

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.	<p>Do you support the proposed revision of the Price Movement assumptions in stress testing?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
2.	<p>Do you support the proposed revision of the Counterparty Default assumption in stress testing?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

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:

- 1) the Marks system has been in use for a long period of time and proved to be working well, this should not be changed just because of Lehman Brothers' case*
- 2) the change will result in more margin requirement than the current Marks system, which will exert pressure on funding for brokers*
- 3) medium to bigger sized brokers will pay more margin, while small sized brokers will probably result in less or about the same margin – this is not fair to medium sized brokers.*

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:

- 1) the model will result in increased GF for medium sized brokers, there will be financing costs involved in meeting this GF and the cost of running the business will become higher.*
- 2) It is going to be a difficult market in the coming year, it is not a good to time to implement changes that will have financial impact on brokers.*
- 3) The GF is not counted towards FRR, this will result in the brokers being penalised twice for its volume – once in increased FRR requirement and the other in decreased FRR due to increased GF.*

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:

We believe a larger portion of Contingent Advance should be borne by HKCC, so that the probability of increase in dynamic RF collectible should be kept to a minimum.

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 view. We believe it is common practice in other exchanges that such contribution can be counted as liquid capital. This will help to relieve liquid capital burden.

HKEx's Proposal 4: Revise SEOCH Reserve Fund Calculation

Questions	
8.	<p>Do you support the proposed revisions to the SEOCH Collateral assumption?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Please provide reasons for your response and include any other suggestions or comments you may have on this question:</p> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>