

## 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 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>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>	

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

Questions	
3.	<p>Do you agree with the proposed margining arrangements at HKSCC?</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>
4.	<p>Do you agree with the proposed Dynamic GF model at HKSCC?</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>

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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:

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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?

Please refer to Appendix 1 as enclosed.

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

**Questions**

8. Do you support the proposed revisions to the SEOCII 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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## Appendix 1

Q7 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?

Ans: The RF contribution should be counted as liquid capital, at least to some extent since:

- (1) the dynamic RF requirement is reviewed on monthly basis which is relatively short term, and the dynamic RF paid by a participant will be returned to the participant in the next month should it be no longer required;
- (2) the determination of the dynamic RF contribution payable by individual participant is based on the participant's market share of average net margin during the most recent 20 days which again is relatively short term;
- (3) the dynamic RF required of a participant is indirectly linked to its unsettled positions (through its market share of average net margin) and such positions, on the other hand, have been subject to various degrees of haircut under the Financial Resources Rules according to their nature;
- (4) as noted in the consultation paper, this is alongside the practices of some overseas markets.