



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:

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



Hongkong Clearing's Board of Directors welcomed and supported the proposals made by the Financial Secretary on the demutualisation and merger of the two exchanges and three clearing houses contained in *A Policy Paper on Securities and Futures Market Reform*.

In the face of increasing competition from global markets, the Government of the Hong Kong Special Administrative Region believes that Hong Kong's securities and futures markets need fundamental reform.

The Government proposed to demutualise and merge the two exchanges and three clearing houses into a new holding company (NewCo) and list the shares of that company on the stock exchange for trading and wider public ownership.



HONGKONG CLEARING SUPPORTS
THE DEMUTUALISATION AND MERGER
OF THE EXCHANGES
AND CLEARING HOUSES


(Please turn to page 2)

Following the strict enforcement of the T+2 settlement, average daily settlement efficiency of Stock Exchange trades has risen to over 99 per cent on T+2. To further increase the settlement efficiency and fulfill the settlement obligations to Broker Participants on the receiving end, Hongkong Clearing will introduce phase I of the Stock Borrowing and Lending (SBL) system in late April 1999.

All CCASS Intermediary Participants (such as brokers and custodians) can be lenders, for which application to Hongkong Clearing is required. A Stock Lending Account will be opened for those successful applicants, who can deposit stocks into the account for lending purpose. The only borrower in phase I of SBL is Hongkong Clearing.

The current Final Settlement Run on T+2 will be modified. Any outstanding due/

overdue CNS (Continuous Net Settlement) long positions at day end caused by insufficient stocks delivered by Hongkong Clearing (which in turn is a result of selling brokers' failure to deliver the stocks to Hongkong Clearing) will be closed out by the Company by borrowing stocks from lenders immediately. The Company will also borrow stocks to close out recalled stock loans input by lenders through their CCASS Terminals. In phase I, all stock loans will be offered on an open basis, i.e. the stock loans will be rolled over automatically to the next business day. Both Hongkong



SETTLEMENT
EFFICIENCY TO BE
FURTHER INCREASED
WITH STOCK
BORROWING AND
LENDING

Clearing, as the sole borrower, and Lenders will be allowed to terminate a stock loan by return or recall.

Lenders will be matched for each borrowing request according to the lender priority list. Lenders' priority ranking may vary from one stock to another, and is determined by the ratio of the lending fee income earned by lenders and their day end Lending Account balance of a stock over a three-month period.

(Please turn to page 2)

(Continued from page 1)

DEMUTUALISATION AND MERGER OF THE EXCHANGES AND CLEARING HOUSES

NewCo will be allowed to make profit and distribute dividends to its shareholders, a privilege not available to the members of the exchanges at present. In addition to shareholders' interests, the board of NewCo will include market users, investors, related professionals as well as independent directors. The Government will appoint directors to the board, and oversee NewCo to ensure that it operates and functions consistently with public interest.

A timetable has been set for the reforms. The Government has fixed 30 September 1999 as the date by which the prices and share allocations in NewCo must be agreed among the Exchanges and their members. Enactment of the necessary

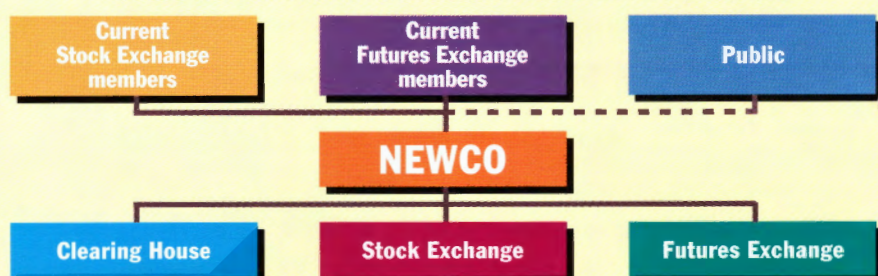
legislation will be completed by 31 March 2000 at the latest. The NewCo structure will come into effect, with members of the exchanges becoming shareholders of NewCo, when the relevant legislative action is taken. NewCo is targeted to list on the stock exchange by 30 September 2000.

The Financial Services Bureau will be responsible for promoting and assisting in the implementation of the reforms and monitoring the progress. The Securities & Futures Commission will also be involved.

Meanwhile, the Government will work on the integration of the clearing and settlement systems for securities, stock options and futures, with the aims of improving risk management, enhancing market stability and integrity, and better protecting investors' and public interests.

Hongkong Clearing's Board of Directors has requested the Company's management to consider the reform proposals in detail and to report to the Board on the issues and procedures concerning the transition to the new regime.

