

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

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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:

While we support the proposed margining arrangements at HKSCC in general, we prefer a flexible approach to allow the use of currencies different from the denominated currency of the CNS positions for margin payment. In particular, trading volume in USD is relatively low and there are only few stocks denominated in RMB, the flexibility will avoid the need to have currency exchange for relatively small positions and maintain multiple banking facility for the purpose.

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 support the HKEx suggestion to seek changes to FRR and allow GF / RF contributions to be counted as liquid capital. (Please also refer to 7. below.)

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

☐ No

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

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?

As noted in #4. above, we support the HKEx suggestion to seek changes to FRR and allow GF / RF contributions to be counted as liquid capital. The additional GF / RF that has to be paid in certain days can result in a significant decrease in our liquid capital under the current FRR calculations.

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:
