-hold in the Investor Participant's stock account until payment is confirmed. This will allow CCASS Intermediary Participants to receive payment before shares are released to Investor Participants.

Payment for DVP ISIs using the on-hold mechanism will be confirmed by the bank at 2:30 pm on the day after settlement day. If the bank rejects the payment, the shares that have been kept on-hold will immediately be released back to the CCASS Intermediary Participant's account.

The new feature will only apply when an Investor Participant is the receiving party (that is, to receive shares). In addition, the Investor Participant's Designated Bank must be able to provide payment confirmation for Electronic Payment Instruction.

New Bank Accounts

From August 1999, CCASS Intermediary Participants (such as brokers and custodians) will be able to use three bank accounts for their money settlement in CCASS: a general account for CCASS money settlement purposes; a designated account for the settlement of ISI transactions on a DVP and Realtime Delivery versus Payment (RDP) basis; and a third account for settlement of Settlement Instruction transactions on a RDP basis.

Use of the new accounts is not mandatory, and CCASS Participants may continue to use their existing general-purpose bank account for all of their money transactions. Participants can also choose to use either of the new bank accounts as backups for their general-purpose accounts.



HONG KONG'S NEW GEM

Scheduled for the fourth quarter of 1999, the launch of Hong Kong's Growth Enterprise Market (GEM) will mark the start of a new era for the Special Administrative Region's capital markets. With its emphasis on growth companies particularly those emerging ones with good business ideas and potential from Hong Kong, Taiwan and the Mainland of China, GEM will provide a new source of capital for rapidly growing businesses. GEM will also offer an exciting new range of opportunities for sophisticated investors.

Operating Structure

At the outset, GEM will have its own dedicated team of front line management and staff, as will its governance and advisory bodies. GEM will become part of Hong Kong Exchanges and Clearing Limited, when that company is established in 2000.

GEM does not require listing candidates to have achieved a record of profitability as a condition of listing. The minimum public float requirements will be \$30 million at the time of listing and 20-25% (depending on market demand at the time of listing) of the issued share capital at all times. Applicants will also need to demonstrate a two-year history of 'active business pursuits' under the same management. A GEM Listing Committee has been established by the Stock Exchange to monitor all listing-related issues.

Equities, warrants, debt instruments and convertible equities will be listed on GEM. Third party derivative instruments, however, will not be eligible.

Clearing and Settlement

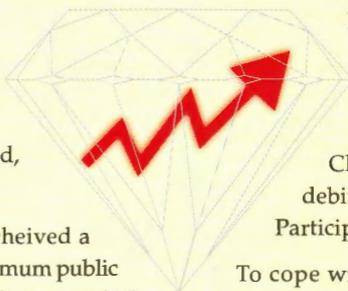
Clearing and settlement services for GEM stocks are the same as those for the Main Board stocks.

CCASS will use Continuous Net Settlement (CNS) to provide clearing and settlement services for GEM transactions between Broker Participants, and transactions will be executed through book-entry settlement. Hongkong Clearing will also provide nominee services for GEM stocks, and will inform Participants about corporate actions or activities.

During the first phase of GEM's operations, shares will be traded in Hong Kong dollars and money settlement will be made against payment. Hongkong Clearing will use data from CCASS to generate direct debit, direct credit and electronic payment instructions to Participants' Designated Bank accounts.

To cope with future demand, Hongkong Clearing also plans to enhance CCASS to support multi-currency settlement. A feasibility study on handling securities denominated in currencies other than the Hong Kong dollar has begun. The Company will also co-ordinate with the Hong Kong Monetary Authority regarding its plan to facilitate foreign currencies, in particular US dollar, clearing in Hong Kong.

Tariffs for clearing, settlement and nominee services for GEM securities will be the same as those for securities listed on the Main Board.



WELL PREPARED FOR MILLENNIUM ROLLOVER

2000

Although CCASS is essentially Year 2000 (Y2K) compliant by design, Hongkong Clearing has developed a Y2K contingency plan to ensure smooth operations during the millennium rollover.

Sufficient Stocks for Withdrawal

Hongkong Clearing backs up all Participant data each day. Shareholding records will be backed up, and the shares deposited in CCASS will remain safe during the Y2K rollover, as with any normal day. Participants should advise their clients that there is no need to withdraw physical share certificates,

this will incur transaction costs and increase the risk of lost or damaged certificates.

