

Side Letter A


Side Letter A to the Memorandum of Understanding between the Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEx”) dated and signed on 20 February 2001 on matters relating to SFC oversight, supervision of exchange participants and market surveillance (“MOU”).

This side letter sets out the reports to be provided by HKEx to the SFC Intermediaries Supervision Department pursuant to Clause 1 of Appendix II of the MOU.

Dated : 20 February 2001



Mr. Andrew Len Tao Sheng
For the Securities and Futures Commission



Mr. Lee Yeh Kwong, Charles
For Hong Kong Exchanges and Clearing Limited

Provision of reports by HKEx to the SFC Intermediaries Supervision Department

According to agreed schedule

1. Largest aggregate unfavourable marks and collateral report (only for pages showing positive amount of stock collateral on hand) – HKEx will provide this report to the SFC on a daily basis by facsimile until such time that the SFC is able to print this report from a CCASS terminal installed at the SFC.
2. Broker surveillance report – HKEx will provide this report to the SFC by facsimile as and when this report is produced.
3. A list of exchange participants whose minimum liquid capital requirements pursuant to the Exchange Rules are different from those of the Financial Resources Rules enforced by the SFC – HKEx will provide the list and the relevant information to the SFC on a monthly basis by e-mail or facsimile.

Upon reasonable request by the SFC

4. Suspended / volatile stock surveillance report
5. Report on use of general stock collateral by stock
6. All settled Settlement Instruction (SI) of brokers and / or investor participants
7. Risk projection report by broker
8. Shareholding in CCASS (by broker and / or specified investor participant) until such time that the SFC is able to print this report from a CCASS terminal installed at the SFC
9. Daily settlement summary (by exchange participant)
10. Cross trade report

Side Letter D

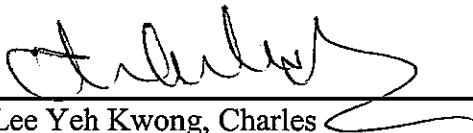
Side Letter D to the Memorandum of Understanding between the Securities and Futures Commission (“SFC”) and the Hong Kong Exchanges and Clearing Limited (“HKEx”) dated and signed on 20 February 2001 on matters relating to SFC oversight, supervision of exchange participants and market surveillance (“MOU”).

This side letter sets out the information which HKEx shall provide to the SFC Supervision of Markets Division pursuant to Clause 1 of Appendix II of the MOU, is to be provided by HKEx to the SFC.

Dated : 20 February 2001



Mr. Andrew Len Tao Sheng
For the Securities and Futures Commission



Mr. Lee Yeh Kwong, Charles
For Hong Kong Exchanges and Clearing Limited

Supervision of Markets

1. HKEx shall provide the SFC with cross market information weekly in the attached format.
2. HKEx shall provide the SFC with a sensitivity analysis on HKSCC Guarantee Fund, HKCC Reserve Fund and SEOCH Reserve Fund weekly in the attached format.
3. HKEx shall upon a market crisis or a reasonable request of the SFC (e.g. HSI moves by more than 5% in any trading day or where there are significant market movements in major overseas markets) provide a sensitivity analysis on the Guarantee Fund and Reserve Fund in the format set out in item 2 above to the SFC as soon as reasonably practicable.
4. HKEx shall, subject to resource constraints and upon a reasonable request of the SFC at the time of an extreme market crisis, provide additional information relating to the Guarantee Fund and Reserve Fund to the SFC as soon as reasonably practicable e.g. based on the format set out in item 2 above, expand the sensitivity analysis to + and – 50% of market movement and default rate.
5. HKEx shall provide the SFC monthly with a HKFE exchange participant list and other information as agreed between HKEx and the SFC.
6. HKEx shall provide the SFC quarterly with the CCASS Participant and Designated Bank List.

Cross Market Information

	Day 1 date1	Day 2 date2	Day 3 date3	Day 4 date4	Day 5 date4	average this week	average last week
1	CASH - HANG SENG INDEX SPOT CLOSE (10 days M.A.)						
2	Intraday spread (intraday change in closing H.S.I.)						
3	Cash market turnover (H.S.I.stock %)						
4	\$ of top 10 gross buying (gross selling) brokers						
5	\$ total of net buying/net selling brokers						
6	\$ of top10 net buying (net selling) brokers						
7	Cash market shortselling in value (% of total turnover)						
8	\$ of top 5 short selling stocks (\$ of top 5 short selling brokers)						
9	HKSCC settlement efficiency in terms of no. of positions (value)						
10	HKSCC overdue positions in value (no of brokers)						
11	HKSCC physical withdrawal (deposit) value						
12	DERIVATIVES - H.S.I. Futures close (premium or discount to spot)						
13	No of H.S.I. Futures traded (\$ value) (#)						
14	No of Gross O.I. (No of Net O.I.) (#)						
15	Value of Gross O.I. (value of Net O.I.) (#)						
16	No of H.S.I. Option traded (\$ value)						
17	No of Gross O.I. (No of Net O.I.)						
18	Value of Gross O.I. (value of Net O.I.)						
19	equivalent delta (net based and in no of H.S.I. futures contract) (#)						
20	long delta of top 10 participants # (short delta of top 10 participants)#						
21	Traded Options: Turnover						
22	No. of Gross O.I. (call %)						
23	No. of Net O.I. (call %)						
24	Top 10 Participants Gross O.I. (Net O.I.)						
25	Warrant: Hedging position (value of shares held)						
	MARGIN CALLS AND OTHERS						
26	HKSCC intraday margin call value (No of participants)						
27	HKSCC overnight margin call value (No of participants)						
28	SEOCH intraday margin call value (No of participants)						
29	SEOCH overnight margin call value (No of participants)						
30	HKFE intraday margin call value (No of participants)						
31	HKFE overnight margin call value (No of participants)						
32	TraHK Creation (Redemption) in units						

