

香港期貨交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

HONG KONG FUTURES EXCHANGE LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: Incentive Programs for Equity Derivatives Products in 2018

Enquiry: Mr Wallace Chan (Email: WallaceChan@hkex.com.hk; Tel: 2211 6139)

Ms Flora Lo (Email: FloraLo@hkex.com.hk; Tel: 2211 6137)

Reference is made to the circulars ([Ref: MKD/EQD/10/16](#)) dated 1 November 2016, ([Ref: MKD/EQD/11/17](#)) dated 12 June 2017 and ([Ref: MKD/EQD/19/17](#)) dated 29 August 2017 on the incentive programs for equity derivatives products which will expire on 29 December 2017. Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce the extension of the incentives programs for the period from 2 January 2018 (“Effective Date”) to 31 December 2018 (both dates inclusive).

1. Bundled Liquidity Providing Incentive Program

The program is designed for market participants to support the liquidity development of equity derivatives and the following participants are eligible to apply:

- Liquidity Provider (LP) - an Exchange Participant (EP) who performs liquidity providing activities by itself or by way of a liquidity providing arrangement with its client and commits to meeting the quoting obligations assigned; and
- Proprietary Trader (PT) - an EP trading through its House Account or any client represented by an EP trading through an Individual Client Account¹ and commits to meeting the minimum monthly clearing volume in the Eligible Products (see below) assigned.

Details of the LP and PT obligations are set forth in Appendix I.

Eligible Products

The following products are available for LP to apply:

¹ or other account as assigned by the Exchange

- a) Sector Index Futures:
- Hang Seng Mainland Banks Index (MBI) Futures;
 - Hang Seng Mainland Properties Index (MPI) Futures;
 - Hang Seng Mainland Oil & Gas Index (MOI) Futures;
 - Hang Seng IT Hardware Index (ITI) Futures;
 - Hang Seng Software & Services Index (SSI) Futures;
 - Hang Seng Mainland Healthcare Index (MCI) Futures;
 - CES Gaming Top 10 Index (GTI) Futures;
- b) CES China 120 Index (CES120) Futures; and
- c) HSI Volatility Index (VHSI) Futures.

The following selected single stock futures (Stock Futures Basket) are available for PT to apply:

- d) Stock Futures Basket:

<u>SEHK Code</u>	<u>Underlying Stocks</u>
5	HSBC Holdings Plc.
388	Hong Kong Exchanges and Clearing Limited
700	Tencent Holdings Ltd.
939	China Construction Bank Corporation
941	China Mobile Limited
1398	Industrial and Commercial Bank of China Limited
2318	Ping An Insurance (Group) Company of China, Ltd.
2822	CSOP FTSE China A50 ETF
2823	iShares FTSE A50 China Index ETF
3188	China AMC CSI300 Index ETF

Incentives

Upon fulfilment of its obligations (see Appendix I), each LP / PT will be offered rebates (up to a maximum amount per month) in the following items:

- Cross-product trading fees in Hang Seng Index Futures (HSIF), Hang Seng China Enterprises Index Futures (HHIF) and USD/CNH Futures (CNHF);
- Market data (securities/derivatives) fee; and
- Hosting services fee.

In addition, each LP will be granted a waiver for OMnet Application Programming Interface (OAPI) sub-license fees for up to a maximum amount per month.

For LP:

LP Category ²	Maximum Incentives per month (in HKD)				Max Total per month
	Combinations of:				
	HSIF/ HHIF/ CNHF Trading Fee Rebate	Market Data Fee Rebate ³ (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver ⁴	
Type 1	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$10,400 (i.e. 4 OAPI)	\$100,000
Type 3	Up to \$65,000 in total			N/A	\$65,000

For PT:

PT Category	Maximum Incentives per month (in HKD)			Max Total per month
	Combinations of:			
	HSIF/ HHIF/ CNHF Trading Fee Rebate	Market Data Fee Rebate ³ (Derivatives/ Securities)	Hosting Services Fee Rebate	
Type 1	Up to \$100,000 in total			\$100,000
Type 2	Up to \$50,000 in total			\$50,000
Type 3	Up to \$25,000 in total			\$25,000
Type 4	Up to \$10,000 in total			\$10,000
Type 5	Up to \$5,000 in total			\$5,000
Type 6	Up to \$2,500 in total			\$2,500

LPs / PTs can choose to provide liquidity to a combination of Eligible Products, but subject to the cap of total rebates available in cross-product trading fees, market data and hosting services fees.

