

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 BUT
☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

ONLY IF IT CAN BE COUNTED AS LIQUID
CAPITAL UNDER THE FRR TO REDUCE
PARTICIPANTS' FUNDING BURDEN!

4. Do you agree with the proposed Dynamic GF model at HKSCC?

- ☒ Yes BUT
☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

This is on the basis of understanding
that the treatment for the guarantee
fund and any and all margins
shall be treated as a part of the
participants' liquid capital. AND IN
FULFILLMENT OF THE FRR RULES.

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:

6. Do you support the use of HKCC Contingent Advance in relieving burden of CPs?

☒ Yes

BUT

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

WE BELIEVE THAT THE CONTINGENT ADVANCE
SHOULD BE SET AT A MUCH HIGHER
LIMIT, SAY \$20 MILLION

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 STRONGLY BELIEVE THAT BOTH THE
MARGIN AND GUARANTEE FUND SHOULD
BE COUNTED AS LIQUID CAPITAL UNDER
THE FINANCIAL RESOURCES RULES.
PLEASE REFER TO OUR DETAILED COMMENT
LETTER THAT IS FORTHCOMING.

HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation

Questions

8. Do you support the proposed revisions to the SEOCH Collateral assumption?

☒ Yes **BUT NOT THAT APPLICATION.**

☐ No

Please provide reasons for your response and include any other suggestions or comments you may have on this question:

PLEASE NOTE..

WE NOTE THE CONCEPTUAL FRAMEWORK PROPOSES A SEPARATE FUND CALLED THE RISK MANAGEMENT FUND THAT WOULD BE USED IN THE EVENT OF DEFAULT. WE BELIEVE THE SEC'S HUGE RESERVES OF OVER HKD 7 BILLION SHOULD BE USED (AT LEAST A PART) FOR THIS FUND. EVEN BEFORE THE DYNAMIC FUND IS PUT IN PLACE. A DETAILED COMMENT LETTER IS FORTH COMING.