

Report on the Enhancement of the Financial Infrastructure in Hong Kong

*“Positioning Hong Kong
as the Liquidity Centre of Choice
for the Region”*

**Steering Committee on the
Enhancement of the Financial Infrastructure II**

Hong Kong
August 2002

REPORT ON THE ENHANCEMENT OF THE FINANCIAL INFRASTRUCTURE IN HONG KONG II

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FOREWORD

In March 1999, the Financial Secretary announced a comprehensive financial market reform for Hong Kong. To address challenges to Hong Kong's position as the leading regional and international financial centre from the rapid advent of the eEconomy, increasing sophistication of investors and globalisation of markets, a three-pronged reform program was announced for the securities and futures markets:

- (1) Fundamental change to the structure of the markets to be accomplished through the demutualisation and merger of the exchanges and clearing houses;
- (2) Enhancement of the financial infrastructure to improve risk management, increase efficiency, and reduce cost; and
- (3) Regulatory and legislative reform to improve the supervisory framework and protection of market participants.

To further strengthen the technology base in the securities and futures market, the Financial Secretary appointed a Steering Committee on the Enhancement of the Financial Infrastructure in Hong Kong (SCEFI), chaired by Mr. Andrew Sheng, the Chairman of the Securities and Futures Commission (SFC), to study and recommend the necessary improvements to the financial infrastructure in Hong Kong. SCEFI published a report in September 1999 outlining an action plan in the following areas:

- Setting up of a single clearing arrangement for securities, stock options, futures and other exchange-traded transactions;
- Enhancing the financial technology infrastructure to facilitate straight-through processing of transactions across financial markets; and
- Moving towards a secure, scripless securities market.

Subsequent to the establishment of HKEx, significant progress has been made in upgrading the financial infrastructure. For example, HKEx is developing the next generation of Central Clearing and Settlement System (CCASS/3) with open architecture to support services delivery through browser-based terminal, message-based participant gateway using industry standard ISO 15022, and third party networks like SWIFTNet. In addition, the new architecture supports multiple market operations, extended operation hours and flexible settlement period (from T+1 to T+5).

On the derivatives side, a single Derivatives Clearing and Settlement System (DCASS) is being developed to replace the current disparate, legacy clearing systems for futures and stock options. HKEx is also working on the integration of the risk and collateral management services of CCASS/3 and DCASS to further improve risk management across the markets and enhance market liquidity.

In addition, to establish a robust technology infrastructure, FinNet was developed in 2000 to facilitate broker submission of financial returns electronically. In September 2000, eIPO service was successfully launched on the network to enable electronic submission of IPO applications to share registrars. FinNet has been extended over the IP-based CCASS/3 network, providing CCASS participants parallel access to CCASS and FinNet.

In light of these developments and changes in the environment since 1999, SCEFI believes that it is now the right moment to review the outstanding SCEFI recommendations and set out an updated, clear vision for Hong Kong. SCEFI II has therefore been established with the goal of furthering the vision of and efforts of the original SCEFI initiative. The SCEFI II vision will provide future directions for Hong Kong to pursue, based on the competitive landscape of the global financial markets and international best practices. In addition, SCEFI II will identify the key success factors for realising this vision in respect of enhancing existing core infrastructure and the development of new capabilities. This will include determination of the building blocks that comprise this enhanced infrastructure and their linkages to one another.

Above all, SCEFI II will serve as the vehicle to drive the development and enhancement of Hong Kong as a leading financial centre, empowering Hong Kong to surpass market standards and be well positioned to face the emerging challenges presenting themselves to the global capital markets.

SUMMARY

What this report is about

To maintain Hong Kong's position as one of the leading financial centers amidst intense competition from established and emerging markets, the Steering Committee on the Enhancement of Financial Infrastructure (SCEFI) was set up in 1999 to recommend improvements to the financial infrastructure of the securities industry in Hong Kong. Much has been accomplished since the release of the SCEFI Report in September 1999:

- Merger of the SEHK, HKFE and HKSCC under HKEx (March 2000);
- Launch of FinNet as a common financial network to enhance communications amongst market participants in securities trading and other financial institutions (January 2001);
- Introduction of the third generation Central Clearing and Settlement System (CCASS/3) to provide a more flexible clearing and settlement platform (in progress; to implement in stages from June 2002);
- Integration of risk and collateral management systems across cash and futures markets (in progress); and
- Development of a single Derivatives Clearing and Settlement System (DCASS) (in progress).

