

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.

HKEEx's Proposal 1: Revise HKEEx 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:

Although historical price movement would not
be applicable to an ongoing changing environment,
however, we still have to pick a benchmark to
decide the potential risk factor. We therefore,
agree to the proposed assumptions.

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:

We believe HKEEx did conduct an in-depth
study before picking the assumption of
counterparty default.

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 agree with the need for margining arrangements, however, we disagree with the amount necessary and timing of payment. We note that the JETH already collects "marks", the additional amount of "margin" is a significant burden to smaller brokerages. Additionally, end of day payment is ~~not~~ a serious burden, especially as it is over two days (T+2).

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:

The proposed Dynamic GF at HKSCC provides an additional cushion for risk tolerance. The Dynamic GF credit does alleviate the burden of smaller brokers. We would like to recommend HKEX to raise the amount from HK\$1 million to the amount that covers over 80% of CPs.

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:

No comment

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:

No comment

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 definitely prefer the RF could be treated as liquid capital. We hope HKEx is able to negotiate with STC on this issue.

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:

No comment.
