Annex B

Commencement dates of the Exchanges and Clearing Houses (Merger) Bill

Clause 1(2) of the Exchanges and Clearing Houses (Merger) Bill ("the Bill") provides that the commencement date(s) of the Bill shall be announced by the Secretary for Financial Services by notice in the gazette. It is envisaged that the Bill will come into effect in two parts – clause 22(1) and 22(2), and the rest of the Bill.

2. Hong Kong Securities Clearing Company ("HKSCC") is at present a company limited by guarantee. To enable it to become a wholly-owned subsidiary of the Hong Kong Exchanges and Clearing Limited ("HKEC") and complete the merger, HKSCC will have to be converted from a company limited by guarantee to a company limited by shares. Clauses 22(1) and 22(2) of the Bill provide the legal basis for such conversion through amendments to HKSCC's constitution and for SFC to approve such amendments. To enable the conversion to take place prior to the coming into effect of the merger, these two provisions will therefore have to take effect before the rest of the Bill. We envisage that Clauses 22(1) and 22(2) will commence on the same date the Bill is gazetted after enactment.

3. The merger of the Stock Exchange of Hong Kong ("SEHK") and the Hong Kong Futures Exchange ("HKFE") is governed by their respective schemes of arrangements as approved by their members and sanctioned by the court. The schemes (and hence the merger) will come into effect upon the commencement of the main body of the Bill. Accordingly, the effective date of the schemes will have to coincide with the second commencement date of the Bill. We expect that there will be an interim period of two weeks between the enactment of the Bill and the coming into effect of the schemes (and the merger) to allow ample time for various parties including the HKEC, HKSCC and the exchanges to complete all the necessary procedural steps for the implementation of the merger. The commencement date of the main body of the Bill will be announced by notice in the gazette together with the gazettal of the Bill.

4. According to the order of the court sanctioning the schemes, the schemes will expire by the end of March 2000, unless the court approves a later expiry date. Hence, it would be preferable that the Bill be enacted and come into effect before mid-March to enable the merger to take place prior to the expiry date of the court sanction.

Financial Services Bureau
5 January 2000