In the light of changing business environment since 1999, SCEFI has reviewed the progress and achievements to-date, in order to map out directions for the future. With this in mind, this SCEFI II Report recommends key improvements with the objective of enhancing the ways securities services are offered to investors and other market participants.

What we are aiming for

We want to make Hong Kong the preferred location in the Asian time zone for investors. We want to achieve three strategic objectives: ensuring an efficient and robust market infrastructure; improving connectivity and interoperability for foreign investors; and creating superior liquidity.

Efficient and Robust Market Infrastructure

To facilitate delivery of new business services and improve cost-effectiveness of trading for market participants, it is important to:

- Establish a scripless market to support electronic transfer of securities and provide investors with more options to hold securities;
- Introduce arrangements to help brokers save costs by outsourcing clearing services to clearing participants to reduce operating costs and market risks;
- Link the systems for settlement of securities and fixed-interest instruments (currently performed by two separate entities) to improve cash flow management for market participants; and
- Synchronize further securities settlement and money settlement, CCASS may need to have access to RTGS – the interbank payment system – for daily securities settlement; this may help to enhance the overall soundness of the Hong Kong securities market. A proposal to this effect will have to be made to HKMA for consideration.

Connectivity and Interoperability

Hong Kong must expand its market reach and provide foreign investors with convenient plug-and-play access. It must also ensure institutional investors achieve cost efficiency through automation of trade processing. It is important to:

- Provide a utility for electronic linkage among investors, brokers, and banks to improve payment flow. It also simplifies money settlement between brokers and investors, and greatly reduces back office costs for brokers;
- Link with overseas clearing and settlement entities to provide greater convenience for investors trading across markets; and

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- Automate cross-border trade confirmation and trade matching, which currently involve back-and-forth confirmation, processing and paperwork between institutional investors and brokers/custodians.

Superior Liquidity

To help position Hong Kong as the preferred liquidity center for the Asian time zone, SCEFI will actively promote development of a conducive trading environment to attract global participants. It is important to:

- Provide facilities to enable global market participants to perform seamless transfer of collateral across markets to optimize the use of idle collateral, and facilitate borrowing and lending of international securities.

What this means to you

With progressive rollout of these SCEFI II recommendations, we envisage varying levels of cost savings amongst all market participants.

Institutional investors taking advantage of cross-border trade confirmation and matching will benefit from lower transaction processing cost through fuller automation.

Brokers will also reduce operating costs through outsourcing of clearing activities when the new Clearing Participant-ship arrangement is in place. Payment-enhancing utilities also enable brokers to achieve back-office efficiency and help reduce cost in processing money settlement with retail investors.

Banks may improve efficiency through straight through processing which streamlines securities settlement and payment.

Electronic share registration enables *HKEx* and *share registrars* in Hong Kong to revamp their workflows and improve services to investors by taking full advantage of new technology.

Retail investors will have more options to hold shares in their own name or in the name of appointed nominees. They will see general service improvements in areas such as securities transfers and money settlement, receipt of company information (e.g. annual reports) and enquiry on their stockholdings.

What to expect next

Given the magnitude of the SCEFI II, significant procedural and system changes will be inevitable. Whilst the public sector funded the SCEFI study, and HKEx plays an important role in implementation, partnership with market participants is vital to ensure successful implementation.

To this end, a high level forum with participation from the Administration, SFC, HKMA, HKEx, and other agencies concerned will co-ordinate and oversee the implementation process. Three Working Groups tasked to implement the SCEFI II recommendations and assist the forum in progress tracking will ensure that market participants are closely consulted and involved throughout all stages of project implementation and that cost-effective options are deployed for the benefits of the market.

Preparations for implementation are well underway. For example, the Implementation Working Group for Scripless Market Infrastructure has been formed and market consultation on the proposal has been completed. The implementation team is now working on legislative amendments.

The enhancement of market infrastructure and the implementation of various market-driven initiatives under SCEFI II will have a positive impact for all market participants. The Steering Committee is confident that these measures will provide a solid foundation for Hong Kong to achieve its vision of becoming the preferred liquidity center in Asia.

CHAPTER ONE

INTRODUCTION

In reviewing the development of the international financial market landscape and the business initiatives launched by major exchanges and CSDs in the G10 countries, four distinct trends in the development of market infrastructure have been identified.