Details of cross-product trading fee rebate are as follows:

Product	HSIF*	HHIF*	CNH ^{**5}
Trading Fee Rebate Per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)	RMB 3.00 (i.e. 37% rebate)

Notes: * Clearing volumes of HSIF / HHIF which have been claimed for trading fee discount by HSI/HHI options market makers (MMs) are not entitled for further trading fee rebate.

** Clearing volumes of CNH Futures which have been claimed for trading fee rebate by CNH Futures Active Traders are not entitled to further trading fee rebate. In addition, 100% of trading fee rebate (i.e. RMB 8) will

² There are different LP categories for other products and only Type 1 and Type 3 LPs are available for equity derivatives.

³ Market data fee rebate includes relevant licence fees, connection fees and usage fees.

⁴ Currently HK\$2,600 per month for each OAPI with 5 TPS.

⁵ The fee rebate for CNH Futures will be converted to HK dollars based on the foreign exchange rate at the time of the payment calculation.

be offered to CNHF LP if they meet the obligation and the trading fee rebate will not be counted in the rebate amount in cross-product trading fees.

Quota

The maximum quota for this program is 9 Type-1 LPs, 9 Type-3 LPs and 5 Type-1 PTs⁶ in total and the quota for each individual Eligible Product is specified in Attachment I. As the quota is limited, the Exchange will allocate the quota depending on the Exchange's business plan at the time of selection and the applicant's indication of commitment. If the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicant's past performance at the Exchange.

Application Arrangement for Existing LPs and PTs

All existing appointments of LPs and PTs under the incentive programs as stated in the circulars ([Ref: MKD/EQD/10/16](#), [Ref: MKD/EQD/11/17](#), [Ref: MKD/EQD/19/17](#)) will be terminated on 29 December 2017. Existing LPs and PTs who are interested to join the program in 2018 are required to submit the application.

Application Procedure

The program is now open for application. Interested applicants should contact Ms. Montassya Hutauruk (MontassyaHutauruk@hkex.com.hk), Ms Rina Ku (RinaKu@hkex.com.hk) or Ms. Iris Hui (IrisHui@hkex.com.hk) for program details. Deadline for application will be **20 December 2017**.

2. Additional Incentives for CES120 Futures

The following incentives for CES120 Futures will also be extended until 31 December 2018:

- 50% trading fee discount for CES120 Futures for all accounts used for trading CES120 Futures (i.e. discounted from HK\$10 per contract to HK\$5 per contract); and
- 100% trading fee rebate (i.e. HK\$ 5 per contract) for LPs of CES120 Futures that fulfil the obligations.

Li Gang
Co-Head
Market Development

This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

⁶ or a combination of different types of LPs and PTs whereby the maximum incentives per month is equivalent to that for 9 Type-1 LPs, 9 Type-3 LPs and 5-Type 1 PTs

Appendix I

Table 1 – LP Obligations

Each LP will be required to meet at least the following continuous quotes (CQ) obligations:

Index Futures	LP Type	CQ Obligations					LP Quota
		Assigned Contract Months	Minimum Quote Quantity (contracts)	Minimum % Trading Hours Coverage	Maximum Bid / Offer Spread i.e. Higher of (a) and (b):		
					(a) No. of index points	(b) Percentage of bid price	
MBI	Type 1	Spot and next months	5	80%	4	0.15%	3
	Type 3			70%	6	0.20%	1
MOI	Type 1			80%	4	0.15%	3
	Type 3			70%	4	0.20%	1
MPI	Type 1			80%	3	0.15%	3
	Type 3			70%	7	0.20%	1
ITI	Type 3			70%	6	0.20%	1
SSI	Type 3			70%	11	0.20%	1
MCI	Type 3			70%	8	0.20%	1
GTI	Type 3			70%	13	0.20%	1
CES120	Type 3			70%	10	0.20%	1
VHSI	Type 3			Spot and next 2 calendar months		70%	0.5

Table 2 – PT Obligations

Each PT will be required to meet a minimum monthly clearing volume as follows:

Type	Aggregated volume of Stock Futures Basket	PT Quota
Type 1	20,000 contracts	5 Type 1 PT or equivalent
Type 2	10,000 contracts	
Type 3	5,000 contracts	
Type 4	2,000 contracts	
Type 5	1,000 contracts	
Type 6	500 contracts	

The Exchange will determine a PT's volume traded solely based on the clearing volume in the House Account of the EP, the Individual Client Account of the client trading through the EP or other account as assigned by the Exchange.