

## 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:

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:

## **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:

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:

Monthly process where Hong Kong Clearing Corporation is the calculation agent.

### **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:

This removes the intra-day margin credit for a real exposure between the exchange and the counterparty. This seems to be a reasonable step to protect the clearing house exposure with the customer. We do not believe this has a material impact on our operations.

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:

This impacts HKEx investors and shifts responsibility to the investor (HKEx) from the clearing participants.

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 are supportive on this as this will help the clearing participants to release the burden to raise extra capital in order to meet the Liquid Capital requirement under the Financial Resources Rule and also incur extra funding costs. We support HKEx efforts to lobby the SFC to allow the RF to become liquid capital.

#### **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:

The proposal will result in a credit for SEOCH, and reduce balances slightly as the current methodology is over prudent.