1. Pooling of Liquidity

Pooling of liquidity to beget liquidity has become the key success factor to achieve sustainable growth in the global financial markets. Exchanges, CSDs and market participants have been pursuing different strategies to pool liquidity from domestic and overseas participants (Exhibit 1.1). Examples are:

- Vertical consolidation (e.g. merger of clearing houses) and horizontal consolidation (e.g. cross-region business operation integration).
- Attracting liquidity by offering global-scale asset utilisation services to significantly reduce liquidity cost.

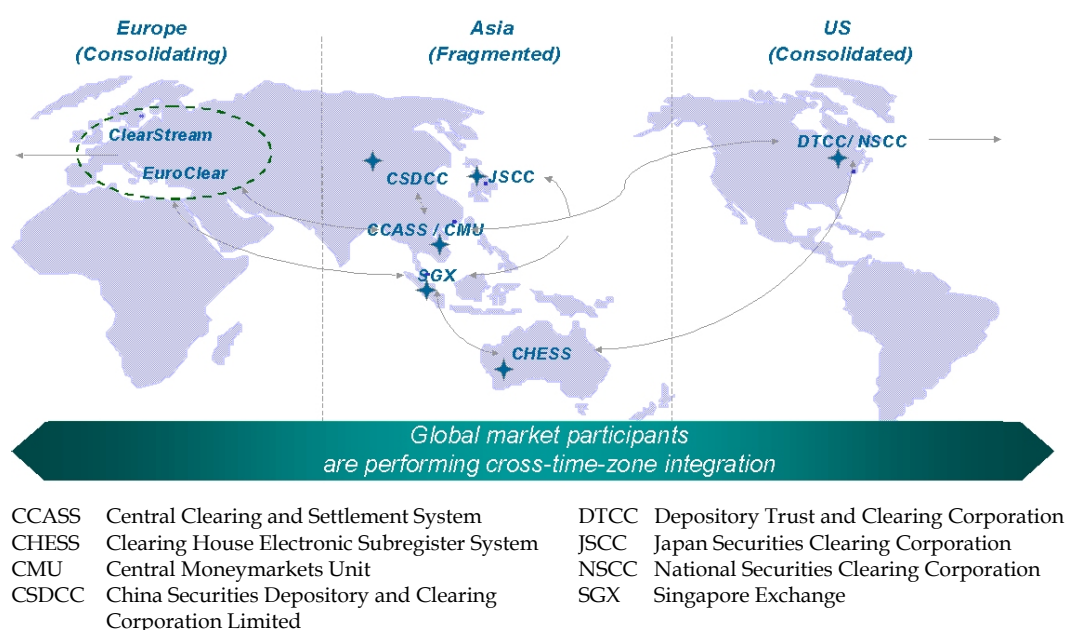


Exhibit 1.1 Integration across the globe

2. Infrastructure Integration

With the growing sophistication of financial market participants, seamless integration of market infrastructure is critical to achieving a new level of efficiency in market operations and to support new business services. Examples are:

- Integration among equities, fixed income and derivatives markets to enable cross-margining and cross-collateralisation services to reduce liquidity cost.
- Payment and settlement infrastructure integration to achieve more comprehensive Delivery versus Payment (DvP) services.
- Common access point for market participants to access different markets to reduce operational costs and enhance operational efficiency.

3. Cross-border Inter-operability

Exchanges and clearing houses are positioning themselves as infrastructure “anchor points” in their respective regions to support round-the-globe asset turning for global players. Examples are:

- CSDs and ICSDs are networking to offer cross-border settlement and collateral movement services.
- Development of global market utilities (e.g. Omgeo, GSTPA) to facilitate cross-border post-trade processing.

4. Value-added Services

Traditional trading and settlement services have become commoditised. In order to sustain their competitive edge, exchanges and CSDs are going beyond transaction processing to explore new revenue streams in the provision of value-added services. Examples are:

- “Institutional servicing” in the post-trading/ pre-settlement areas to improve operational efficiency and to reduce processing cost.
- “Asset servicing” to market participants (e.g. collateral management, stock borrowing and lending) to help improve asset utilisation and performance.

CHAPTER TWO

THE VISION AND OFFERINGS

The SCEFI II Vision is to position Hong Kong as the “Preferred Location in the Asian time zone” for both regional and international market participants. To implement this vision from a market infrastructure perspective, three sets of “Hong Kong Offerings” have been developed:

1. Efficient and Robust Market Infrastructure
2. Connectivity and Interoperability
3. Superior Liquidity

These offerings will enhance competitiveness of Hong Kong financial market in terms of operational efficiency and cost effectiveness as well as flexibility to support new services. This would enable Hong Kong to attract overseas investors to conduct financial and investment activities through Hong Kong.

With intense competition from other Asian countries and the emerging opportunities from mainland China, it is the right time to implement these offerings to anchor Hong Kong as the prevailing market player in the global marketplace and to further strengthen its role as the Asian financial centre.

The following sections describe these key offerings.

2.1 Efficient and Robust Market Infrastructure

This offering is to establish an integrated market infrastructure that can provide the following competitive capabilities and advantages:

- Establish foundation and market model (e.g. scripless) to enable straight-through-processing services
- Facilitate asset utilisation and management to significantly lower liquidity cost
- Enable new business services (e.g. Delivery vs. Payment, Payment vs. Trades) to market participants and investors

- Provide flexibility to support shared-services and operational collaboration to improve service levels and operational effectiveness
- Full compliance with international standards (e.g. G30, IOSCO) to offer inter-operable services with other major exchanges and clearing houses
- Fully deploy FinNet as the Common Network platform for the delivery of financial services in a straight-through manner

The market infrastructure offering includes the following key building blocks:

Scripless Market

To achieve scripless market, a “Registrars and Sub-registrar” model is recommended. The model would provide a convenient, secure and cost effective mechanism for investors to become registered members of listed companies. In addition, it supports a relatively efficient method of enabling instantaneous title transfer immediately following the settlement process without establishing a complicated real-time interface for updating the various registrars.

A scripless market provides the essential environment for STP (Straight-Through-Processing), eliminates costs and risks associated with paper scrips, reduces cost of share transfer, and enhances settlement efficiency.

The recommended model (Exhibit 2.1) is similar to the registration systems in Australia where domestically incorporated listed companies no longer issue certificates.

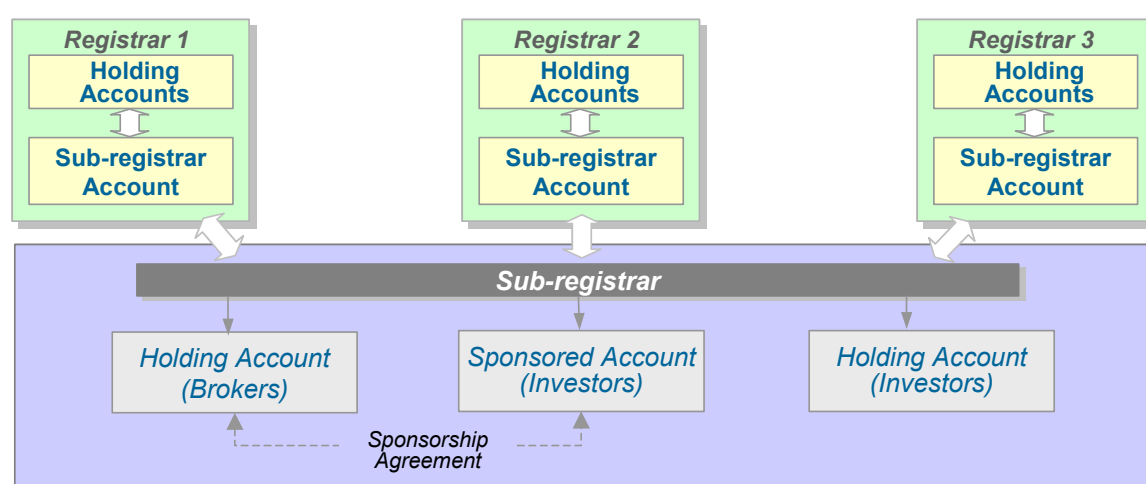


Exhibit 2.1 The “Registrar and Sub-registrar” Model

The “Registrar and Sub-registrar Model” demonstrates the following key features:

- Scripless holdings in Sub-registrar Structure – Sub-registrars would record the transfer of scripless holdings resulting from settlement and update shareholding movements with the Principal Registrars.
 - ❑ Investors would receive legal protection as they could retain legal title of their holdings while maintaining full control of their account.
 - ❑ Investors could enter into sponsorship agreements with brokers to authorise brokers to perform settlement in their holdings accounts.
 - ❑ Sub-registrars could leverage the infrastructure to achieve scripless IPOs.
- Scripless holdings in Registrars – In addition to certificated holdings, Registrars would need to develop capabilities to maintain scripless holdings for investors.
 - ❑ Investors would be allowed to transfer scripless holdings between Registrars and Sub-registrars through electronic linkages.

