

# **Exchanges (Demutualisation and Merger) Bill**

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**Bill No. 20/99.**

*Read the first time on 6th July 1999.*

## **THE EXCHANGES (DEMUTUALISATION AND MERGER) ACT 1999**

**(No.      of 1999)**

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## A BILL

### *i n t i t u l e d*

An Act to provide for the demutualisation and merger of the Stock Exchange of Singapore Limited, the Singapore International Monetary Exchange Limited and the Securities Clearing and Computer Services (Pte) Limited by making these companies wholly-owned subsidiaries of a transferee holding company, to amend the Monetary Authority of Singapore Act (Chapter 186 of the 1985 Revised Edition) to provide for the establishment of a Financial Sector Development Fund and to make consequential amendments to certain other written laws.

WHEREAS:

- (A) The Stock Exchange of Singapore Limited is a public company limited by shares incorporated in Singapore under the Companies Act (Chapter 50) and carries on, *inter alia*, the business of providing, regulating and maintaining facilities for conducting the business of a Stock Exchange in Singapore pursuant to the Securities Industry Act (Chapter 289). 5
- (B) The Singapore International Monetary Exchange Limited is a public company limited by shares incorporated in Singapore under the Companies Act and carries on, *inter alia*, the business of establishing and conducting a commodities and financial futures market in Singapore pursuant to the Futures Trading Act (Chapter 116). 10
- (C) The Securities Clearing and Computer Services (Pte) Limited is a company limited by shares incorporated in Singapore under the Companies Act and carries on, *inter alia*, the business of providing facilities for the clearing of contracts and the delivery and receipt of stocks and securities and for providing accounting, management consultancy and computer services to members of the Stock Exchange of Singapore Limited. 15 20
- (D) It is expedient to make provisions to facilitate the transfer of ownership of the Stock Exchange of Singapore Limited, the Singapore International Monetary Exchange Limited and the Securities Clearing and Computer Services (Pte) Limited to a transferee holding company designated by the Minister in order to demutualise and merge the respective Exchanges to form an integrated Exchange for the trading of securities and futures contracts and for leveraged foreign exchange trading in Singapore. 25 30

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

**Short title and commencement**

**1.**—(1) This Act may be cited as the Exchanges (Demutualisation and Merger) Act 1999 and shall come into operation on such date as the Minister may, by notification in the *Gazette*, appoint. 35

(2) The Minister may appoint different dates for the coming into operation of the different provisions of this Act.

## **Interpretation**

**2.** In this Act, unless the context otherwise requires —

5 “auditor” means an approved company auditor as defined in section 4 of the Companies Act (Cap. 50);

“Authority” means the Monetary Authority of Singapore established under section 3 of the Monetary Authority of Singapore Act (Cap. 186);

10 “Financial Sector Development Fund” means the Financial Sector Development Fund established under Part IVA of the Monetary Authority of Singapore Act;

15 “record” means information that is inscribed, stored or otherwise fixed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;

20 “registered owner”, in relation to a SIMEX seat, means the person allotted a SIMEX seat and registered as the owner of a SIMEX seat in the register of allotment of seats referred to in the articles of association of SIMEX;

25 “rules”, in relation to the transferee holding company, means the rules governing the transferee holding company and its members, by whatever name called and wherever contained, and includes rules contained in the memorandum of association and the articles of association of the transferee holding company;

“SCCS” means Securities Clearing and Computer Services (Pte) Limited;

30 “SCCS shares” means shares issued by Securities Clearing and Computer Services (Pte) Limited;

“SES” means Stock Exchange of Singapore Limited;

“SES shares” means shares issued by Stock Exchange of Singapore Limited;

35 “SIMEX” means Singapore International Monetary Exchange Limited;

“SIMEX seat” means the place on the SIMEX futures market referred to in the articles of association of SIMEX as a “seat” and allotted by the Board of Directors of SIMEX in accordance with the rules of SIMEX;

“SIMEX shares” means shares issued by Singapore International Monetary Exchange Limited; 5

“special purpose company” means a company incorporated in Singapore and designated by the Minister under section 3 (2) (b);

“transfer date” means the transfer date referred to in section 3 (1); 10

“transferee holding company” means a public company incorporated in Singapore and designated by the Minister under section 3 (2) (a);

“transferee holding company’s shares” means shares issued by the transferee holding company. 15

### **Transfer date and designation of companies**

**3.—**(1) The transfer date shall be such date as the Minister may, by notification in the *Gazette*, appoint.

(2) The Minister may, by notification in the *Gazette*, designate — 20

(a) a public company incorporated in Singapore to be the transferee holding company for the purposes of this Act; and

(b) a company incorporated in Singapore to be the special purpose company for the purposes of this Act.

### **Reduction of share capital of SES, SIMEX and SCCS**

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**4.—**(1) The capital of SES shall, on the transfer date, be reduced by cancelling all issued SES shares as at the transfer date which shall be 34 SES shares.

(2) The capital of SIMEX shall, on the transfer date, be reduced by cancelling all issued SIMEX shares as at the transfer date which shall be 40 SIMEX shares. 30

(3) The capital of SCCS shall, on the transfer date, be reduced by cancelling all issued SCCS shares as at the transfer date which shall be 34 SCCS shares.

(4) Every certificate representing a holding of SES shares, SIMEX shares or SCCS shares held immediately before the transfer date shall, on the transfer date —

(a) be deemed to be cancelled; and

5 (b) cease to have effect as a document of title of the shares comprised in that certificate.

(5) The reduction of the share capital of SES, SIMEX and SCCS under subsections (1), (2) and (3) respectively shall not be subject to the requirements of section 73 of the Companies Act (Cap. 50)  
10 (which provides for special resolution for reduction of share capital).

### **Capital creation and issue of shares of SES, SIMEX and SCCS**

5.—(1) Immediately upon the reduction of the issued share capital of SES under section 4 (1) taking effect, the capital of SES shall be increased to \$34 by the creation of 34 SES shares and such shares  
15 shall be allotted and issued and credited as fully paid-up to the transferee holding company on the transfer date.

(2) Immediately upon the reduction of the issued share capital of SIMEX under section 4 (2) taking effect, the capital of SIMEX shall be increased to \$40 by the creation of 40 SIMEX shares and such  
20 shares shall be allotted and issued and credited as fully paid-up to the transferee holding company on the transfer date.

(3) Immediately upon the reduction of the issued share capital of SCCS under section 4 (3) taking effect, the capital of SCCS shall be increased to \$34 by the creation of 34 SCCS shares and such shares  
25 shall be allotted and issued and credited as fully paid-up to the transferee holding company on the transfer date.

(4) The transferee holding company shall, within 30 days of the transfer date, give a notice to the Registrar of Companies of the particulars of the capital reduction under section 4 and the capital  
30 creation under this section.

(5) Nothing in —

(a) the memorandum of association or articles of association of SES, SIMEX or SCCS; or

(b) the rules, regulations or bye-laws of SES, SIMEX or SCCS,  
35 shall prohibit the capital reduction under section 4 and the capital creation under this section.

### **Allotment and issue of transferee holding company's shares**

6.—(1) The transferee holding company shall, on the transfer date, allot and issue to SES shareholders as at the transfer date such number of new transferee holding company's shares as amounting to \$6 million in value for each SES share, with the exception of the SES shares held by any SES shareholder in involuntary liquidation as at 4th November 1998 including Associated Asian Securities (Pte) Limited (in liquidation). 5

(2) No fraction of a new transferee holding company's share shall be allotted or issued to any SES shareholder. 10

(3) The transferee holding company shall, on the transfer date, allot and issue —

(a) to SIMEX shareholders as at the transfer date, such number of new transferee holding company's shares as amounting to \$115,000 in value for each SIMEX share, with the exception of the SIMEX shares held by any SIMEX shareholder in involuntary liquidation as at 4th November 1998; and 15

(b) to registered owners of SIMEX seats as at the transfer date, such number of new transferee holding company's shares as amounting to \$170,000 in value for each SIMEX seat. 20

(4) No fraction of a new transferee holding company's share shall be allotted or issued to any SIMEX shareholder or any registered owner of a SIMEX seat.

(5) The transferee holding company's shares issued under this section shall — 25

(a) be of such value as the Minister may, by notification in the *Gazette*, determine; and

(b) be issued as fully paid and deemed for the purposes of the Companies Act (Cap. 50) as if they had been paid-up.

