

According to Appendix 1, under the section "Total margin loans controls", the guideline intend to control the aggregate margin loans advanced to margin clients within 2-5 times of our capital. In deciding the total margin loan, there is no explicit definition whether such amount should include the IPO loan. In the current Financial Return under FRR (Cap.571N), amount receivables from margin clients are separate from receivables from clients for subscription of securities (IPO). The required haircut on non-index stock (30%) is also different from IPO stock (10%). Such different treatment is reflecting the different risk level in IPO margin (tenor is usually around 1 week and theoretically, the bigger the amount in IPO margin, the lower the risk) and secondary market margin financing. To reflect the different risk level and to facilitate HK to keep in top places in global IPO market, we are writing to request an explicit exclusion of IPO loans from the calculation of Total Margin Loan in this proposal.