Hongkong Clearing will maintain a sufficient quantity of share certificates in the CCASS Depository to meet any increase in withdrawal orders during the rollover. Participants should be confident that there will be no disruptions to the share withdrawal service provided by Hongkong Clearing.

Report Printing on 31 December 1999

To allow Participants to have up-to-date records of their CCASS positions and shareholdings, an additional report-retrieval session will be provided on 31 December 1999 (public holiday). Daily reports for 29 and 30 December 1999 will be available for retrieval, and Participants are advised to download and retain the reports for contingency purposes.

Back-up Centres and Terminal Sharing

All CCASS Terminals were checked for Y2K compliance in the street-wide tests conducted in 1999. Nevertheless, the Company will maintain two back-up centres for Participants and Designated Banks in case their CCASS Terminals malfunction due to telecommunication or other problems. Participants and Designated Banks experiencing difficulties with their CCASS Terminals should contact the CCASS Network Operations Centre (NOC) on 2597 0606.

The NOC will provide the location of the nearest back-up centre.

Participants and Designated Banks can also make prior arrangements and agree among themselves to serve as a back-up for each other. Under this terminal sharing program, Participants who experience CCASS Terminal failures during the rollover can contact the NOC to request terminal sharing. The NOC will change the system setup within 30 minutes so that specific terminals can be shared by different Participants using different key diskettes.

Y2K Hotline

A Y2K hotline will be set up for enquiries by Participants and Designated Banks during the rollover. The telephone numbers are 2852 8000 for general enquiries and 2597 0606 for technical assistance.

Wellness Check on 1 January 2000

As part of the Y2K Rollover Test initiated by the Securities and Futures Commission,

CCASS Participants and Designated Banks are required to perform a 'wellness check' on their computer systems on 1 January 2000. Detailed logistics for the test are being finalised and will be announced in due course.

To brief Broker Participants on the above special arrangements, Hongkong Clearing and the Stock Exchange have organised two seminars on their Y2K Customer Awareness Programme. The seminars, which were held on 7 and 8 September 1999, provided brokers with information that they can use to respond to client concerns about the Y2K problem. For more information, please refer to Circular #139/99, which was issued by Hongkong Clearing's Planning and Development Department on 8 September 1999.



Picture shows executives from Hongkong Clearing and the Stock Exchange answering questions from brokers at one of the seminars.

The ninth of September 1999 was believed to be one of the critical days in the millennium rollover when computers could malfunction.

Hongkong Clearing developed a rollover plan for 9 September 1999 and set up a command centre to monitor its systems. The command centre started operations at 11:30 pm on 8 September 1999 and began monitoring CCASS, Hongkong Clearing's premises and its telecommunication facilities from midnight onward. No problems were reported.

Except for Broker Participants (who were required to report to the Stock Exchange directly), all CCASS Intermediary Participants and Designated Banks were required to report date-related computer problems occurring on 9 September 1999 to Hongkong Clearing. No reports of problems were received, and the rollover went smoothly.

CCASS STATISTICS

The Hang Seng Index closed at 13,187 at the end of July. It surged to 14,507 on the 5th of the month. The highest closing for August was 13,689 and closed at 13,483 at the end of the month.

Exchange Trades

In July, an average of 106,787 trades were processed daily in CCASS, involving 6.31 billion shares with a value of \$8.77 billion. In August, the daily average trades handled by CCASS decreased to 72,927 involving 3.84 billion shares with a value of \$5.83 billion.

During the months of July and August, more than 99.98 per cent of Exchange trades were processed daily in CCASS.

Netting Efficiency of CNS Trades

In July, an average of 105,317 Exchange trades valued at \$7.85 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 August decreased to 71,964 valued at \$5.46 billion. After novation and netting, 18.15 per cent of the novated contracts were due for settlement daily.

In July, novated contracts generated a daily average of \$15.70 billion in money obligations which were netted to \$3.76 billion. Daily average funds netting efficiency was 75.29 per cent. In August, \$10.92 billion a day in money obligations were netted to \$2.84 billion. Daily average funds netting efficiency was 73.80 per cent.

Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for July was 99.47 per cent on the due day and 99.96 per cent on the settlement day following the due day. The corresponding figures for August were 99.45 per cent and 99.96 per cent.

Settlement Instructions (SIs)

In July, an average of 27,104 SIs were settled daily in CCASS, involving 5.25 billion shares with a market value of \$21.64 billion.

In August, the figures decreased to 18,701 SIs, involving 3.75 billion shares with a value of \$16.12 billion.

