

**Submitted via Qualtrics**  
**Company/Entity View**

**Question 1(i)**

**Do you have any comments or concerns on the proposed trading arrangements?**

No

**If the answer is "Yes", please specify your comments or concern:**

N/A

**Question 1(ii)**

**Do you have any comments or concerns on the proposed clearing arrangements?**

Yes

**If the answer is "Yes", please specify your comments or concern:**

We are concerned about the inability to give up night session trades on NH products to clearing participants who opt out of H Trading, we believe this introduces additional risk and costs for clearing participants who opt in to support H Trading. Our proposed funding model outline below addresses this risk.

If HKEX decide to pursue their proposal as is, we at least need transparency on the clearing members who opt out as it may well lead us to stop supporting give outs to these clearing members on normal business days as well as H trading days.

**Question 1(iii)**

**Do you have any comments or concerns on the proposed risk management arrangements?**

Yes

**If the answer is "Yes", please specify your comments or concern:**

We do not support funding in USD on H Trading days. Settlement banks are themselves raising concerns about USD liquidity ie. preventing withdrawals being made and as a result we do not support this approach. Adopting the SGX model ie. no margin calls on H Trading days and relying on the increased initial margins rates for H and NH products to cover the risk whilst

passing the risk to the end users on H Trading days would simplify the model and would enable all clearing members, whether they are supporting H Trading days or not to be treated the same. Due to the client money issues we have identified, the argument to adopt this approach becomes more compelling.

If HKEX pursue implementing margin calls in USD, the risks we believe this will present are as follows:

- Not level playing field between clearing members supporting H Trading vs the clearing members not supporting H Trading.
- Costs being borne by clearers and not the end users / clients
- Liquidity, based on size of our business in terms of volumes and open interest, the USD liquidity needs could be high and we have risks of not being able to secure sufficient funding in the timelines required. Per our request, we require data information to assess the scale of margin calls we could anticipate on H Trading Days. This should be made available to all clearing members to assess the impacts.
- Issuing margin calls on Trade Day and margin calls to be settled on TD+1 continue to be constraints for HKEX clearing members. H Trading and Extended Clearing just add to the risks of adhering to these regulations, we strongly advise HKEX review these to align more to regional standards.
- Per our e mail on 30/11, we believe the inability to withdraw excess whilst the excess is used to cover margin calls leaves us exposed to a breach of SFC Code of Conduct Section 16(a) of Schedule 4 ie. No licensed or registered person should apply, permit or suffer any monies, securities or any other forms of collateral standing to the credit of any client's ledger account to be applied for the benefit of its own trading accounts, accounts of its directors or employees or for the benefit of trading accounts of any other clients.
- Per our e mail on 30/11, HK Client Money Rules exclude HK public holidays like Christmas. Current HKEX consultation seems to also suggest H day is NOT a business day hence it may mean that licensed corporations don't need to count H day as 1 business day for purpose of proper segregation within 1 business day as per HK Client Money Rules but we will need explicit confirmation from SFC on the definition of Business Day.
- Per our e mail on 30/11, we require clarification to confirm there are no issues with current proposal with respect SFC on Section A(3) of Appendix to SFC circular dated 17 Dec 2008 (<https://apps.sfc.hk/edistributionWeb/api/circular/openFile?lang=EN&refNo=H531>). It's a breach of HK Client Money Rules by paying brokers' own money into HK\$ client segregated accounts instead of keeping client money received in a foreign currency in client segregated accounts in that same foreign currency.

In addition to the above, we would request clarity on the Default management process if they occur on H Trading days ie. this should be communicated to all HKEX members including timelines of announcements of a Default to the market.

**Question 1(iv)**

**Do you have any comments or concerns on the proposed market data arrangements?**

No

**If the answer is "Yes", please specify your comments or concern:**

N/A

**Question 1(v)**

**Do you have any comments or concerns on the proposed large open position reporting arrangements?**

Yes

**If the answer is "Yes", please specify your comments or concern:**

No specific concerns / feedback. FYI, we anticipate we will opt in to report all products on H Trading Days. We thank HKEX for enabling this option.

HKEX know all clients sending them LOP's, we would encourage HKEX to send out a communication to everyone sending them LOP's to ensure they are aware of the requirements. We will communicate to clients but we believe that this should be approached from both HKEX and clearing members.

**Question 2**

**Are there any other issues regarding the Proposal that HKEX should consider?**

Yes

**If the answer is "Yes", please specify your comments or concern:**

We support the initiative, but we believe the points highlighted in our response need assessing urgently as we cannot support the proposed funding model in its current state.

We believe simpler is better whilst controlling the risk for all market participants.