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: We support the proposal to change the Price Movement assumptions for securities and stock options in stress testing to +/- 22% and to keep the Price Movement assumption for futures and options in stress testing at the current +/- 20% level (i.e. remain unchanged).
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: We support the proposed revision of the Counterparty Default assumption in stress testing as required by the regulator in view of better risk management.

HKEx's Proposal 2: Introduce Margining and Dynamic Guarantee Fund in HKSCC

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:
 	
We support the proposed margining arrangements at HKSCC since it will enhance the risk management. However, for operational efficiency, the proposed margining should all be calculated in HK dollar even for CNS position in foreign currencies (e.g. USD and RMB) as the CNS position in such foreign currencies is minimal at the moment.

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:
 	
To alleviate exchange participants' burden on liquid capital requirement, the contribution to the proposed Dynamic GF model at HKSCC should be treated as liquid capital under FRR.

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: <u>No objection to the proposed exclusion of IDM credits in Reserve</u> <u>Fund Calculation.</u>
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: <u>We support the use of Contingent Advance as without it, the sharp</u> <u>increase in RF contribution will have heavy financial burden on the</u> <u>Exchange Participants.</u>
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? <u>We support the change in allowing RF contribution to be counted as liquid</u> <u>capital. This will definitely reduce the liquid capital funding burden of all</u> <u>Exchange Participants.</u>

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: <u>We support the proposed revisions to the SEOCH Collateral assumption as it will reduce overall Exchange Participants' replenishment obligations and improve their level of liquid capital.</u>