ORGANISATION CHART OF NEWCO IN A DEMUTUALISED STRUCTURE



(Continued from page 1)

STOCK BORROWING AND LENDING

Hongkong Clearing will prioritise lenders' ranking daily to ensure that all lenders enjoy a similar average rate of return on their lendable positions over time. The Company will pay to lenders a lending fee of 3% per annum on the daily value of the loaned stocks, subject to a minimum of \$10 per position per day.

Lenders will retain the right to benefit entitlements of loaned stocks. For corporate activities or actions that require exercise of discretion, such as takeover offer or voting, lenders will have to recall their loans before record dates in order to exercise their rights.

Following the amendment of Rule 15 of the Securities (Dealers, Investment

Advisers, Partnerships and Representatives) Rules, broker lenders will not be required to enter into a written agreement with Hongkong Clearing for the stock loan transactions and to demand collateral from the Company. Other lenders, such as custodians will also receive no collateral from Hongkong Clearing.

Broker lenders, with no collateral passed to them, can apply to the Securities & Futures Commission for exemption from providing a ranking liability that is equal to the value of the loaned stocks as required by the Financial Resources Rules.

Hongkong Clearing will also centralise and minimise the registration and reporting requirements for stock loans executed in CCASS between Hongkong

Clearing and lenders. For each Participant who has opened a Stock Lending Account in CCASS, Hongkong Clearing will register the Stock Lending Account Opening Form with the Inland Revenue Department. This will qualify the stock loan transactions in CCASS for exemption of stamp duty under T Stamp Duty (Amendment) (No.2) Ordinance 1994. In addition, Hongkong Clearing will maintain a stock borrowing ledger and file half-yearly return on stock loan transactions to the Inland Revenue Department.

Hongkong Clearing is now planning to introduce phase II of the SBL system, under which selling brokers who are unable to deliver the stocks to Hongkong Clearing are required to borrow stocks directly from lenders to settle their stock positions.

HONGKONG CLEARING ANNOUNCES FURTHER DISCOUNT ON SCRIP FEE

Hongkong Clearing will reduce the scrip fee (or registration and transfer fee) collected on deemed book close dates by 50 per cent, from \$1.50 to \$0.75 per board lot, effective from 1 April 1999. The scrip fee collected on announced book close dates will remain at \$1.50 per board lot.

In addition, Hongkong Clearing will waive the scrip fee on out-of-money rights issue; shares that have been delisted as a result of liquidation; and "exchange of shares" or equivalent corporate actions that do not involve the distribution of cash or stock benefits to shareholders.

Hongkong Clearing's Chief Executive, Stewart Shing, said: "It is our eighth fee reduction since the Central Clearing And Settlement System (CCASS) was implemented in 1992 and the second fee

reduction in the current financial year. In November 1998, Hongkong Clearing has already reduced all scrip fees from \$2.00 to \$1.50 per board lot and introduced a 20 per cent discount on the stock settlement fee from 0.0025 per cent to 0.002 per cent.

"The latest discount and waivers will benefit investors who hold low-value shares with no dividend payment during the year, and will reduce Hongkong Clearing's revenues by \$23 million a year."

Hongkong Clearing is a non-profit distributing company. It uses accumulated surpluses, less amounts put aside to reserves that are used to finance infrastructure and future development, to fund fee discounts. As of 31 December 1998, the cumulative discounts provided to Participants since the implementation of CCASS amounted to \$1,549 million.

Scrip Fee

Share certificates deposited into the CCASS Depository are re-registered in the name of HKSCC Nominees Limited. Upon re-registration, Hongkong Clearing pre-pays a registration fee of \$2.50 per board lot to the listed company's share registrar. Hongkong Clearing recoups the registration fee from CCASS Participants by collecting a scrip fee on the book close date announced by the listed company, or on the deemed book close date.

The deemed book close date refers to one of the following dates:

i) the 31st of December, if a book close date

has not been announced by the listed company in the past 12 months;

- ii) the anniversary of the issue of a registered warrant;
- iii) the date on which a stock is delisted from the Stock Exchange; or
- iv) the event date announced by the listed company for a meeting that does not involve the distribution of cash or stock benefits.

Hongkong Clearing charges the scrip fee on the net increase per stock in the balance of a Participant's stock accounts since the date on which the fee was last collected.

Hong Kong Securities Institute Courses

Alan Lee, Executive Director of Operations Services Division, Kim Mok, Director of Compliance Department and Kelvin Lee, Director of Planning and Development Department were invited as speakers for two training courses organised by the Hong Kong Securities Institute in March 1999.

The title of the courses was Settlement and Control in Securities Trading. The objective of the courses was to introduce CCASS to market practitioners with the latest updates on the system as well as other market developments. Each course was attended by more than 60 executives from banks, securities companies, law firms and accounting firms.

In the first course, participants were given a detailed presentation on CCASS operations and services. The second course focused on internal control and the latest development projects of CCASS, such as the electronic IPO (Initial Public Offering), stock borrowing and lending, and straight-through processing of stock transactions.




Fifth CSD Conference

Hongkong Clearing will participate in the Fifth Conference of Central Securities Depositories (CSD5) on 25-27 May 1999 in Toronto, Canada. The Conference will be hosted by The Canadian Depository for Securities Limited and about 100 delegates representing over 60 organisations from about 50 countries are expected to participate in the Conference. The theme of the Conference is 'Best Practices and Cross-Border Linkages'.

Stewart Shing, Chief Executive, and Alan Lee, Executive Director of the Operations Services Division, will represent Hongkong Clearing at the Conference. Hongkong Clearing is a member of the Conference Planning Committee and Mr Shing will be a moderator for the discussion sessions on Best Practices at the Conference.

Apart from investigating the theme topic from the regulators' and market participants' viewpoints, members of regional CSD groups are also invited to speak at the Conference. Representing the Asia-Pacific CSD Group (ACG) are the Japan Securities Clearing Corporation on Cross-Border Linkages and the Reserve Bank of New Zealand on Best Practices.

The background of the page features a series of colorful silhouettes of people in various poses, suggesting a professional meeting or conference. The silhouettes are in shades of green, purple, blue, and pink, set against a light blue background. A large yellow triangle is superimposed over the lower half of the page, containing the main text.

HONGKONG CLEARING CHAIRS ISSA'S REGIONAL FORUM ASIA-PACIFIC

Hongkong Clearing has been invited by the International Securities Services Association (ISSA) to chair its first Regional Forum Asia-Pacific until May 2000. The Regional Forums for Europe and Americas will be chaired by Cedelbank, Luxembourg, and Morgan Stanley & Co., New York, respectively.

Incorporated in 1989 as an association under Swiss law in Zurich, Switzerland, the ISSA aims to promote progress and transparency, to open communication channels among securities services providers and to increase the professional knowledge of securities industry participants and the investment community.

The original name of the organisation was International Society of Securities Administrators. Recognising that the securities custody industry has changed dramatically over the years, and that the term 'Securities Administrator' no longer adequately describes the nature of tasks performed by its members, the association changed its name to International Securities Services Association at the end of 1996.

The association is headed by an Executive Board, currently comprising representatives from the Union Bank of Switzerland, Citibank, the Chase Manhattan Bank, Deutsche Bank, Dresdner Bank, HSBC Holdings and the Nomura Securities. Chairmen

of the three newly launched regional forums, namely Jürgen Marziniak of Cedelbank, Judith Smith of Morgan Stanley & Co. and Stewart Shing of Hongkong Clearing, have also become members of the Executive Board.

In addition to the three regional forums, a global forum is also created to take on a leadership role on global issues, campaign actively for global standards, identify issues in markets that create unnecessary risk to cross-border market participants and promote their resolution through the regional forums.

ISSA members include brokers, custodians, depositories and stock exchanges.



SERVICE EXPANSION AND SYSTEM ENHANCEMENTS CONTINUE

Hongkong Clearing "made considerable progress in expanding its services and enhancing and strengthening its operating systems" amid the difficult economic conditions in Hong Kong and the region, said John Chan, Chairman, in the latest interim report of Hongkong Clearing.

Mr Chan said: "As Hongkong Clearing enters its tenth year of operation, the Company is redoubling its commitment to enhancing existing services and introducing new services. These efforts will allow us to respond to market developments while meeting the evolving needs of market participants and strengthening the competitive position of Hong Kong's financial market."

For the six months ended 31 December 1998, Hongkong Clearing reported an unaudited surplus, after provision for tax, of \$92 million. This was a decrease

of \$185 million, or 67 per cent, compared with the \$277 million reported for the same period in 1997.

The Company introduced additional fee discounts on 1 November 1998. This was the seventh fee reduction since CCASS was implemented in 1992. The stock settlement fee is now 0.002 per cent per side per trade/instruction, just one-fifth of its 1992 level.

Apart from the financial highlights, the Company's current development projects are also covered in the interim report.

Hongkong Clearing is working with the Stock Exchange to develop a settlement facility for the Growth Enterprise Market, which will be introduced in the second half of the year for listing of high growth companies from the Mainland of China, Hong Kong and Taiwan.

