Dear,

Refer to the “Consultation Paper on the Proposed Guidelines for Securities Margin Financing Activities”, on behalf of , we would like to provide the following comments on some specific areas.

Margin Client Credit Limit Controls

It is noted that the Commission proposed the License Corporations (LCs) should control their credit risk not only to individual margin client but also to the group of related margin clients. It is totally agreed such risk should be well managed. However, it may be difficult to identify ' “related margin clients” for individual clients, in particular, the spouse information because it may not be the general practice for the banking industry to identify such information. Clients may be reluctant to provide and/or update the marriage information in case there is any changes as they may think it is private information. Also, checking the spouse information may cause additional issue when facing the LGBT community. In view of that, can the LC apply an alternative way to limit such risk? For example, setting up a hard cap for each individual margin client? This together with the total margin control should also provide the adequate control on the LC exposure.

Securities Collateral Concentration Controls

It is understandable that the Commission would like the LCs to control the risk arise from the highly correlated securities which the LCs have taken as collaterals. However, it may be subjective when defining “high correlation” securities, e.g. which level of correlation coefficient should be set? Moreover, even some securities that are in the same industry, their price movement can be different, e.g. car manufacturers which target local market vs global market or produce the traditional diesel auto vs renewable energy auto. Also, it may be difficult in identifying securities with “material cross-shareholdings” and “significant business affiliations” as sometimes these kind of information may not made public. It is suggested to provide some alternatives to the LCs to control such risk, for example by limiting the collateral securities not more than a certain percentage of the total issued securities.

Stress Testing

By introducing the stress testing, it surely can help the LCs to access their credit strength under extreme market situation. However, instead of conducting stress tests on ELC at the levels of individual securities and group of highly correlated securities, can LCs use internal approach that is based on some international standard, e.g. stress testing under Basel Accord, alternatively to serve as the control over LCs’ credit risk.

Should the Commission have any information needed, please feel free to contact the undersigned.

Many thanks.