

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
<p>1. Do you support the proposed revision of the Price Movement assumptions in stress testing?</p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <p>The Price Movement Assumption is use the most volatile period at 5th June 1989. It is not sufficient reflect the current situation because the data are came from over 20 years. It is not fair to the participant for using a most prudence assumption. I suggest:</p> <ul style="list-style-type: none">● Use average price movement with standard deviation 2 instead of use 1989 record. <p>_____</p> <p>_____</p>
<p>2. Do you support the proposed revision of the Counterparty Default assumption in stress testing?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

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:

(Please refer to the attached sheet)

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:

Suggest to have the following changes to facilitate the participant

- a. **Increase the Dynamic GF credit to HK\$2million**
- b. **Can be use half-monthly review instead of monthly because when the Dynamic GF is not necessary during the month. CP can received back the contribution quickly**

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:

No suggestion as we are not HKCC CP.

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:

No suggestion as we are not HKCC CP.

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?

As CP need to maintain sufficient liquid asset to comply with SFC FRR requirements. If this proposal is implemented, the RF contribution must be counted as liquid capital because the Dynamic RF contribution amount is not easy to predict.

HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation

Questions	
8.	<p>Do you support the proposed revisions to the SEOCH Collateral assumption?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <p>No suggestion as we are not SEOCH CP.</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

Attachment

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

I agree to have margin arrangement at HKSCC. However, it will increase the finance cost for the clearing participant ("CP") in this proposal. Therefore, the margin deposit cannot be set up too high.

I suggest have following amendments: (those amendments can be combine)

- a. In current proposal, the margin rate is use Benchmark rate multiply 110%. It can reduce by use the Benchmark rate as margin rate.
- b. For the CP do not have any default settlement in a period, HKSCC can reduce the margin rate or increase the margin credit to them because they are have not any indicator as default. On the other hand, for the CP have more default in settlement, HKSCC can increase their margin rate or reduce the margin credit to them.
- c. If the new proposal for margin arrangement is implemented, the current "Marks and collateral" for unsettle trades can also be adjusted. For example, e.g., grant the credit limit of Marks to each firm.