Investor Settlement Instructions (ISIs)

In July, an average of 198 ISIs were settled daily in CCASS, involving 32.35 million shares with a market value of \$50.71 million.

In August, an average of 145 ISIs were settled daily in CCASS, involving 24.72 million shares with a market value of \$38.35 million.

Depository Transactions

In July, the CCASS Depository handled an average of 1,470 deposit and withdrawal transactions per business day. The number of share certificates processed daily amounted to 22,000. The corresponding figures for August were 948 transactions involving 18,000 share certificates per business day.

As at the end of August, 940 stocks had been admitted into CCASS for clearing and settlement. About 399.84 billion shares were under the custody of the CCASS Depository, representing 51.06 per cent of the total number of shares of the admitted stocks in issue. The total market value of the shares was \$1,107.83 billion, representing 29.87 per cent of the total market capitalisation of the admitted stocks.

Participants

At the end of August, there were 2,825 CCASS Participants, comprising 492 Broker Participants, 60 Custodian Participants, seven Stock Pledge Participants, one Clearing Agency Participant and 2,265 Investor Participants.

OPERATIONS HIGHLIGHTS (MAY - AUG 99)

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

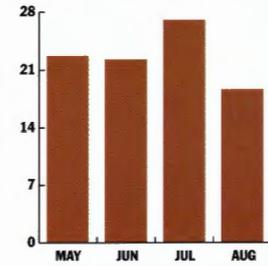
Quantity in thousands



	Number of trades	% of total number of Exchange trades
May	95,647	99.99
Jun	100,161	99.95
Jul	106,787	99.97
Aug	72,927	99.99

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

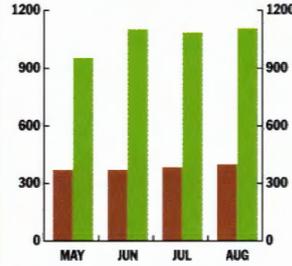
Quantity in thousands



	Number of SIs	SIs by shares (billion)	SIs by value (\$ billion)
May	22,793	5.02	19.31
Jun	22,346	4.89	17.69
Jul	27,104	5.25	21.64
Aug	18,701	3.75	16.12

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

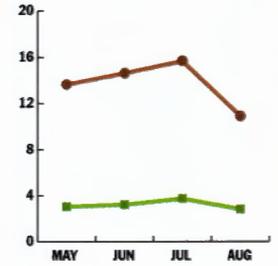
Quantity in billions \$ billion



	Number of shares (billions)	Market value (\$ billion)
May	371.20	955.99
Jun	371.60	1,103.37
Jul	385.41	1,085.97
Aug	399.84	1,107.83

Average Daily Funds Netting Efficiency under CNS

\$ billion



	Money obligations arising from novated contracts (\$ billion)	Money obligations after netting (\$ billion)	Funds netting efficiency (%)
May	13.67	3.07	76.58
Jun	14.66	3.24	77.30
Jul	15.70	3.76	75.29
Aug	10.92	2.84	73.80

Quick Quiz

1. If typhoon signal no. 8 is hoisted at 10:15 am on a business day and remains in effect for the rest of the day, what CCASS services will be provided in the afternoon?

2. If typhoon signal no. 8 is hoisted on a business day and remains in effect for the rest of the day, CCASS must defer payment to a Participant until the following business day. Can the Participant claim interest charges from Hongkong Clearing?

3. If typhoon signal no. 8 is hoisted, what is the adjustment of accrued interest amount that affects debt securities positions arising from Exchange trades and how are Intermediary Participants informed of these adjustments?

Answers on page 6.

HONGKONG CLEARING HOSTS UZBEKISTAN'S BANKING AND FINANCE ACADEMY

As part of a Hong Kong study tour, representatives of the Republic of Uzbekistan's Banking and Finance Academy visited Hongkong Clearing on 19 August 1999. During the visit, Ellen Lam (right), Assistant Director of the Participant Services Department, introduced the guests to the workings of CCASS.



CCASS NOTICE BOARD

LEGCO ANNOUNCES NEW YEAR'S EVE HOLIDAY

1999		DECEMBER				
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

On 8 July 1999, Hong Kong's Legislative Council passed a resolution making 31 December 1999 a public holiday. As a result, CCASS will be closed on 31 December and will be reopened on 3 January 2000.

Before the resolution, 31 December was considered to be a non-settlement day, and no settlement services will be provided while regular CCASS services (such as nominees and depository service) will still be provided.

DIRECT STOCK ADMISSIONS

During the two months of July and August 1999, a total of 107 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	6	0	34	57	10	107
Issues adopted Jumbo Certificate arrangement	5	0	0	0	N/A	5



Quick Quiz

- All services for CCASS Participants will be suspended 15 minutes after signal no. 8 has been hoisted.
- Participants cannot claim interest charges from Hongkong Clearing if typhoon signal no. 8 is hoisted for the whole business day which causes

a payment to be deferred to the next business day.

- The accrued interest amount for debt securities positions arising from Exchange trades is adjusted in line with market practice to cover the deferred period. Intermediary Participants are informed of these adjustments through their Final Clearing Statements, Next Settlement Day Due / Overdue Position Reports, Settled Position Reports and Settlement Reports.

EXCHANGE FUND NOTES
LAUNCHED ON
THE STOCK EXCHANGE

Hong Kong retail investors now have a safe and convenient way to invest in fixed-income instruments, with the debut of Exchange Fund Notes (EFN) on the Stock Exchange on 16 August 1999.

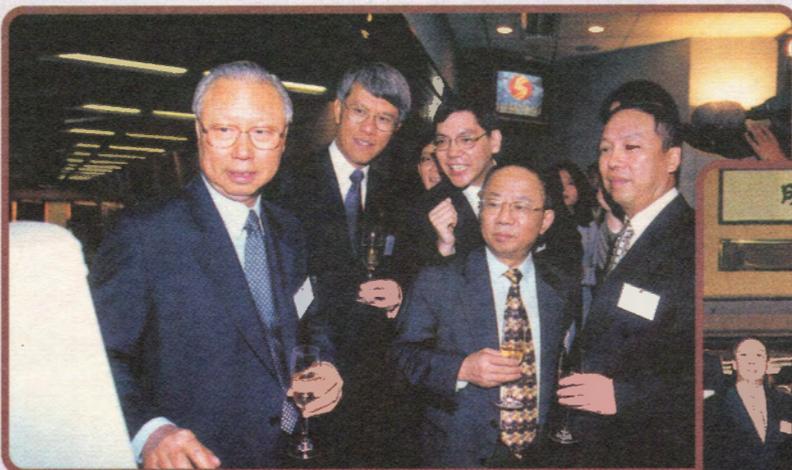
By listing the notes on the Stock Exchange, Hong Kong's debt markets grow through retail investors' access to high-quality paper with a great degree of liquidity. Retail investors benefit from a new alternative to equities, unit trusts and bank deposits.

First introduced in 1993, EFN are Hong Kong-dollar denominated bonds issued by the Hong Kong Monetary Authority (HKMA) on behalf of the Government of the Hong Kong Special

Administrative Region (HKSAR). As their name suggests, EFN are issued on the account of the Exchange Fund. EFN are issued in maturities ranging from two to 10 years, and interest is payable semi-annually.

Until recently, EFN were only available to professional investors. Now that they are listed on the Stock Exchange, retail investors can take advantage of their many benefits, including:

- * *Low Risk*: Because they are backed by the Government of the HKSAR, EFN are an inherently low-risk investment;
- * *Good Returns*: Depending on market conditions, the interest payable on EFN can exceed deposit rates at commercial banks;
- * *Predictable Income*: Their semi-annual interest payments offer a regular and reliable source of income;



From Left: Lee Hon Chiu, Chairman of the Stock Exchange; Joseph Yam, Chief Executive of the HKMA; John Chan, Chairman of Hongkong Clearing; and Alec Tsui, Chief Executive of the Stock Exchange, checking EFN movements via the Teletext.



From Left: Alec Tsui, Lee Hon Chiu, Joseph Yam, John Chan, and Stewart Shing, Chief Executive of Hongkong Clearing, at the listing ceremony of EFN on the Stock Exchange.

* *Simplicity*: With their listing on the Stock Exchange, EFN can be traded easily and transparently.

Tendering, Trading and Settlement

Retail investors can tender for EFN directly, through their Investor Account in the Central Clearing And Settlement System (CCASS), or through a CCASS Broker or Custodian Participant. The notes are available in multiples of \$50,000, comprising board lots of 500 units with a face value of \$100 each.

At least four days before each new issue, the HKMA will announce the details of the issue, including its size, coupon rate and maturity date. Five days before the issue, the Stock Exchange will announce the current yield-to-maturity for issues with a similar maturity on Teletext and on its website (<http://www.sehk.com.hk>) for investors' reference. Investors may refer to the current yield of existing issues of EFN with similar maturity and decide the tender price for the new issue. They are also advised to consult with their broker or investment advisor before making tendering decisions.