The Company is also studying the admission of Exchange Fund Notes (EFN) into CCASS for clearing and settlement. Participants, including Investor Participants, will be provided with added convenience to tender and settle EFN through CCASS.

To further strengthen the Investor Account Service, the Company will introduce an electronic IPO (Initial Public Offering) subscription service in April 1999. Broker Participants will also be allowed to have an additional Designated Bank to facilitate their management of clients' money settlement in the third quarter of 1999. Besides, a new securities-on-hold mechanism will be introduced to reduce brokers' exposure to the risks involved in providing such services.

The Company continues to improve its services to Intermediary Participants, such as brokers or custodians. It extended CCASS's operating hours in

December 1998 and introduced a new matching run to make it easier for Participants to follow up with their counterparties on SI matching and meet the T+2 settlement deadline.

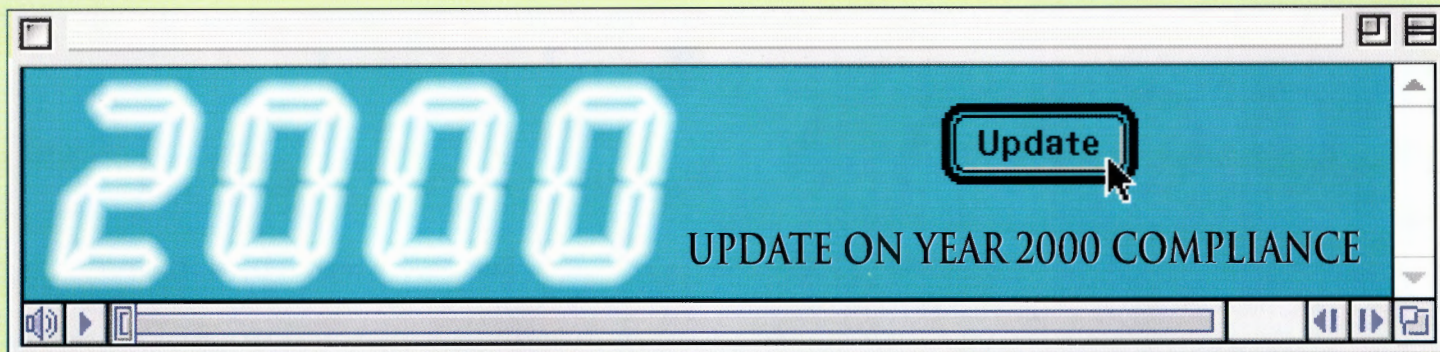
In the first half of 1999, the Company will implement a compulsory stock borrowing mechanism on T+2 to fulfill the settlement obligations to Broker Participants on the receiving end. The general stock borrowing and lending services will be introduced in the second half of 1999.

As at 31 December 1998, the Guarantee Fund stood at approximately \$800 million. The Company reviewed the method used to calculate Broker Participants' contributions to the Guarantee Fund and a new formula, which aligns each broker's contribution to its net CNS position, will be introduced in 1999.

On Year 2000 (Y2K) compliance, Hongkong Clearing has successfully completed the first session of the "street-wide" test in January 1999. No Y2K related problems were detected in CCASS and the Company is working on a Y2K contingency plan and a series of related drills, which are scheduled to be completed around mid-1999.

The Company has also started to work on a linkage between CCASS and the Stock Exchange's proposed AMS/3 order-routing system, which will allow further automation in securities processing.

Regarding external relations, Hongkong Clearing served as the first Secretariat of the Asia-Pacific Central Securities Depository Group in 1998. It has also been invited by the International Securities Services Association (ISSA) to chair its first Regional Forum Asia-Pacific until May 2000.



CCASS FUNCTIONS SMOOTHLY IN THE FIRST Y2K STREET-WIDE TEST

Hongkong Clearing successfully completed the first session of Y2K street-wide test held in January 1999. No Y2K related problems were detected in CCASS. Over 93% of the enrolled organisations do not have any major exceptions in their test results.

Enrolled organisations in the first street-wide test totalled 518 (including 408 brokers, 54 custodians, 4 stock pledgees and 52 Designated Banks). Those who could not participate or those noted for major exceptions must participate in future sessions of the street-wide test.

Street-wide test

CCASS is essentially Y2K compliant by design. Participation in the street-wide test provides the facilities for CCASS Participants and Designated Banks to verify the Y2K readiness of their Back Office Systems (BOS), including hardware setup and software applications, that interface with CCASS.

