



Our Ref. : FSCL-LCD-L-181018
Date : 18 October 2018

BY EMAIL and BY POST

Securities and Futures Commission
35/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Dear Sirs

Re : Comment on Consultation Paper on the Proposed Guidelines for Securities Margin Financing Activities

We refer to your Consultation Paper released on 18 August 2018.

After review of the Paper, we would like to share the following comment in relation to “Highly correlated securities” as explained under paragraph 3.1 in the Appendix:

- It seems not practical for a security firm to identify “highly correlated securities” as defined in paragraph 3.1 of the Appendix in the Paper. Please note that a security firm could hardly identify the issuers of different securities are the same or by different companies within the same group of companies. In addition, a security firm may not have sufficient public information or resources to identify if any two or more securities exhibit a high correlation in historical price movements, and the background of their issuers. We suggest your esteemed Commission could consider to publish information on “highly correlated securities” from time to time to facilitate this matter.

Should you have any queries, please do not hesitate to contact me or our _____ at _____.

Thank you for your kind attention.

Yours faithfully,
For and on behalf of
Forthright Securities Company Limited