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B9/32C(2004) Pt.21  
CB1/BC/3/03

17 April 2004

Clerk to Bills Committee on Clearing and Settlement Systems Bill  
(Attn: Ms Rosalind Ma)  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
(*Fax: 2869 6794*)

Dear Rosalind,

**Bills Committee on Clearing and Settlement Systems Bill**

Thank you for your letter of 6 April 2004 enclosing a submission from the Hong Kong Exchanges and Clearing Limited (“HKEx”) of the same date.

Please be informed that the Administration has been in consultation with the HKEx throughout the drafting process of the Clearing and Settlement Systems Bill. Our policy intent, as reflected in clause 3(2) of the Bill, is to exempt a system that is, or is operated by, a company recognised as a clearing house for the purposes of section 37 of the Securities and Futures Ordinance (Cap. 571). However, the Hong Kong Securities Clearing Company Limited, being a participant in the Central Moneymarkets Unit, will have to be subject to the Monetary Authority’s oversight in accordance with those parts of the Bill relevant to a participant in a designated clearing and settlement system.

While the policy intent has been explained to the HKEx before, we will continue the discussion with the HKEx in order to understand better and to address its concern in this regard if any. We shall keep the Bills Committee

informed of any development requiring its attention.

Yours sincerely,

(Danny Leung)  
for Secretary for Financial Services  
and the Treasury

c.c.

Hon Sin Chung-kai

Chief Executive/Hong Kong Monetary Authority (Attn: Mr James Lau)

Department of Justice (Attn: Mr Jonothan Abbott)

Hong Kong Exchanges and Clearing Limited (Attn: Mr Derrick Fung)