The recommended scripless market model delivers the following benefits to key stakeholders:

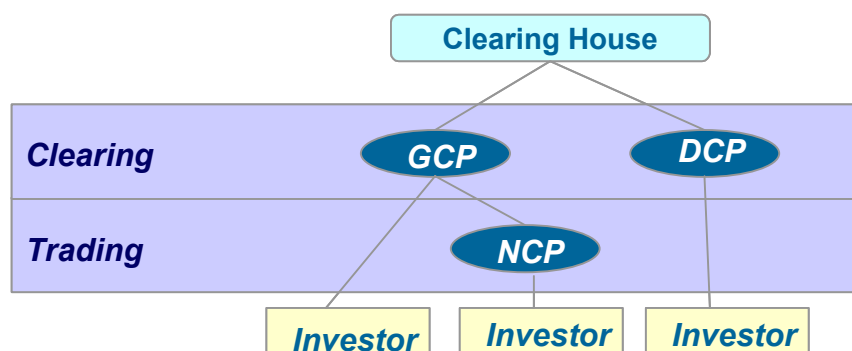
- Retail Investors. The model provides a degree of protection to investors from broker insolvency. In addition, it enables efficient electronic transfers for trading or pledging purposes and helps provide corporate communications and benefits directly to investors.
- Institutional Investors. Institutional investors and their custodians could become the registered holders on the CCASS register rather than relying on the extra layer of the CCASS nominee.
- Listed companies. The scripless market model would increase the number of registered shareholders and thereby increase the transparency of the register of members. On the one hand, this would provide listed companies with more information regarding their shareholders. On the other hand, this would allow information about each company to reach a larger spectrum of shareholders.

Clearing Participant-ship Structure

Under existing arrangements, market participants provide both trading and settlement services to their clients. The introduction of a clearing participant-ship structure would enable some market participants to delegate the clearing and settlement functions to other participants, on a permissive basis (Exhibit 2.2). For example, the London Clearing House has admitted 35 clearing members to provide clearing services to their clients and non-clearing members. Such an arrangement reduces settlement costs for the overall market as participants are allowed to leverage and share the settlement systems of others.

Clearing participant-ship structure provides an option for market participants to adopt shared-services to achieve operational effectiveness and cost efficiencies.

Exhibit 2.2 Recommended clearing participant-ship structure



There would be 3 types of participants:

- General Clearing Participants (GCP) – clear trades for themselves, their customers and associated NCP
- Direct Clearing Participants (DCP) – execute their own and their customer's orders on a principal basis
- Non-clearing Participants (NCP) – perform clearing and settlement through the GCP

The above Clearing Participant-ship Structure would deliver the following benefits to the market:

- Overall Market. The new arrangement would deliver industry savings as General Clearing Participants could specialise in providing efficient clearing and settlement functions to their clients and Non-clearing Participants.

- Non-clearing Participants. Non-clearing Participants would be allowed to focus on providing trading activities to their customers.

Cross-Market Linkages

Currently, CCASS provides clearing and settlement for the equities market whilst CMU, the Central Moneymarkets Unit operated by the HKMA, handles clearing and settlement of Exchange Fund Bills and Notes and private debt instruments. The cross-market systems (e.g. CCASS and CMU) could be integrated through bilateral linkages to develop cross-margining capabilities. Positions in equity and fixed income markets would be aggregated by a cross-market risk management system and collaterals could be transferred between CMU and CCASS to allow better utilisation of assets.

CCASS / CMU linkage enables cross-margining to reduce liquidity costs for market participants and enhances risk management for overall financial market.

There are several benefits associated with CCASS/CMU linkage for individual market participants and the overall market as a whole:

- Market Participants. Market participants would be able to optimise usage of their assets in CCASS and CMU and this in turn would lower their liquidity costs.
- Overall Market. The cross-collateralisation mechanism would help improve the mobility of capital in the Hong Kong market.

DvP Settlement Infrastructure

To improve settlement efficiency and reduce overnight credit risk, Hong Kong has to further integrate its payment and settlement systems to enable straight-through processing. This integration might require CCASS to access RTGS to perform money settlement with clearing participants. For example, ClearStream in Germany has access to the central bank payment system for securities transaction money settlement using central bank money.