Three sessions of street-wide test have been scheduled for January, March and June 1999. Jointly conducted by the Stock Exchange, the SEHK Options Clearing House Limited, the Futures Exchange, the HKFE Clearing Corporation Limited and Hongkong Clearing, the first session of the street-

wide test began on 16 and 17 January and continued on 23 and 24 January. The dates of century rollover (30 December 1999, 31 December 1999 and 4 January 2000) and the Year 2000 leap year (29 February 2000) were tested.

A free format data input approach was adopted for the test. Participants were allowed to design their own testing plans, create testing cases based on their daily operations and features of their BOS. However, input of trade data on the testing date 30 December 1999 for settlement on 4 January 2000 was mandatory.

Terminal backup facilities

The CCASS Backup Centre was open during the street-wide test online sessions, including the report retrieval sessions, in case Participants' CCASS Terminals break down. Fourteen Participants used the backup facilities during the test. Hotline enquiry service was also available for functional and technical support, and 2,507 calls were received. Eight problems related to incorrect technical setup and user errors were encountered and they were fixed during the test.

Test results

Hongkong Clearing has reviewed the test summary results submitted by Participants and Designated Banks and cross-checked their results with the Company's own records. Thirty-five out of the 518 enrolled organisations were recorded as having major exceptions. Among these exceptions was an upload of Y2K incompatible data from a CCASS

Participant. Other exceptions mainly concerned the non-execution of some functions or BOS processes.

Hongkong Clearing has submitted a summary report to the Securities & Futures Commission. Participants and Designated Banks with major exceptions, together with those who did not participate in the first street-wide test, are required to join the second test.

Contingency plan

Hongkong Clearing is actively working on the contingency plan for Y2K rollover. Risk scenarios related to internal system failure, third party system breakdown and extreme market sentiments have been identified. A business contingency plan and a system contingency plan are being developed to deal with these scenarios.

The Company is also coordinating with major business partners like the Stock Exchange and the Hong Kong Interbank Clearing Limited on the contingency arrangements, as well as the establishment of a formal communication channel related to Y2K issues. It will also conduct a business drill in the second quarter of 1999.

In addition, to ensure that telecommunication services are not disrupted during rollover, the Stock Exchange, the Futures Exchange, Hongkong Telecom and Hongkong Clearing have successfully conducted separate Y2K testings on the critical network service facilities in February 1999. Testings with other business partners will be organised if necessary.

CCASS STATISTICS

The market dropped slightly in February 1999. The Hang Seng Index lowered by 190 points from the end of January to close at 9,858 on 26 February 1999.

Exchange Trades

In January, an average of 51,445 trades were processed daily in CCASS, involving 2.46 billion shares with a value of \$5.25 billion. In February, the daily average trades handled by CCASS decreased to 31,871, involving 1.94 billion shares with a value of \$3.19 billion.

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

Netting Efficiency of CNS Trades

In January, an average of 50,675 Exchange trades valued at \$4.68 billion went through CCASS daily for CNS. An average of 18.55 per cent of the novated contracts created were due for settlement daily.

The daily average number of trades went through CCASS for CNS in February decreased to 31,361 valued at \$2.95 billion. After novation and netting, 20.63 per cent of the novated contracts were due for settlement daily.

In January, novated contracts generated a daily average of \$9.36 billion in money obligations which were netted to \$3.30 billion. Daily average funds netting efficiency was 65.62 per cent. In February, \$6.27 billion a day in money obligations were netted to \$1.92 billion. Daily average funds netting efficiency was 68.92 per cent.

Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for January was 99.32 per cent on the due day and 99.96 per cent on the settlement day following the due day. The corresponding figures for February were 99.27 per cent and 99.94 per cent.

Settlement Instructions (SIs)

In January, an average of 16,213 SIs were settled daily in CCASS, involving 3.40 billion shares with a market value of \$14.60 billion.

In February, the figures decreased to 12,555 SIs, involving 3.08 billion shares with a value of \$11.88 billion.

Investor Settlement Instructions (ISIs)

In January, an average of 117 ISIs were settled daily in CCASS, involving 20.05 million shares with a market value of \$34.62 million.

In February, an average of 100 ISIs were settled daily in CCASS, involving 15.67 million shares with a market value of \$25.90 million.

Depository Transactions

In January, the CCASS Depository handled an average of 1,060 deposit and withdrawal transactions per business day. The number of share certificates processed daily amounted to 17,000. The corresponding figures for February were 631 transactions involving 8,000 share certificates per business day.

As at the end of February, 930 stocks had been admitted into CCASS for clearing and settlement. About 365.92 billion shares were under the custody of the CCASS Depository, representing 50.92 per cent of the total number of shares of the admitted stocks in issue. The total market value of the shares was \$749.59 billion, representing 29.23 per cent of the total market capitalisation of the admitted stocks.

