

**Bills Committee on Clearing and Settlement Systems Bill
First meeting on 18 March 2004**

List of follow-up actions to be taken by the Administration

1. The Administration is requested to provide a paper summarizing the relevant parties' views it received before and after gazettal of the Bill and its responses, including the views on Part 5 of the Bill on "Offences".
2. To address members' concern about the possible role conflicts of the Hong Kong Monetary Authority (HKMA) as both the regulator and operator of clearing and settlement systems, the Administration is requested to provide information on the following items:
 - (a) The proposed arrangements for the "fire wall" to be put in place for the clear division of the oversight and system operation duties undertaken by HKMA officers;
 - (b) The checks and balances on the Monetary Authority (MA)'s functions and powers under the Bill to monitor compliance of system operators, including HKMA, with the requirements under the Bill;
 - (c) Whether HKMA, the operator of the Central Moneymarkets Unit and the Hong Kong Dollar Clearing House Automated Transfer System, would be subject to the same sanctions as other system operators if it fails to comply with the requirements under the Bill;
 - (d) Whether and how fairness and impartiality could be maintained in MA's oversight of the Hong Kong Interbank Clearing Limited (HKICL), given that HKMA takes a 50% ownership in HKICL; and
 - (e) In connection with items (c) and (d) above, please provide information on overseas practices to illustrate whether it is an international practice for a clearing and settlement system regulator to be one of the system operators and/or shareholder of a clearing company, and whether the regulator concerned would be subject to the same sanctions as other system operators if it fails to comply with the relevant requirements.
3. To avoid regulatory overlaps between MA and the Securities and Futures Commission, the Administration is invited to set out the relevant arrangements in the form of a Memorandum of Understanding.