

## 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:

**The proposed Price Movement assumption, ie. 22%, is reasonable as it is derived based on history ie. possible to happen.**

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 can't see there is any supportive argument for taking 5<sup>th</sup> largest CP as the top-up reference. Why 5<sup>th</sup> largest was chosen?**

**Is it possible to take an average of a pool of CPs?**

**Examples:- average of 2<sup>nd</sup> – 10<sup>th</sup> largest CPs.**

**average of 10<sup>th</sup>, 20<sup>th</sup>, 30<sup>th</sup> largest CPs etc.**

## 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:

**To certain extent, the existing practice of “Marks” can serve the same purpose. Can a simplified and consolidated framework be worked out instead of adopting 2 different ways (“Marks” & “Margin” for collecting money from CPs.**

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:

**At present, HKSCC may from time to time request for additional Guarantee Fund depends on our turnover. It somehow serves the same purposes. The Guarantee Fund so paid (fixed and top-up) cannot be treated as liquid assets for FRR purpose.**

**Should the proposed Dynamic Guarantee Fund be implemented and supposed it cannot be treated as liquid assets for FRR purposes, the impact to our liquidity position would be significant.**

**For any nature of Guarantee Fund (fixed, top-up, Dynamic), it should be allowed to be treated as liquid assets for FRR purpose.**

**Besides, the proposed Dynamic GF Credit of HK\$1m is not sufficient. And, it should not be a fixed amount for all CPs. Dynamic GF Credit of HK\$1 million may be too much for small brokers but it may be too little for large brokers. Can a scaled Dynamic GF Credit be worked out for CPs of different needs?**

**HKEx's Proposal 3: Revise HKCC Reserve Fund Calculation**

**No comments as we are not of HKCC participant at the moment.**

**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:

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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:

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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?

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**HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation**

**No comments as we are not of SEOCH participant at the moment.**

**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:

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