Meanwhile, the Stock Exchange's website features a comprehensive package of information that includes an EFN calculator to help investors formulate their bids. The website also includes a list of all accredited brokers, as well as a schedule of brokers that serve bond-trading clients. This information can be found in 'Cash Market' area of the Stock Exchange's website, in the 'Financial Data for Debt Securities' section.

Using this information, investors can then tender for EFN. When each issue is closed, the HKMA will allocate EFN in descending price order. In general, investors whose bids are above the minimum bid will receive their full allotment. Investors who bid at minimum price may receive the full allotment or a portion thereof. When the tender has been accepted, successful bidders are required

to pay the HKMA the prices stated in their bid. The allotted EFN holdings will be credited to the account of investors' designated brokers or custodians, or their own Investor Accounts (if they tender directly through their Investor Accounts in CCASS).

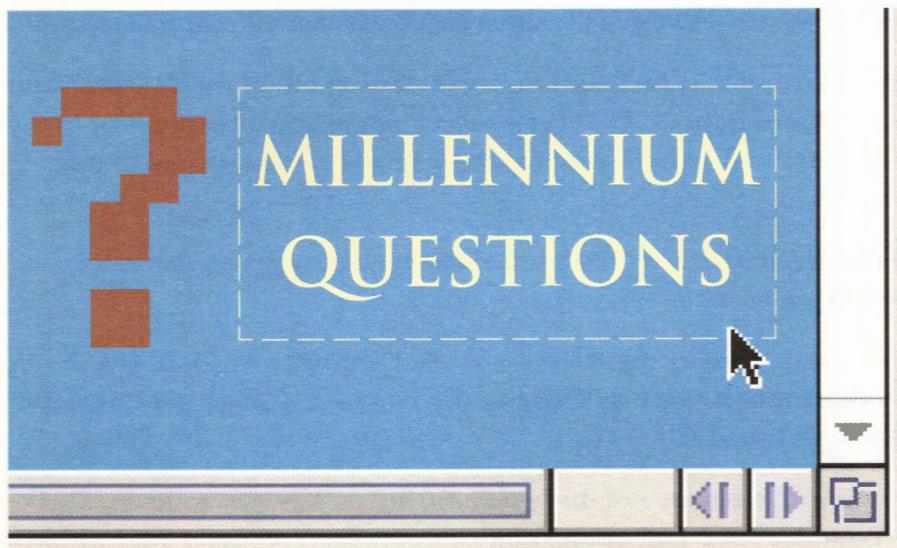
Trading and settlement of EFN is equally straightforward. Like other instruments listed on the Stock Exchange, EFN are traded through the AMS order entry and matching system. Trades are settled through CCASS on T+2, and upon settlement the investors' holdings are credited or debited from their CCASS accounts or the CCASS accounts of their brokers or custodians.

Investor Education

To explain the notes and their features to the investing public, the Stock Exchange and Hongkong Clearing have arranged a number of events, including more than 20 investor seminars and road-shows at the Sunshine City Plaza, Times Square and Discovery Park shopping malls. The current series of seminars on bond investment continues to run until October 1999. For further details, investors may refer to the Stock Exchange's website and newspaper advertisements, or call the Exchange's enquiry hotline at 2810 8886.



The EFN road-show at the Discovery Park shopping mall in Tsuen Wan.



From Internet chat rooms to newspapers and magazines, people around the world are talking about the Year 2000 Problem (Y2K). To answer investors' enquiries about CCASS and Y2K, Hongkong Clearing has prepared a leaflet on frequently asked Y2K questions and answers. Additional information on Y2K compliance can be obtained from the *Year 2000 Compliance* section of Hongkong Clearing's website, which can be found at: <http://www.hkclearing.com.hk>.

For general investors

1. What should I do to safeguard my shareholding records and other records, such as the receipt of benefit entitlements and nominee instructions, in CCASS (Central Clearing And Settlement System)? Can you guarantee that CCASS will not be interrupted by the Y2K problem?

CCASS is essentially Y2K compliant by design. It uses four-digit numbers to identify years for all dates internally and in all external data file interfaces. Furthermore, it is normal practice for Hongkong Clearing to back up the records and transactions in CCASS every day. As an additional measure for the century rollover, Hongkong Clearing will also print out the records on 31 December 1999 (public holiday). Therefore you can be confident that CCASS will not be affected by the Y2K problem.

