

### **Question 1**

Yes

It is prudent for the Price Movement assumptions to reflect the historically extreme market conditions.

### **Question 2**

Yes

There is no reason why the assumption for 30% loss-making positions should stay. It is reasonable to suggest that we should refer to a situation larger than the default of the largest CP. However, adding the default of the largest to the fifth largest CP really looks arbitrary. People would ask why not the fourth? Why not the sixth? We suggest that we use the default of the largest CP as a base, and use 1.2 times or 1.5 times of its size as a figure in the stress testing calculation.

### **Question 3**

Yes

It is appropriate to set up margining at HKSCC. It is really considerate to suggest Margin Credit.

### **Question 4**

Yes

It is only fair to propose Dynamic GF. In that case, GF is scalable to changes in risk exposure. Once again, it is considerate to suggest Dynamic GF Credit.

### **Question 5**

Yes

It is reasonable to revise the HKCC Collateral assumption. It is hard to guarantee that the original assumption can turn into reality in critical circumstances.

**Question 6**

Yes

It is appropriate to use HKCC Contingent Advance to relieve the burden of CPs. It is appropriate to make use of available resources.

**Question 7**

It is appropriate to allow RF contribution to be counted as liquid capital. It is the contribution of the CP to the Reserve Fund in order to do business. It is part of the operation.

**Question 8**

Yes

It is appropriate to revise the SEOCH Collateral assumption. It is part of the funding of the CP to do business.