### **Transfer of reserves of SES, SIMEX and SCCS** 30

7.—(1) The assets of SES, SIMEX and SCCS respectively certified under subsection (2) shall be transferred to the transferee holding company on such date or dates as the Minister may determine.

(2) For the purposes of subsection (1), the Minister shall on the transfer date and from time to time certify, by notification in the *Gazette*, the description and value of the assets to be transferred to 35

the transferee holding company on such date or dates as the Minister may determine.

(3) For the purposes of this section, “assets” means property and assets of every description (whether present or future, actual or  
5 contingent) wheresoever situate, and includes property held on trust and securities, rights, benefits, powers and liabilities of every description.

### **Sale of transferee holding company’s shares by special purpose company**

10 **8.**—(1) The transferee holding company shall make a single offer to the special purpose company of such number of its shares for subscription, at such par value, as the Minister may, by notice in writing, direct.

(2) The special purpose company shall, from time to time, offer for  
15 sale such number of the transferee holding company’s shares, at such price and on such terms, as the Minister may, by notice in writing, direct.

(3) Divisions 1 and 5 of Part IV of the Companies Act (Cap. 50) (which provides for prospectus requirements) shall not apply to an  
20 offer of shares made by the transferee holding company under subsection (1) or by the special purpose company under subsection (2).

(4) Section 76 of the Companies Act (which prohibits a company from financing dealings in its own shares) shall not apply in relation  
25 to any guarantee, indemnity, warranty, representation or other undertaking given or obligation assumed by the transferee holding company or the special purpose company in relation to an offer of shares made under subsection (1) or (2).

### **Exemption from section 59 of Companies Act**

30 **9.** Section 59 of the Companies Act (which requires a statement in lieu of a prospectus on allotment of shares) shall not apply to the issue of the transferee holding company’s shares under section 6 or 8.

### **Proceeds from sale of shares**

**10.**—(1) The Authority shall be authorised to utilise the proceeds  
35 raised in connection with the sale of the transferee holding company’s

shares made under section 8 (2) to meet the expenses and fees associated with the demutualisation and merger of SES, SIMEX and SCCS, the formation of the transferee holding company and the special purpose company and the offer and sale of the transferee holding company's shares. 5

(2) The remainder of the proceeds referred to in subsection (1) (after deducting the par value of those shares) shall be paid by the special purpose company into the Financial Sector Development Fund.

**Application of Companies Act to shares held by special purpose company 10**

**11.**—(1) Notwithstanding section 213 of the Companies Act (Cap. 50) (which deals with take-over offers) and the Singapore Code on Take-Overs and Mergers referred to in section 213 (18) (a) of the Companies Act (referred to in this section as the Code), the transferee holding company's shares held by the special purpose company under section 8 (1) shall not be taken into account in determining whether — 15

- (a) the special purpose company;
- (b) any other company that is deemed by virtue of section 6 of the Companies Act to be related to the special purpose company; or 20
- (c) a company acting in concert with the company referred to in paragraph (a) or (b), as defined in the Code,

has acquired shares which carry the right to exercise or control the exercise of the votes attached to the transferee holding company's shares for the purposes of section 213 of the Companies Act or the Code. 25

(2) Notwithstanding any of the provisions of the Companies Act or anything contained in the memorandum or articles of association of the transferee holding company or the special purpose company, the special purpose company shall — 30

- (a) hold the transferee holding company's shares subscribed by it under section 8 (1) for the benefit of the Financial Sector Development Fund; 35
- (b) not exercise or control the exercise of the votes attached to such shares;

- (c) not dispose of, or otherwise deal with such shares or create security interests over such shares without the prior approval of the Minister or as otherwise permitted under this Act; and
- (d) hold any dividend or other distribution paid in respect of such shares for the benefit of the Financial Sector Development Fund.