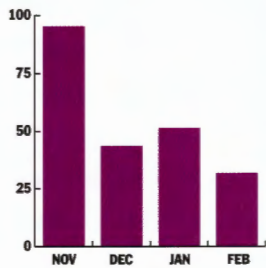
Participants

At the end of February, there were 2,497 CCASS Participants, comprising 492 Broker Participants, 60 Custodian Participants, seven Stock Pledgee Participants, one Clearing Agency Participant and 1,937 Investor Participants.

OPERATIONS HIGHLIGHTS (NOV 98 - FEB 99)

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

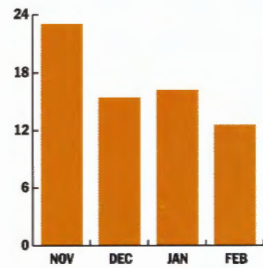
Quantity in thousands



	Number of trades	% of total number of Exchange trades
Nov	95,358	99.99
Dec	43,698	99.98
Jan	51,445	99.99
Feb	31,871	99.99

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

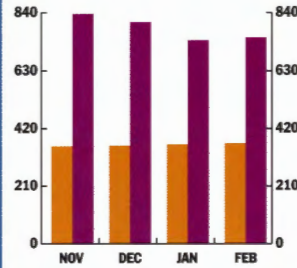
Quantity in thousands



	Number of SIs	SIs by shares (billion)	SIs by value (\$ billion)
Nov	23,051	4.80	20.51
Dec	15,409	3.43	12.30
Jan	16,213	3.40	14.60
Feb	12,555	3.08	11.88

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

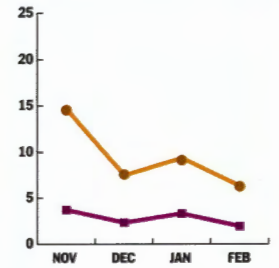
Quantity in billions \$ billion



	Number of shares (billion)	Market value (\$ billion)
Nov	355.53	834.97
Dec	357.77	805.24
Jan	362.73	738.70
Feb	365.92	749.59

Average Daily Funds Netting Efficiency under CNS

\$ billion



	Money obligations arising from novated contracts (\$ billion)	Money obligations after netting (\$ billion)	Funds netting efficiency (%)
Nov	14.65	3.70	74.33
Dec	7.47	2.32	68.73
Jan	9.36	3.30	65.62
Feb	6.27	1.92	68.92

Quick Quiz

1. What information does the Enquire Reported Lost Certificate function provide?

2. When is the Enquire Reported Lost Certificate function available?

3. What is the access code of the Enquire Reported Lost Certificate function?

Answers on page 10.

CCASS NOTICE BOARD

Hongkong Clearing has implemented compulsory T+3 buy-in since September 1998. To help Broker Participants close out overdue positions promptly, Hongkong Clearing has accepted requests from Broker Participants for early buy-ins from 21 January 1999.

When a Broker Participant foresees that he will have problems in delivering shares for settling his short position on T+2, he may wish to buy in the shares as soon as possible to cover his exposure to market risk. Previously, overdue positions were subject to buy-in by Hongkong Clearing on T+3 even if such shares had already been bought in by the broker on T+1 or T+2. As requested by Broker Participants, Hongkong Clearing has accepted their early buy-in requests.

Broker Participants who wish to have compulsory buy-ins performed before T+3 are required to submit an Early Buy-in Request Form (Form). The Form should be sent to Hongkong Clearing's Compliance Department by fax. Buy-in orders for Forms received between 12:00 am and 12:00 noon will be placed when the afternoon trading session commences. Orders for Forms received between 12:01 pm and 11:59 pm will be placed at 10:00 am the next trading day.



CCASS Rules and Operational Procedures were amended to accommodate this new option. The amended pages, together with the Form, are available for collection by Broker Participants at the Service Counters Hall on 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

AUTHORISED BROKERS

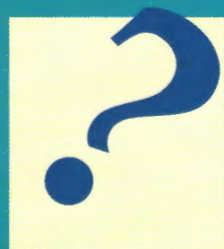
To facilitate the execution of compulsory buy-in, Hongkong Clearing has invited Broker Participants to become the Company's authorised brokers. Authorised brokers will act on Hongkong Clearing's behalf to execute buy-in and closing out, and sell fractional shares. By February 1999, the Company has opened securities trading accounts with 116 Broker Participants. Authorised brokers will take turn in getting the Company's orders.

Broker Participants who are interested in becoming the Company's authorised brokers should send their account opening forms to the Compliance Department of Hongkong Clearing at 12th Floor, Chinachem Exchange Square, 1 Hoi Wan Street, Quarry Bay, Hong Kong. No deadline has been set for the submission of account opening forms and Hongkong Clearing will process their forms on a first-come-first-served basis.

DIRECT STOCK ADMISSIONS

During the two months of January and February 1999, a total of 35 eligible new issues were admitted to CCASS of which no issue 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	0	0	26	0	9	35
Issues adopted Jumbo Certificate arrangement	0	0	0	0	N/A	0



Quick Quiz

1. The Enquire Reported Lost Certificate function provides the following information on certificates which have been reported lost: stock code, certificate prefix, certificate number range, denomination and registered shareholder(s). Participants should refer

to respective share registrars to verify the details of the lost certificates.

2. The Enquire Reported Lost Certificate function is available from 9:00 am to 7:00pm, Monday to Friday (except public holidays).

3. The access code of the Enquire Reported Lost Certificate function is "VBDE".

- Investor Participants Will Pay Less Scrip Fees
- Securities and Futures Market Reform
- How Much Do I Have to Pay for Corporate Actions ?

INVESTOR PARTICIPANTS WILL PAY LESS SCRIP FEES

Effective from 1 April 1999, Investor Participants will enjoy a discount of 50 per cent on scrip fee (or registration and transfer fee) collected on deemed book close dates, from \$1.50 to \$0.75 per board lot. The scrip fee collected on announced book close dates will remain at \$1.50 per board lot.

In addition, Hongkong Clearing will waive the scrip fee on out-of-money rights issue; shares that have been delisted as a result of liquidation; and "exchange of shares" or equivalent corporate actions that do not involve the distribution of cash or stock benefits to shareholders.

Hongkong Clearing has already reduced all scrip fees from \$2.00 to \$1.50 per board lot in November last year. The latest discount and waivers will benefit Investor Participants who hold low-value shares with no dividend payment during the year.

Example

Mr Lau, an Investor Participant, bought 5,000 shares (50 board lots) of ABC Ltd. and 50,000 shares (50 board lots) of XYZ Ltd. during the month of March 1999 and kept them in his stock account in CCASS.

Later the two listed companies announced a book close date for their annual general meetings and the details are as follows:

Stock Name	Particulars	Scrip Fee Collected by Hongkong Clearing
ABC Ltd.	The company announced book closed from 7 to 20 April and a final dividend of \$2.02 per share will be distributed.	50 board lots x \$1.50 = \$75
XYZ Ltd.	The company announced book closed from 7 to 12 April and no entitlements will be distributed.	50 board lots x \$0.75 = \$37.5 <i>*Since the book close date involves no entitlements to be distributed, it is considered to be a deemed book close date.</i>

The deemed book close date refers to one of the following dates: i) the 31st of December, if a book close date has not been announced by the listed company in the past 12 months; ii) the anniversary of the issue of a registered warrant; iii) the date on which a stock is delisted from the Stock Exchange; or iv) the event date announced by the listed company for a meeting that does not involve the distribution of cash or stock benefits.

Hongkong Clearing charges the scrip fee on the net increase per stock in the balance of a Participant's stock accounts since the date on which the fee was last collected.

SECURITIES AND FUTURES MARKET REFORM

Following the proposals made by the Government on the demutualisation and merger of the two exchanges and three clearing houses, a Steering Committee on the Enhancement of Financial Infrastructure, chaired by the Chairman of the Securities & Futures Commission, has been appointed by the Financial Secretary to study and recommend the necessary improvements.