There are several benefits expected to be associated with the implementation of the RTGS Access capabilities:

- Overall Market. Same-day payment finality could be facilitated. This would allow Hong Kong financial market to align with settlement standards recommended by Bank for International

Integration of payment and securities settlement systems and enabling CCASS' access to RTGS would enable true DvP, bringing about better control of overnight credit risks for the good of the overall market.

Settlement (BIS) and International Organisation of Securities Commissions (IOSCO).

- HKEx. Same-day payment finality could be achieved and the overnight credit risks associated with HKEx acting as the central counter-party could be better contained.

2.2 Connectivity and Interoperability

This offering is to help Hong Kong expand its market reach and network of business services, supporting an inter-operable utility to achieve the following competitive capabilities and advantages :

- Enable global participants to “plug and play” into Hong Kong’s financial infrastructure in an efficient and cost-effective manner
- Facilitate the achievement by market participants of consistent and high quality service level for both local and cross-border services
- Improve cost efficiency for the full “transaction processing chain” (e.g. pre-trade, trading, post-trade, pre-settlement, security and money settlement, post settlement)

The connectivity and interoperability offering would include the following building blocks:

DvP Facility

An inter-operable market utility which links investors, brokers, banks and payment networks together in order to enhance the operational efficiency of securities transaction payment processing and facilitate straight-through processing.

There are several benefits resulting from the development of a DvP Facility:

- Investors. The DvP Facility would provide investors with an integrated payment transfer mechanism for securities settlement that would enhance the efficiencies of securities payment processing and reduce operational risks.
- Local Brokers. The DvP Facility could reduce brokers’ back-office operation costs associated with fund confirmation for securities settlement.

An inter-operable market utility offers benefits arising from the integration of participant systems and facilitates straight-through processing.

- Settlement Banks. With the DvP Facility, banks would be allowed to offer new payment services to investors for money settlement.

Extension of International Linkages

An effective cross-border linkage should be able to support cross-border and multi-currency Delivery-versus-Payment settlement. This would require CCASS system to establish linkages with overseas CSDs and to ensure appropriate payment arrangements are in place to support cross-border securities settlement.

By forming a network of settlement linkages, Hong Kong would be well positioned to serve as the settlement conduit between Asian and Europe or US markets.

There are several benefits resulting from the implementation of International CSD Linkages:

- Investors. The setting up of CSD linkages offers one-stop settlement processing for cross-border securities transactions, opening up an expanded selection of securities from overseas markets to local investors.
- Local Brokers. Implementation would enhance the competitiveness of local brokers against global brokers by supporting a level-playing field for local brokers to conduct cross-border securities trading.
- HKEx. International CSD linkages would broaden HKEx's participant base to include that of overseas markets. It would also extend HKEx service offerings to clearing services, catering to both local and global demands for cross-border securities and creating new business opportunities for HKEx.

Institutional Services Development

Traditional clearing and settlement services mainly target brokers and custodians. Institutional servicing is not considered as a services domain by CSDs.

Since global institutional investors could bring significant liquidity to the market, Hong Kong should spearhead the development of institutional servicing so as to put forth a more favourable environment (increased

Hong Kong needs to strengthen its institutional servicing capabilities to attract institutional market participants.

operational efficiency and cost effectiveness) for institutional investors to participate in CCASS and CMU operations.

Hong Kong could further establish linkages with global market utilities, such as GSTPA and Omgeo, to serve as the Asian cross-border post-trade processing concentrator for institutional investors (Exhibit 2.3).