### **Application of Trustees Act to investment in transferee holding company**

**12.**—(1) For the purpose of applying paragraph 1 (1) (b), (c) and (d) of Part IV of the First Schedule to the Trustees Act (Cap. 337) (which provide that securities of a company shall not count as authorised investments within the meaning of that Act unless the company has a shareholders equity of not less than \$30 million and has paid dividends in each of the relevant 3 years, and has reported a profit in the financial year immediately preceding that in which the investment is made) in relation to investment in securities of the transferee holding company during the financial year in which the transfer date falls (referred to in this section as the first investment year) or during any financial year following that year, the transferee holding company shall be deemed —

- (a) to have paid a dividend as mentioned in the said paragraph 1 (1) (b) in each financial year preceding the first investment year which is included in the relevant 3 years, and in the first investment year, if that year is included in the relevant 3 years and the transferee holding company does not in fact pay such a dividend in that year;
- (b) to have had a shareholders equity of not less than \$30 million as mentioned in the said paragraph 1 (1) (c); and
- (c) to have reported a profit as mentioned in the said paragraph 1 (1) (d) in the financial year preceding the first investment year, and in the first investment year, if the transferee holding company does not in fact report such a profit in that year.

(2) In subsection (1), “the relevant 3 years” means the 3 financial years immediately preceding the financial year in which the investment in question is made or proposed to be made.

### **Listing of transferee holding company on stock exchange**

**13.—**(1) The securities of the transferee holding company may be listed or quoted on a stock exchange as defined in the Securities Industry Act (Cap. 289) if the transferee holding company has entered into such arrangements as the Authority may require — 5

(a) for dealing with possible conflicts of interest that may arise from the listing or quotation of securities of the transferee holding company on a stock exchange; and

(b) for the purpose of ensuring the integrity of trading of the securities of the transferee holding company, 10

and the transferee holding company shall comply with such arrangements.

(2) The rules of the stock exchange shall be deemed to provide for the Authority, instead of the stock exchange, to make decisions and to take action (or require the stock exchange to take action on the Authority's behalf) on the following matters: 15

(a) the admission to or removal from the stock exchange's official list of the transferee holding company; and

(b) granting, stopping or suspending the quotation of securities of the transferee holding company on the stock exchange. 20

(3) The Authority may, by notice in writing —

(a) modify the rules of the stock exchange for the purpose of applying to the listing, quotation or trading of the securities of the transferee holding company; and

(b) exempt the transferee holding company from any rule of the stock exchange. 25

### **Power to issue directives to transferee holding company**

**14.—**(1) The Authority may, if it thinks it necessary or expedient —

(a) for ensuring fair and orderly securities and futures markets; 30  
or

(b) for ensuring the integrity of, and proper management of systemic risks in, the securities and futures markets,

issue directives either of a general or specific nature to the transferee holding company. 35

(2) Without prejudice to the generality of subsection (1), any directive under that subsection may be issued in respect of —

- 5       (a) the requirement for the prior approval of the Authority in respect of any proposed amendment, whether by way of alteration or addition, to the rules of the transferee holding company;
- (b) the corporate governance of the transferee holding company;
- 10       (c) the inspection by the Authority or by any person appointed by the Authority of the books, accounts, documents, records and affairs of the transferee holding company;
- (d) the production of the books, accounts, documents and records of the transferee holding company and the provision of such information, assistance and facilities as may be  
15       required by the Authority or by any person appointed by the Authority; and
- (e) the management by the transferee holding company of any of its subsidiaries that carries on the business of a securities  
20       exchange, futures exchange or clearing house, whether such business forms the whole or part of such subsidiary's undertaking.

(3) Any directive issued under subsection (2) may impose requirements or duties on any officer or employee or any class of officers or employees of the transferee holding company in relation to  
25       conduct or matters connected with the transferee holding company or any of its subsidiaries referred to in subsection (2) (e).

(4) If the transferee holding company or any of its officers or employees, without reasonable excuse, fails to comply with any directive issued under subsection (1), the company, officer or  
30       employee shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$100,000 and, in the case of a continuing offence, to a further fine of \$10,000 for every day or part thereof during which the offence continues after conviction.