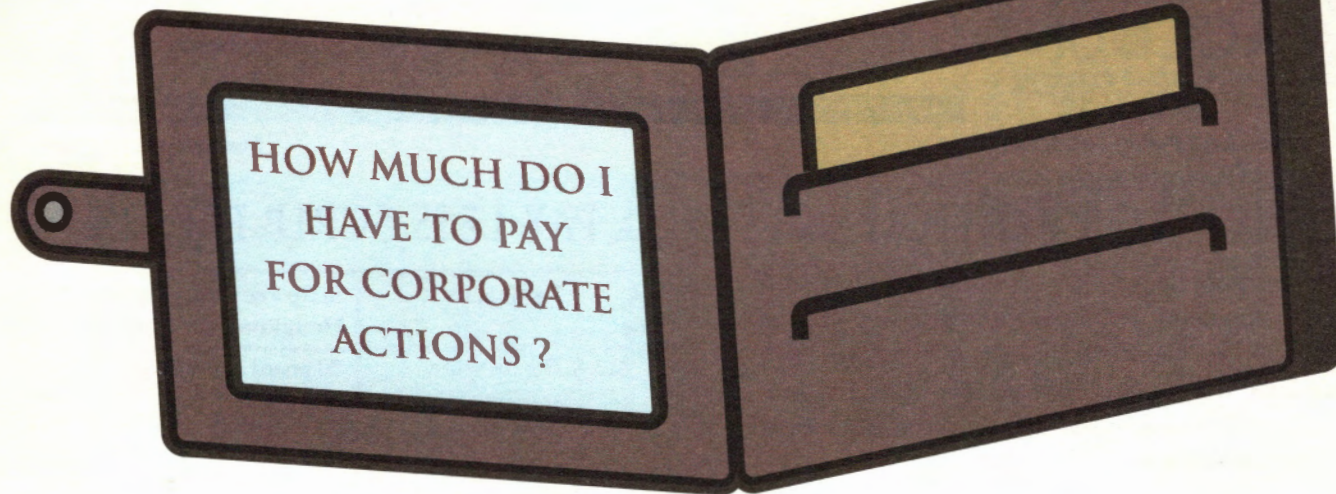
The Steering Committee will look into the setting up of a single clearing arrangement for securities, stock options and futures; the enhancement of the financial

technology architecture to facilitate straight-through processing across the financial markets; and the introduction of a secure, scripless securities market, using robust networks.

Straight-through processing and the integration of the clearing systems involve the provision of a common platform for all trading and settlement processes and the linkage between securities and futures clearing system on the one hand and banking clearing system on the other. The reform aims to establish state-of-the-art trading, clearing and settlement facilities

in Hong Kong which are geared towards risk mitigation, increased efficiency and cost reduction and which are capable of further integration with the rest of the financial markets.

Before the announcement of the reform, Hongkong Clearing has already started to work on a linkage between CCASS and the Stock Exchange's proposed AMS/3 order-routing system. The AMS/3 system will let investors input trade orders through the Internet or an interactive voice response system, and the linkage to CCASS will allow further automation in securities processing.



Corporate actions service fee is charged for the common nominee services provided to Investor Participants for all corporate actions other than the collection of cash dividends, bonus shares or scrip dividends¹. There is no charge for corporate voting, stock splits and stock consolidations. The corporate actions service fee is \$0.80 per board lot or odd lot, subject to a minimum of \$30 and a maximum of \$500 per instruction.

Example

Mr Lau, an Investor Participant, held the following stocks and warrant in CCASS:

- 50,000 shares (50 board lots) of Lai Sun Development Co. Ltd.
- 100,000 shares (100 board lots) of Hopewell Holdings Ltd.
- 50,000 shares (100 board lots) of CLP Holdings Ltd.
- 100,000 shares (50 board lots) of Citybus Group Ltd.
- 500,000 warrants (50 board lots) of Merrill Lynch Int'l & Co. C.V. - CK (H)Warrants March 1999

¹ The dividend collection service fee for cash dividend is 0.12% of the gross cash amount, subject to a minimum of \$10 and a maximum of \$500 per event of collection per stock. No fee is charged for the collection and distribution of scrip dividends and bonus shares.

In the months of January and February 1999, he participated in the following corporate actions:

January		
Stock	Particulars	Corporate Actions Service Fee Charged by Hongkong Clearing
Lai Sun Development Co. Ltd.	The issuer announced a right issue of 1 right for every share held, subscription price at \$0.50 per right. Mr Lau was provisionally allotted 50,000 rights and he instructed Hongkong Clearing to take up the rights for 40,000 new shares (40 board lots).	40 board lots x \$0.80 = \$32
Hopewell Holdings Ltd.	The issuer announced a stock consolidation for every 5 shares of par value \$0.50 into 1 share of par value \$2.50. Mr Lau's shares were consolidated into 20,000 shares (20 board lots) automatically in mid-January.	Nil
CLP Holdings Ltd.	The issuer held an Annual General Meeting on 25 January 1999 and a voting was conducted at the meeting. Mr Lau instructed Hongkong Clearing to vote on his behalf.	Nil
February		
Citybus Group Ltd.	The issuer announced a conditional cash offer at \$1.95 per share on 22 February and the offer became unconditional from 23 February. Mr Lau accepted the cash offer and received a cash payment for his shares.	50 board lots x \$0.80 = \$40
Merrill Lynch Int'l & Co. C.V. - CK (H) Warrants March 1999	On 25 February 1999, Mr Lau exercised 500,000 warrants (50 board lots) to subscribe for 50,000 shares of Cheung Kong (Holdings) Ltd.	50 board lots x \$0.80 = \$40