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: **Response:** **We consider the proposed Price Movement assumption in stress testing to be appropriate and rigorous to reflect stressed market conditions and support the revision.**
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: **Response** **We are supportive of the proposed revision of the Counterparty Default assumption in stress testing. It is a simplified and reasonably conservative method which is in line with IOSCO recommendation.**

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: **Response:** **The proposed margining arrangements at HKSCC enhance equitable treatment of stakeholders. We agree with the use of a value at risk approach to measure market volatility. We also believe that applying a cushion of 10% over the benchmark rate and a minimum margin rate of 5% will adequately protect the HKSCC from under margining.**
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: **Response:** **We agree with the proposed Dynamic GF model at HKSCC. We suggest that the HKEx clarify the circumstances under which an ad hoc review of the GF will be conducted and the exact triggering mechanism for such ad hoc review.**

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: **Response:** **We consider the proposed revisions to the HKCC Collateral assumption to be reasonable.**
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: **Response:** **We agree that the use of the HKCC Contingent Advance relieves liquidity and capital burden of CPs.** **We are also supportive of capping the CP's obligations at two times the CP's existing RF contribution requirement and potential HKCC Contingent obligation upon the date of resignation.**

Questions
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? **Response:** **We recommend that the risk of CP default and probability of utilizing the RF be considered in determining an appropriate haircut percentage for default fund contributions. A suggestion would be to apply different haircuts to the fixed and dynamic portions of RF contributions to distinguish the different order of application of the funds to cover default losses.**

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: **Response:** **We support the proposed revisions to the SEOCH Collateral assumption.**