

HKEx consultation paper- Risk Management Reform Measures

Q1: Do you support the proposed revision of the Price Movement assumptions in stress testing? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the Price Movement assumptions which are conservative as they take almost the worst historical case. The assumptions are in line with international benchmarking.

Q2: Do you support the proposed revision of the Counterparty Default assumption in stress testing? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the Counterparty Default assumption. We consider the assumption is more stringent in view of the future higher industry standards and the requirements of SFC.

Q3: Do you agree with the proposed margining arrangements at HKSCC? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the proposed margining arrangement. The new margining arrangements together with dynamic GF would replace the existing 10% special collateral.

- Margin payment would be paid on a daily basis based on the daily report from CCASS. The required amount will be debited from our accounts automatically with HSBC HK at the end of each business day. Separately, there will be an intra day margin collection during HK public holiday (applied for Easter and Chinese new year holidays only).
- Our firm prefers to settle the margin payment by single currency, e.g. HKD, rather than multiple currencies based on the transactions executed.

Q4: Do you agree with the proposed Dynamic GF model at HKSCC? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the proposed dynamic GF model. The new dynamic GF together with margining arrangements would replace the existing 10% special collateral.

- Dynamic GF would be charged on a monthly basis according to the GF statement posted in the CCASS system. CCASS will also broadcast this message to the participants as a reminder on a monthly basis.

- o The required GF amount will be debited from our accounts automatically with HSBC HK at the end of payment date.
- o We noted that this process is very similar to the current payment process on the monthly guarantee funds.

Q5: Do you support the proposed revisions to the HKCC Collateral assumption? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the HKCC Collateral assumption as it is in line with IOSCO Recommendations.

Q6: Do you support the use of HKCC Contingent Advance in relieving burden of CPs? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the HKCC Contingent Advance initiative. We note that the HKCC proposal has benchmarked against international standards, and in the effect of any default losses, they will be contributed and pay from HKCC Contingent Advance first.

Q7: 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?

Our firm supports the proposal to allow RF contribution to be counted as liquid capital. It could help to reduce our liquid capital burden.

Our firm would like to clarify whether the proposed monthly dynamic GF would be allowed to be counted as liquid capital please?

Q8: Do you support the proposed revisions to the SEOCH Collateral assumption? Please provide reasons for your response and include any other suggestions or comments you may have on this question.

Our firm supports the SEOCH Collateral assumption. We noted that the proposed assumption is more in line with IOSCO Recommendations and believe that the current practice may be too conservative.