



THE STATUTES OF THE REPUBLIC OF SINGAPORE

EXCHANGES (DEMUTUALISATION AND MERGER) ACT

(CHAPTER 99B)

(Original Enactment: Act 27 of 1999)

REVISED EDITION 2000

(30th December 2000)

Prepared and Published by

THE LAW REVISION COMMISSION
UNDER THE AUTHORITY OF
THE REVISED EDITION OF THE LAWS ACT (CHAPTER 275)

Informal Consolidation – version in force from 1/10/2002

Exchanges (Demutualisation and Merger) Act

ARRANGEMENT OF SECTIONS

Section

1. Short title
2. Interpretation
3. Transfer date and designation of companies
4. Reduction of share capital of SES, SIMEX and SCCS
5. Capital creation and issue of shares of SES, SIMEX and SCCS
6. Allotment and issue of transferee holding company's shares
7. Transfer of reserves of SES, SIMEX and SCCS
8. Sale of transferee holding company's shares by special purpose company
9. Exemption from section 59 of Companies Act
10. Proceeds from sale of shares
11. Application of Companies Act to shares held by special purpose company
12. Application of Trustees Act to investment in transferee holding company
13. to 16. [*Repealed*]
17. Jurisdiction of District Court

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.

[8th October 1999]

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).

- (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).
- (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.
- (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.

Short title

1. This Act may be cited as the Exchanges (Demutualisation and Merger) Act.

Interpretation

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

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

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

“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;

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

“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;

“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;

“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);

“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.

[42/2001 wef 01/10/2002]

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[†] —

- (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

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.

(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
- (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) (which provides for special resolution for reduction of share capital).

*1st December 1999 (G.N. No. S 524/99) — Transfer Date.

[†](a) transferee holding company — Singapore Exchange Limited. (b) special purpose company — SEL Holdings Pte Ltd (see G.N. No. S 525/99 — with effect from 1st December 1999).

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 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 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 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 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, 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).

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

(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

(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.

(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 —

(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

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 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

*\$5,000 per share (G.N. No. S 526/99 — with effect from 1st December 1999).

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

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 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) Subdivision 2 of Division 1 of Part XIII of the Securities and Futures Act 2001 (which provides for prospectus requirements) shall not apply to an offer of shares made by the transferee holding company under subsection (1) or by the special purpose company under subsection (2).

[42/2001 wef 01/10/2002]

(4) Section 76 of the Companies Act (which prohibits a company from financing dealings in its own shares) shall not apply in relation 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

9. Section 59 of the Companies Act (Cap. 50) (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 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.

(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

11.—(1) Notwithstanding section 139 or 140 of the Securities and Futures Act 2001 (relating to take-overs offers) and the Take-over Code referred to in section 139(2) of that 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 —

- (a) the special purpose company;
- (b) any other company that is deemed by virtue of section 6 of the Companies Act (Cap. 50) to be related to the special purpose company; or
- (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 139 or 140 of the Securities and Futures Act 2001 or the Code.

[42/2001 wef 01/10/2002]

(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 —

- (a) hold the transferee holding company's shares subscribed by it under section 8(1) for the benefit of the Financial Sector Development Fund;

- (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.

13. to 16. [*Repealed by Act 42/2001 wef 01/10/2002*]

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.

LEGISLATIVE HISTORY
EXCHANGES (DEMUTUALISATION AND MERGER) ACT
(CHAPTER 99B)

This Legislative History is provided for the convenience of users of the Exchanges (Demutualisation and Merger) Act. It is not part of the Act.

1. Act 27 of 1999 — Exchanges (Demutualisation and Merger) Act 1999

Date of First Reading	:	6 July 1999 (Bill No. 20/99 published on 7 July 1999)
Date of Second and Third Readings	:	4 August 1999
Date of commencement	:	8 October 1999

2. Act 27 of 1999 — Exchanges (Demutualisation and Merger) Act 1999

Date of First Reading	:	6 July 1999 (Bill No. 20/99 published on 7 July 1999)
Date of Second and Third Readings	:	4 August 1999
Date of commencement	:	1 December 1999

3. Act 27 of 1999 — Exchanges (Demutualisation and Merger) Act 1999

Date of First Reading	:	6 July 1999 (Bill No. 20/99 published on 7 July 1999)
Date of Second and Third Readings	:	4 August 1999
Date of commencement	:	1 October 2000

4. 2000 Revised Edition — Exchanges (Demutualisation and Merger) Act

Date of operation	:	30 December 2000
-------------------	---	------------------

5. Act 42 of 2001 — Securities and Futures Act 2001

Date of First Reading	:	25 September 2001 (Bill No. 33/2001 published on 26 September 2001)
Date of Second and Third Readings	:	5 October 2001
Date of commencement	:	1 January 2002

6. Act 42 of 2001 — Securities and Futures Act 2001

Date of First Reading : 25 September 2001
(Bill No. 33/2001 published on
26 September 2001)

Date of Second and Third Readings : 5 October 2001

Date of commencement : 1 July 2002

7. Act 42 of 2001 — Securities and Futures Act 2001

Date of First Reading : 25 September 2001
(Bill No. 33/2001 published on
26 September 2001)

Date of Second and Third Readings : 5 October 2001

Date of commencement : 1 October 2002

COMPARATIVE TABLE
EXCHANGES (DEMUTUALISATION AND MERGER) ACT
(CHAPTER 99B)

The following provisions in the Exchanges (Demutualisation and Merger) Act 1999 (Act 27 of 1999) have been renumbered by the Law Revision Commissioners in this 2000 Revised Edition.

This Comparative Table is provided for the convenience of users. It is not part of the Exchanges (Demutualisation and Merger) Act.

2000 Ed.	Act 27 of 1999
14—(5) and (6)	14—(5)
(7) to (9)	(6) to (8)
<i>Omitted</i>	18, 19 and 20