

**Hong Kong Securities Clearing Company Limited**  
*(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)*

6<sup>th</sup> April 2004

Ms May Leung  
Clerk to Bills Committee  
Legislative Council Secretariat  
3<sup>rd</sup> Floor, Citibank Tower  
3 Garden Road  
Central  
Hong Kong

By Fax: 2869 6794

Dear Ms Leung,

**Bills Committee on Clearing and Settlement Systems Bill – Invitation for submissions**

Thank you for your letter dated 19<sup>th</sup> March 2004.

Hong Kong Exchanges and Clearing Ltd (HKEx) has been consulted by the Hong Kong Monetary Authority (HKMA) on the relevant proposals under the Clearing and Settlement Systems Bill. Comments in respect of certain working drafts of the Bill have been provided to HKMA.

We have in our comments requested HKMA to exempt clearing houses recognized under section 37 of the Securities and Futures Ordinance (SFO) including Hong Kong Securities and Clearing Company Ltd (HKSCC) from the application of the Bill. The reason is that HKSCC and its clearing operations including its clearing and settlement system is already subject to a similar mechanism under the SFO. We now note that the current draft of the Bill only exempts systems operated by recognized clearing houses to be designated under the Bill but HKSCC in carrying out some of its clearing operations such as in its capacity as a CMU Member under the Central Moneymarkets Unit will still be caught as a participant under the Bill. In this regard, we are discussing with HKMA in greater details to clarify the extent of HKSCC's obligations under the Bill and whether such obligations would overlap or affect the existing obligations of HKSCC or its existing clearing operations.

We understand that HKMA will discuss with the Bills Committee any issue that may arise from comments raised by HKEx. We will continue to discuss and work with HKMA on issues in the Bill which may affect the clearing and settlement operations of HKEx and trust that HKMA will keep the Bills Committee informed of our discussions. Should there be any matter that needs to be brought to the attention of the Bills Committee, we will make a submission to the Bills Committee.

If you require any further information or clarification, please feel free to contact me at 2211 6268.

Yours sincerely,

Derrick Fung  
Vice President  
Cash Clearing