To facilitate CCASS Participants (such as brokers, custodians and stock pledgees) to verify the Y2K compliance readiness status of their internal systems and interface with CCASS, Hongkong Clearing has conducted three street-wide tests with the Stock Exchange of Hong Kong (SEHK), Hong Kong Interbank Clearing Limited, CCASS Participants and Designated Banks. The third street-wide test was conducted in June 1999 and included CCASS Investor Participants.

Your broker, custodian and stock pledgee should be taking all necessary measures to protect your shareholding records. You can check what your broker, custodian and stock pledgee is doing to address the Y2K issue by contacting it or consulting the information made available by it. Of course, it is always advisable to keep all receipts and up-to-date statements of all your stock transaction records issued by your broker, custodian and stock pledgee regardless of the Y2K problem.

2. Would it be safer for me to withdraw all my shares from CCASS via my broker or custodian and keep physical share certificates?

This does not appear to be wise. If you do decide to withdraw all your shares from CCASS via your broker and custodian because of worries about the Y2K problem, you will have to spend time to arrange for the withdrawal and safekeeping of the share certificates.

You will also have to pay a withdrawal fee of \$3.5 per board lot plus any administrative expenses that may be charged by your broker or custodian. In addition, if you forget to re-register the shares in your own name after withdrawal and you want to recover dividends and other entitlements from CCASS, you will have to pay a service fee and undergo time-consuming claim procedures.

Moreover, as shares withdrawn are required to be re-deposited into CCASS before selling, you may incur extra charges from your broker and have to allow a longer lead time to complete the transactions.

Investors are also reminded that Hongkong Clearing will print out the records on 31 December 1999 (public holiday).

3. Will my broker or custodian be able to withdraw shares from CCASS immediately before and after the turn of the century?

We do not expect depository services to be interrupted by technical problems arising out of the Y2K problem. Your broker or custodian can withdraw your shares from CCASS immediately before and after the turn of the century. But in case of a sudden upsurge in share withdrawal requests, more time may be required to process the request.

4. Will CCASS services including clearing, settlement (both in terms of securities and money), nominee, depository and share registration services be affected by the Y2K problem?

All CCASS services should be operating as usual. During the street-wide tests conducted with SEHK, Hong Kong Interbank Clearing Limited, CCASS Participants (such as brokers, custodians and stock pledgees) and Designated Banks, all key CCASS functions were tested.

In addition, to ensure that telecommunications services are not disrupted during the century rollover, SEHK, Hong Kong Futures Exchange, Cable & Wireless HKT and Hongkong Clearing have already successfully conducted Y2K testing on the critical network service facilities in February 1999.

5. Will settlements that are scheduled for immediately before and after the turn of the century be affected by the Y2K problem?

Settlement of Stock Exchange trades and other transactions in CCASS should be executed as scheduled.

6. Has Hongkong Clearing formed any contingency plans for the Y2K problem?

Hongkong Clearing has developed a Y2K Contingency Plan to cater for different risk scenarios including internal systems failure, third party system breakdowns and extreme market sentiments. These contingency procedures have been successfully rehearsed. Meanwhile, Hongkong Clearing is working with the Y2K consultant appointed by the Financial Services Bureau to refine the contingency procedures and synchronise them with other major shared systems in the financial market.

For more information, you can refer to the *Year 2000 Compliance* section of Hongkong Clearing's website at <http://www.hkclearing.com.hk>.

Additional questions by investors who have opened an Investor Account in CCASS

1. Will I be able to use the CCASS Phone System during the date change?

The CCASS Phone System will operate according to its normal working schedule. As usual, you can affirm ISI (Investor Settlement Instructions) and enquire about your account stock balances during service hours.

2. Will any Investor Settlement Instructions (ISI) that are scheduled for immediately before and after the turn of century be affected by the Y2K problem?

All ISI should be settled as scheduled.

3. What has Hongkong Clearing done to help minimise the impact of the Y2K problem on Investor Account services?

Hongkong Clearing will back-up all records and transactions, including the records and transactions of the Investor Accounts every day, and has developed a contingency plan for any unexpected disruptions to Investor Account services.

In addition, as per the usual services schedule, Investor Participants will receive an activity statement if there are any stock movements effected on 30 December 1999, and a monthly statement which shows the balances of all stocks in their accounts as at 31 December 1999. It is always, of course, a good idea for investors to keep these statements as records of their stock transactions in CCASS, regardless of the Y2K problem.