The Stock Exchange of Hong Kong Ltd

B. Securities Market and Investment Industry

Items	Monday	Tuesday	Wednesday	Thursday	Friday
5. HSI and TraHK closing 5a. Daily HSI closing 5b. Daily TraHK closing					
6. Market turnover (in value) 6a. Total market turnover (main board) 6b. Total short sales 6c. Turnover of top 5 short sold stocks 6d. Turnover of top 5 short selling brokers 6e. Turnover of short selling TraHK 6f. Turnover of HSI shares 6g. Turnover of red chips (HSCCI stocks) 6h. Turnover of H shares (HSCEI stocks) 6i. Turnover of warrants 6j. Turnover of TraHK					
7. Market capitalisation 7a. Equity total 7b. HSI shares 7c. Red chips (HSCCI stocks) 7d. H shares (HSCEI stocks) 7e. Warrants					
8. Outstanding of TraHK 8a. Redemption 8b. Creation 8c. Number of outstanding					

D. Securities Clearing and Settlement

Items	Monday	Tuesday	Wednesday	Thursday	Friday
<p>19. CCASS positions as at settlement day (i.e. on T+2)</p> <p>19a. Total no. of trade positions - stock value (in HK\$ million) - no. of shares (million)</p> <p>19b. Settlement compliance as at settlement day - in terms of no. of positions - in terms of value - in terms of no. of shares</p> <p>19c. Default cases - no. of default brokers - stock value (in HK\$ million) - default fees charged (in HK\$)</p> <p>19d. TraHK creation and redemption -Size of creation in cash (in million units) -Size of creation in kind (in million units) -Size of redemption (in million units)</p>					
<p>20. Depository transactions in the CCASS</p> <p>20a. Physical withdrawal - no. of transactions - in terms of no. of shares (in '000) - in terms of value (HK\$ '000)</p> <p>20b. Physical deposit - no. of transactions - in terms of no. of shares (in '000) - in terms of value (HK\$ '000)</p>					

**Hong Kong Futures Exchange
Economic Research Department**

	Monday	Tuesday	Wednesday	Thursday	Friday
Daily difference between HSIF and HSI daily closing levels (index points)					
Daily turnover (contracts)					
<u>HSIF</u>					
Spot-month					
Other contract months					
Total					
<u>HSIO (Call)</u>					
Spot-month					
Other contract months					
Total					
<u>HSIO (Put)</u>					
Spot-month					
Other contract months					
Total					
<u>HIBOR futures</u>					
Total					
Open position (contracts)					
<u>HSIF</u>					
Gross					
Net					
<u>HSIO (Call)</u>					
Gross					
Net					
<u>HSIO (Put)</u>					
Gross					
Net					
<u>Stock futures</u>					
Gross					
Net					
<u>HIBOR futures</u>					
Gross					
Net					
HSIF and HSIO position delta concentration by top 5 brokers (contracts) (figure in bracket is % of total market position delta)					
Additional margin requirements for large open positions					

HSIF = HSI futures

HSIO = HSI options

Side Letter – Item 1

9A	Stock options market for the week (positions as of each week)	Call+Put (CurrWeek)	Call+Put (PrevWeek)
	9a. Average Daily Turnover		
	9b. Average Daily Gross Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9c. Average Daily Net Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9d. Average Daily Open Interest of HSI Constituent		
	Options Stocks		
9B	Stock options market for the week (positions as of each week)	Put (CurrWeek)	Put (PrevWeek)
	9a. Average Daily Turnover		
	9b. Average Daily Gross Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9c. Average Daily Net Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9d. Average Daily Open Interest of HSI Constituent		
	Options Stocks		
9C	Stock options market for the week (positions as of each week)	Call (CurrWeek)	Call (PrevWeek)
	9a. Average Daily Turnover		
	9b. Average Daily Gross Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9c. Average Daily Net Open Interest		
	Top 10 Exchange Participant(a)		
	Whole Market(b)		
	Market Share(%) (a*100/b)		
	9d. Average Daily Open Interest of HSI Constituent		
	Options Stocks		

Side Letter – Item 2

Sensitivity Analysis of HKEx Exposure (in \$m)
Exposure of Guarantee / Reserve Funds of Clearing Houses
As at dd month yyyy

HSI Closing as at dd month yyyy :

CASH

Guarantee fund: \$xxxm

Default Rate	Market Move	Net Long CNS =			Net Short CNS =		
		-30%	-20%	-10%	+10%	+20%	+30%
10%							
20%							
30%							

FUTURES

Reserve fund:\$zzzm

Default Rate	Market Move	Gross Open Interest =					
		Net Open Interest =					
		-30%	-20%	-10%	+10%	+20%	+30%
Margin Call							
10%							
20%							
30%							

TRADED OPTIONS

Default Rate	Market Move	Open Interest(1):		put =			
		call =	put =	Net Open Interest(2):			
		-30%	-20%	-10%	+10%	+20%	+30%
Margin Call							
10%							
20%							
30%							

Note :

1. Open Interest is either the total long or short positions of the market
2. Net Open Interest(NOI) of a Participant is the sum of either the net long or net short positions held in individual option series of all classes. The market NOI is the aggregate sum of all Participants' NOI on either the net long or net short.
3. The actual reserve fund size is HK\$ kkkm.