

## 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.	<p>Do you support the proposed revision of the Price Movement assumptions 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>The levels and methodology are transparent and appear consistent with the current state of the marketplace.</p> <hr/> <hr/> <hr/> <hr/>
2.	<p>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> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>

## **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 believe that this proposal will more fairly distribute the risks in the event of a small counterparty default (who is currently paying no margin) and provide more protection for the margin that we place under the current Fixed Guarantee Fund methodology.

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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:

While we support the introduction of this measure, we strongly believe that the contributions to the Guarantee Fund should be treated as Liquid Capital. Without this treatment, we believe this is an unfair burden which does not follow international standards and will not promote a level playing field.

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### 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:

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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:

While this measure does not obviate our requirements to participate in loss-sharing in a default scenario, it will reduce our day-to-day funding obligations for this portion of the Dynamic Reserve Fund.

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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?

We support the consideration of the Dynamic Reserve/Guarantee Fund as liquid capital under the FRR. The proposed one-to-one haircut is not supported as it will lower the liquid capital and increase our obligations significantly.

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**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 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>We believe that this treatment would be consistent with the treatment of collateral by the HKCC. We believe that margin pledged should be considered in the SEOCH Reserve Fund calculation.</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>