

SECTION 2: QUESTIONS FOR RESPONSE

Please indicate your views by providing comments as appropriate. Where there is insufficient space, please use additional sheets of paper as necessary.

HKEx's Proposal 1: Revise HKEx Stress Testing Assumptions

Questions

1. Do you support the proposed revision of the Price Movement assumptions in stress testing?

☒ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We agree to use a set of assumption based on the most volatile historical price movements for HKSCC as it can enhance the protection to both the clearing house and participants. In accordance with the proposal, the price movement assumptions will be increased from current +/- 20% to +/- 22%. If there's any changes on this %, we suggest HKSCC to consult or notify all the clearing members.

2. Do you support the proposed revision of the Counterparty Default assumption in stress testing?

☒ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We agree to adopt default of the single largest CP plus the fifth largest CP as one of the assumption to use in conducting stress testing to arrive at the projected loss in order to strengthen the risk management measures and in line with international standard.

HKEx's Proposal 2: Introduce Margining and Dynamic Guarantee Fund in HKSCC

Questions

3. Do you agree with the proposed margining arrangements at HKSCC?

☒ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

We agree with the proposed margining arrangement as a non-pooled measures which used to cover potential losses caused by respective default clearing participant under normal market condition. It can help to reduce the chance of loss sharing by other non- default clearing members

As a GCP, we suggest to provide the breakdowns of the margin requirement for each NCP on the daily statement .

4. Do you agree with the proposed Dynamic GF model at HKSCC?

☒ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

For the Dynamic GF, HKSCC should consider to pay interest to CPs which apply the same practice as Fixed GF. Also, in order to increase the transparency and know the risk exposure of each NCP, we suggest to include the size of Dynamic GF and the amount of contribution for each NCP in the monthly statement.

In terms of the cessation of participation in CCASS, we suggest the refund time to be less than six months.

Under CCASS rule 18.6.3, there's an arrangement for the opting out for contributions exceeding limit. Under this proposal, there's no mention about this arrangement. So, if clearing participant elect to

terminate its participant in CCASS upon receiving the notice form HKSCC of a pro-rata application of the Dynamic Fund, we suggest clearing participant shall pay its required contribution as fixed immediately prior to such pro-rata application only.

HKEx's Proposal 3: Revise HKCC Reserve Fund Calculation

Questions

5. Do you support the proposed revisions to the HKCC Collateral assumption?

☐ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

6. Do you support the use of HKCC Contingent Advance in relieving burden of CPs?

☐ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

7. What is your view on allowing RF contribution to be counted as liquid capital? Will this help your company in terms of reducing liquid capital funding burden?

HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation

Questions

8. Do you support the proposed revisions to the SEOCH Collateral assumption?

☐ Yes

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:
