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: Our firm supports any measure enhancing the global risk framework and overall market integrity. Proposed price movement assumptions seem appropriate, compared to historical levels (20% or 22%). We would like nevertheless having consistency between the three clearing houses on the price movement between stocks and futures. _____
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 consider important to have consistent defaulting assumptions rules across the 3 CCPs. However, the proposed "largest and 5th largest CP" rule appears to be more a "reverse engineering" benchmark . _____ _____

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: For a maximum overall protection, margining should be proportional to the risk taken by each CP (a "Pay per Use" model). We understand that the proposed model goes towards that direction, even if the Margin Credit could lower this aspect on small brokers. We would also welcome any cross margining capabilities between HKSCC and HKCC. _____ _____ _____ _____
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: We would favor a revision on a weekly basis of the contribution of each CP to the Dynamic GF called in order to have a faster adjustment of the contribution to the dynamic Fund with the level of activity of the CP. _____ _____ _____ _____

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:

As indicated is our answer to question 3, we give preference to a system where collected margins reflects the actual risk taken by each CP. In that respect, we do not consider that the proposed contingency advance reflects the actual risk taken by each CP, as non-defaulting CP will be responsible for this contingency advance in case of a member' default.

Moreover, we consider each CP's share into the HKCC Dynamic RF should be calculated according to potential losses of its positions: higher margining for options out of the money should be reflected in the margining amount claimed through the Dynamic RF.

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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?

   We agree with the fact of considering RF contribution as liquid capital providing that its amount is not calculated on a monthly basis as mentioned, but at a higher periodicity.

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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: We agree with consistency rules between SEOCH and HKCC regarding collateral assumptions. _____ _____ _____ _____ _____ _____ _____