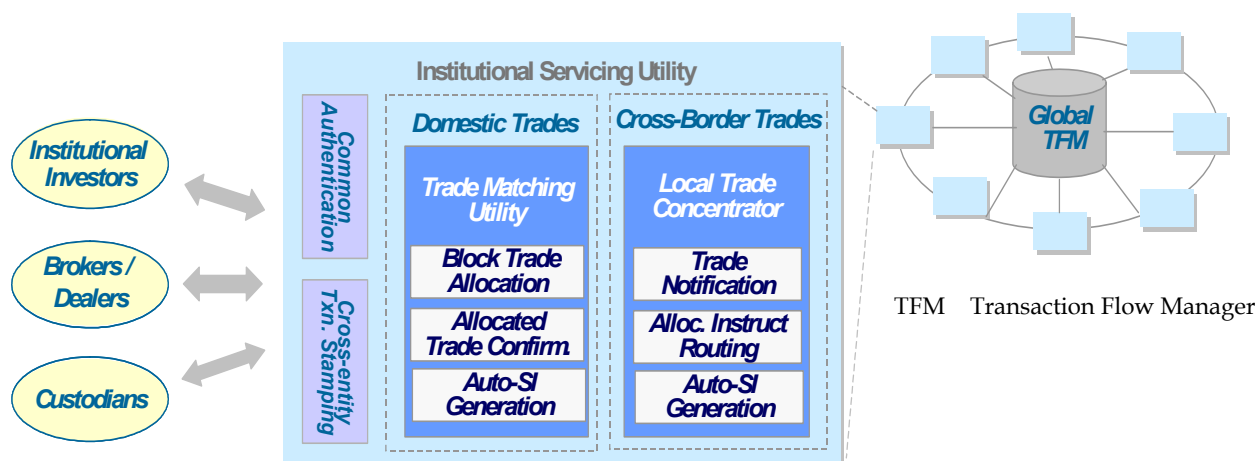


Exhibit 2.3 Institutional Servicing Utility for local and cross-border trades

There are several benefits associated with this Institutional Servicing Utility:

- Market Participants. The Institutional Servicing Utility would enable straight-through processing and realise cost savings from the simplified post-trade processing flow.
- Custodians. The Institutional Servicing Utility would allow the earlier involvement of custodians in the settlement process and thus enable custodians to demonstrate better control over their assets in custody.
- Local Brokers. The Institutional Servicing Utility would enhance the competitiveness of local brokers versus global brokers for cross-border securities transactions.
- HKEx. The Institutional Servicing Utility would diversify the scope of services offered by HKEx to include securities clearing services for cross-border securities transactions and could potentially enlarge HKEx's participant base.

- Overall Market. The Institutional Servicing Utility would effect the 'Common Access Point' concept by enforcing integration with market participants and consolidation of market data to a single system. In addition, the launch of the Institutional Servicing Utility would foster the flow of securities transactions across international borders.

2.3 Superior Liquidity

This offering is to help Hong Kong capture liquidity from international markets and position and strengthen Hong Kong as "Asia's Liquidity Centre". It would:

- Enable Hong Kong to provide asset servicing solutions to global participants by becoming a common marketplace for the SB&L (Securities Borrowing and Lending) of international securities
- Provide cross collateralisation services for global participants to transfer excess collateral across different markets and time zones
- Enhance the mobility of capital in Hong Kong and lower liquidity costs for both individual participants and the overall market

Development of asset servicing solutions would deliver various benefits to the market:

- Market Participants. In addition to better asset utilisation, cross-collateralisation and the SB&L Facility would enable market participants to pursue various alternative investment strategies and provides an additional channel for hedging exposure in the derivatives markets.
- Overall Market. The mechanism allows Hong Kong to capture liquidity from other markets. In addition, it helps reduce settlement failures, especially for cross-border transactions, by providing a channel to participants for securities-related borrowing.

CHAPTER THREE

THE WAY FORWARD

To maintain its competitive edge in the global marketplace, Hong Kong needs to develop its key offerings within an aggressive timeframe and capitalize upon first-mover advantage.

A high level forum with participation from the Administration, SFC, HKMA, HKEx, and other agencies concerned will co-ordinate the implementation process. It will also provide steering on key issues brought to its attention by and review progress of the Implementation Working Groups (IWGs), including the IWG for Scripless Market Infrastructure which was set up in March 2002, and the following IWGs to be set up shortly for implementing SCEFI initiatives:

- Clearing and Settlement Infrastructure IWG
- Market Inter-operability/Connectivity IWG

These IWGs will address operational and technical details including business requirements and business cases to be assessed through market consultation.

Full commitment and support from all parties are crucial for successful completion of projects identified in this study. To this end, the Implementation Working Groups will engage market participants' involvements at different phases of implementation. Representatives from various market sectors will be invited to join the Implementation Working Groups, and to contribute to the sub-working groups that will be set up from time to time.

Preparations for implementation are in progress. For example, the Scripless Market Implementation Working Group has been formed and market consultation has been completed. The implementation team is working on legislative amendments with a view to introducing the amendments to the Legislative Council in mid-2003.

With its clear SCEFI vision and Commitment to excellence, Hong Kong is ready to create an enhanced financial market that will attract both regional and international participants.