(5) The Authority may, without instituting proceedings against any  
35       person for an offence under this section, demand and receive the amount of such fine or such reduced amount as it thinks fit from such person, whereupon —

- (a) if such person pays such amount to the Authority within 14 days after the demand, no proceedings shall be taken against him in relation to the offence; or
- (b) if such person does not pay the amount so demanded, the Authority may cause proceedings to be instituted against him in relation to the offence. 5

(6) Without prejudice to subsection (4), where the High Court is satisfied that the transferee holding company or any of its officers or employees has, without reasonable excuse, failed to comply with any directive issued under subsection (1), the High Court may, on the application of the Authority, grant an injunction directing the company or any of its officers or employees to do or refrain from doing a specific act. 10

(7) The High Court may revoke, vary or discharge an order made under subsection (6) or suspend the operation of such an order. 15

(8) If the transferee holding company or any of its officers or employees is aggrieved by any direction of the Authority under subsection (1), the transferee holding company may appeal to the High Court within 30 days of the date of issue of the Authority's directive. 20

### **Control of substantial shareholdings in transferee holding company**

**15.—**(1) No person shall enter into any agreement to acquire shares by virtue of which he would, if the agreement is carried out, acquire a substantial shareholding in the transferee holding company without first notifying the Authority of his intention to enter into the agreement and obtaining the approval of the Authority to his entering into the agreement. 25

(2) The Authority may grant its approval referred to in subsection (1) subject to such conditions as it considers appropriate to impose.

(3) Without prejudice to subsection (6), the Authority may, for the purposes of securing compliance with subsection (1) or any condition imposed under subsection (2), by notice in writing direct the transfer or disposal of all or any of the transferee holding company's shares in which the substantial shareholder has or has had an interest. 30

(4) Any person who is in receipt of a direction given by the Authority under subsection (3) shall transfer or dispose of the 35

number of shares of the transferee holding company which are the subject of such direction, and until such transfer or disposal —

- (a) no voting rights shall be exercisable in respect of that number of shares;
- 5 (b) no shares of the transferee holding company shall be issued or offered (whether by way of rights, bonus or otherwise) in respect of that number of shares; and
- (c) except in a liquidation of the transferee holding company, no payment shall be made by the transferee holding company of any sums (whether by way of dividends or otherwise) in  
10 respect of that number of shares.

(5) For the purposes of this section —

“interest” has the same meaning as in section 7 of the Companies Act (Cap. 50);

- 15 “substantial shareholder” and “substantial shareholding” have the same meanings as in section 81 of the Companies Act.

(6) Any person who contravenes subsection (1) or (4) or who fails to comply with any condition imposed by the Authority under subsection (2) shall be guilty of an offence and shall be liable on  
20 conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 12 months or to both.

### **Additional powers of Authority in respect of auditors**

25 **16.**—(1) If an auditor, in the course of the performance of his duties as an auditor of the transferee holding company, becomes aware —

- (a) of any matter which, in his opinion, may adversely affect the financial position of the transferee holding company to a material extent;
- 30 (b) of any matter which, in his opinion, may constitute a breach of any provision of this Act or a criminal offence involving fraud or dishonesty; or
- (c) of any irregularities that have a material effect upon the accounts, including irregularities that may affect or jeopardise the funds or property of investors in securities or  
35 futures contracts,

he shall immediately report the matter to the Authority.

(2) An auditor shall not, in the absence of malice on his part, be liable to any action for defamation at the suit of any person in respect of any statement made in his report under subsection (1).

(3) Subsection (2) shall not restrict or affect any right, privilege or immunity that the auditor has, apart from this section, as a defendant in an action for defamation. 5

(4) Notwithstanding the provisions of the Companies Act (Cap. 50), the Authority may impose all or any of the following additional duties on an auditor of the transferee holding company:

- (a) a duty to submit such additional information and reports in relation to his audit as the Authority considers necessary; 10
- (b) a duty to enlarge, extend or alter the scope of his audit of the business and affairs of the transferee holding company;
- (c) a duty to carry out any other examination or establish any procedure in any particular case; 15
- (d) a duty to submit a report on any matter referred to in paragraph (b) or (c),

and the transferee holding company shall remunerate the auditor in respect of the discharge by him of all or any of these additional duties.

(5) For the avoidance of doubt, sections 207 and 208 of the Companies Act shall, to the extent to which they may be applicable, apply to the discharge of an auditor's additional duties under subsection (4). 20

### **Jurisdiction of District Court**

**17.** Notwithstanding the provisions of the Criminal Procedure Code (Cap. 68), a District Court shall have jurisdiction to hear and determine all offences under this Act and shall have power to impose the full penalty or punishment in respect of any offence under this Act. 25

### **Amendment to Monetary Authority of Singapore Act**

**18.** The Monetary Authority of Singapore Act (Cap. 186) is amended by inserting, immediately after Part IV, the following Part: 30

“PART IVA

FINANCIAL SECTOR DEVELOPMENT FUND

**Establishment of Financial Sector Development Fund**

**30A.**—(1) There shall be established a fund to be called the Financial Sector Development Fund (referred to in this Part as the Fund) which shall, subject to the directions of the Minister, be controlled and administered by the Authority.

(2) The Fund shall consist of —

(a) such proceeds raised in connection with the sale of the transferee holding company’s shares as is referred to in section 10 of the Exchanges (Demutualisation and Merger) Act 1999;

(b) all moneys contributed by the Government to the Fund;

(c) all donations and gifts accepted by the Authority for the Fund; and

(d) any interest, dividend and other income derived from the investment of the moneys in the Fund.

(3) The Fund shall be used for the objects and purposes set out in section 30B and shall be deemed not to be a fund of the Authority for the purposes of any written law.

**Objects of Fund and expenditure of moneys of Fund**

**30B.**—(1) The objects for which moneys of the Fund may be applied are as follows:

(a) the promotion of Singapore as a financial centre;

(b) the development and upgrading of skills and expertise required by the financial services sector;

(c) the development and support of educational and research institutions, research and development programmes and projects relating to the financial services sector; and

(d) the development of infrastructure to support the financial services sector in Singapore.

(2) In carrying out the objects of the Fund, the Authority may, from time to time, authorise moneys of the Fund to be paid out and expended for all or any of the following purposes carried out in Singapore or elsewhere:

- (a) establishing or expanding facilities or assisting in the maintenance of facilities for training courses and training programmes designed to promote the skills or expertise for purposes consistent with the objects of the Fund; 5
- (b) the provision of scholarships, grants, subsidies, rebates, loans or other financial assistance or incentives for purposes consistent with the objects of the Fund; and 10
- (c) such other purposes not inconsistent with the objects of the Fund as the Minister may approve. 15

(3) The Authority may also authorise moneys of the Fund to be used to pay the following: 15

- (a) all claims in satisfaction of any indemnity or warranty given by the Authority in relation to the sale of the transferee holding company's shares as defined in the Exchanges (Demutualisation and Merger) Act 1999; 20
- (b) all expenses incurred by the Authority or its employees or agents in the administration of the Fund; and
- (c) the fees referred to in section 30C (3).

(4) The Minister may, from time to time, approve the payment of such sums in the Fund to the Consolidated Fund as the Minister may determine. 25

## **Investment**

**30C.**—(1) The Authority may invest the moneys of the Fund available for investment in such manner as trustees may by any written law be authorised to invest, or in such other manner as the Minister may determine. 30

(2) The Authority may delegate all or any of its powers and functions under subsection (1) to any employee or agent as it may appoint.

(3) The Authority may pay to any person appointed under subsection (2) a fee for any service rendered in exercise of any 35

power and function delegated to that person under that subsection.

### **Financial provisions**

**30D.** Sections 32, 33 and 34 shall apply, with the necessary modifications, to the Authority in relation to its administration of the Fund.”.

### **Amendments to Futures Trading Act**

**19.** The Futures Trading Act (Cap. 116) is amended —

(a) by deleting the definition of “business rules” in section 2 and substituting the following definition:

““business rules”, in relation to a body corporate that maintains or proposes to maintain a futures market or a clearing house, means the rules, regulations and by-laws, by whatever name called, governing the activities and conduct of—

(a) the body corporate and its members; and

(b) other persons in relation to the futures market or clearing house, as the case may be,

whether those rules, regulations or by-laws are made by the body corporate or are contained in the memorandum and articles of association of the body corporate or altered or supplemented by the Authority under section 6 (4);”;

(b) by deleting the words “, or an association or organisation forming part of a Futures Exchange,” in the definition of “clearing house” in section 2;

(c) by deleting sub-paragraph (iv) of section 4 (2) (a) and substituting the following sub-paragraph:

“(iv) with respect to the clearing and other arrangements made and the financial condition of the proposed Futures Exchange, the clearing house for futures contracts to be entered into on the Futures Exchange, and the members of the clearing house, such as to provide reasonable assurance that all

obligations arising out of those contracts will be met;”; and

- (d) by deleting the words “No person” in the 1st line of section 65 (1) and substituting the words “Except with the approval of the Authority, no person”.