A. SCEFI II TERMS OF REFERENCE

- a) To review progress of the implementation of the recommendations put forward in the SCEFI Report published in September 1999;
- b) To advise on the legislative and process changes required for early achievement of a scripless securities market in Hong Kong, to assist the Financial Services Bureau in drawing up the necessary draft drafting instructions for any necessary legislative amendments and to co-ordinate the necessary process changes;
- c) To review and examine the building blocks for implementing outstanding SCEFI recommendations, delineate the responsibilities of parties concerned in implementing the recommendations, and secure their agreement on specific implementation plans and milestones for the achievement of the respective initiatives;
- d) To consider and recommend, if appropriate, modifications to the SCEFI recommendations in the light of changed circumstances;
- e) To undertake any necessary consultations with the market and other stakeholders.

B. MEMBERS OF SCEFI II

Steering Committee on the Enhancement of the Financial Infrastructure in Hong Kong II ("SCEFI II")

Chairman

Securities and Futures Commission

Mr. Andrew Sheng	Chairman
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Members

Financial Services and the Treasury Bureau

Government of the Hong Kong Special Administrative Region

Mrs. Rebecca Lai (until 6 Dec 2000)	Deputy Secretary
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Ms. Au King-chi (from 7 Dec 2000 onwards)	Deputy Secretary
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Ms. Salina Yan	Principal Assistant Secretary
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Hong Kong Monetary Authority

Mr. James Lau	Executive Director Monetary Policy & Markets Department
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Hong Kong Exchanges and Clearing Limited

Mr. K C Kwong	Chief Executive
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Mr. Walter Reisch	Head Clearing
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Mr. Bryan Chan	Deputy Head Clearing
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Securities and Futures Commission

Mr. Mark Dickens	Executive Director Supervision of Markets
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Mr. David Stannard (December 2000 – September 2001)	Executive Director Corporate Finance
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Dr. Peter Hsueh	Chief Information Officer Information Resources
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Mandatory Provident Fund Schemes Authority

Mr. Alan Wong (until June 2001)	Deputy Managing Director
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Mrs. Diana Chan (from August 2001)	Chief Operating Officer Corporate Affairs
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Office of the Commissioner of Insurance

Mr. Benjamin Tang, JP	Commissioner of Insurance
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SCEFI II Consultant

Accenture Company Limited

Secretary

Securities and Futures Commission

Mr. George Tam	Senior Manager Supervision of Markets
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C. Glossary

CCASS	The Central Clearing and Settlement System operated by Hongkong Clearing
Clearing	The process of transmitting, reconciling and sometimes confirming instructions to transfer instruments prior to settlement
CMU	Central Moneymarkets Unit operated by the HKMA for the depository, trading, matching, clearing and settlement of Exchange Fund Bills and Notes and private debt instruments
Connectivity	The ability to make and maintain a connection between two or more points in a telecommunications system
CSD	Central Securities Depository
DCASS	Derivatives Clearing and Settlement System, for clearing and settlement of derivatives contracts
DvP	Delivery versus Payment, the delivery of securities in exchange for an asset, usually money
FinNet	A secure private network for the financial community in Hong Kong
FSB	Financial Services Bureau
G10	Group of Ten
G30	Group of Thirty; a non-profit international body composed of very senior representatives of the private and public sectors and academia. It aims to deepen understanding of international economic and financial issues, to explore the international repercussions of decisions taken in the public and private sectors, and to examine the choices available to market practitioners and policy makers
GSTPA	Global Straight Through Processing Association: an industry association set up to promote integration of information flow amongst cross-border market participants in securities trading
HKEx	Hong Kong Exchanges and Clearing Limited, the listed owner of the Stock Exchange and Hongkong Clearing
HKMA	Hong Kong Monetary Authority
ICSD	International Central Securities Depository
IOSCO	International Organisation of Securities Commissions – an organisation of securities commissioners and administrators from more than 60 countries with primary mandate to facilitate and coordinate

	international securities regulation and to promote consistency in regulation across borders
IPO	Initial Public Offering: the first sale of stock by a company to the public
RTGS	Real Time Gross Settlement; system to facilitate inter-bank payments across the books of the HKMA
SB&L	Securities Borrowing and Lending
SCEFI	Steering Committee on the Enhancement of the Financial Infrastructure
SFC	Securities and Futures Commission
STP	Straight Through Processing: the capture of trade details directly from front office systems to back office without the need for re-keying or reformatting data