5

## **Amendments to Securities Industry Act**

**20.** The Securities Industry Act (Cap. 289) is amended —

- (a) by deleting the words “or bonds” in paragraph (a) of the definition of “securities” in section 2 (1) and substituting the words “, bonds or notes”; 10
- (b) by deleting the words “or option” in paragraph (c) of the definition of “securities” in section 2 (1) and substituting the words “, option or derivative”; 10
- (c) by deleting the word “or” at the end of paragraph (c) of the definition of “securities” in section 2 (1) and, by inserting 15 immediately thereafter the following paragraph:

“(ca) any right under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in — 20

(i) the value or price of any such debentures, stocks, shares, bonds or notes;

(ii) the value or price of any group of any such debentures, stocks, shares, bonds or notes; or 25

(iii) an index of any such debentures, stocks, shares, bonds or notes; or”;

- (d) by deleting subsection (3) of section 16;
- (e) by inserting, immediately after the words “exchange or” in the 3rd line of section 88 (3), the words “against any member or employee”; 30
- (f) by inserting, immediately after the words “exchange or” in the 2nd line of section 95 (3), the words “against any member or employee of”;
- (g) by deleting the words “A body” in the 1st line of section 106 (2) and substituting the words “Except with the approval of the Authority, a body”; 35

(h) by deleting the word “member” in the following provisions and substituting in each case the words “member company”:

5                   Sections 19 (2) (3rd and 5th lines), (3) (4th line) and  
                    (4) (3rd, 4th and 5th lines), 21 (5) (6th and 7th lines),  
                    49 (5) (a) (1st and 5th lines), 52 (4) (2nd line) and 70 (1)  
                    (14th line); and

(i) by deleting the word “members” in the following provisions and substituting in each case the words “member companies”:

10                   Sections 2 (1) (definition of “rules”) (3rd line), 10 (3)  
                    (4th line), 16 (2) (a) and (b) (ii) (2nd line), (iv) and (v)  
                    and 17 (2) (a) (A) and (B).

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#### EXPLANATORY STATEMENT

This Bill seeks to provide for the demutualisation and merger of the Stock Exchange of Singapore Limited (referred to as SES), the Singapore International Monetary Exchange Limited (referred to as SIMEX) and the Securities Clearing and Computer Services (Pte) Limited (referred to as SCCS). The Bill seeks to do so by making SES, SIMEX and SCCS wholly-owned subsidiaries of the transferee holding company designated by the Minister (clauses 3, 4 and 5). The Bill also enables the certified assets of SES, SIMEX and SCCS to be transferred to the transferee holding company (clause 7).

The Bill provides in return for the allocation of shares of the transferee holding company to SES shareholders, SIMEX shareholders and SIMEX registered seat owners as at 4th November 1998, except those shareholders in involuntary liquidation on that date, and the sale of such shares to new investors through a special purpose company designated by the Minister. SES shareholders will receive \$6 million in value of new shares for each SES share. SIMEX shareholders will receive \$115,000 in value of new shares for each SIMEX share. SIMEX registered seat owners will receive \$170,000 in value of new shares for each SIMEX seat (clauses 6 and 8).

The proceeds from the sale of shares to new investors (after deducting the par value and certain expenses) will be paid into the Financial Sector Development Fund to be established under the Monetary Authority of Singapore Act (Cap. 186) by this Bill (clause 18). The Monetary Authority of Singapore (the Authority) will administer the Fund.

The Bill also contains provisions to allow the Authority to supervise the listing of the transferee holding company’s shares on the stock exchange and for those shares to be treated as stocks which a trustee may invest in under the Trustees Act (Cap. 337) (clauses 12 and 13).

As SES, SIMEX and SCCS will become wholly-owned subsidiaries of the transferee holding company, the Bill provides the Authority with certain interim regulatory powers in relation to the transferee holding company (clauses 14, 15 and 16).

The Bill also seeks to make consequential and related amendments to the Futures Trading Act (Cap. 116) (clause 19) and the Securities Industry Act (Cap. 289) (clause 20).

#### EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.

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