

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

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Subject: Bundled Incentive Program for Currency Derivatives Products in 2018

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References are made to the circular (Ref: [MKD/FIC/10/17](#)) dated 13 June 2017 and the circular (Ref: [MKD/FIC/12/17](#)) dated 29 August 2017 on the bundled incentive program for Fixed Income and Currency Derivatives Products (“The Bundled Incentive Program”). Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce the extension of the Bundled Incentive Program for the period from 29 December 2017 (T+1 Session) to 31 December 2018 (Day Session) (both dates inclusive).

The program is designed for market participants to support liquidity development of:

- USD/CNH Futures;
- AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures (“RMB Currency Futures Basket”);
- USD/CNH Options;

collectively as “Eligible Products”.

### Eligible Applicants

- a. 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 meet the quoting obligations assigned by the Exchange; and
- b. Proprietary Trader (“PT”) - an EP trading through its House Account or any client represented by an EP trading through an Individual Client Account<sup>1</sup> and commits to meet the minimum monthly volume in the selected Eligible Products assigned by the Exchange.

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<sup>1</sup> Or other account as assigned by the Exchange.

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

## Incentives

Upon the fulfilment of its obligations, each LP or PT will be offered a fee rebate, where the maximum amount per month is a combination of the following fee 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 (derivatives / securities) fee; and
- Hosting services fee.

In addition, each LP will be granted a waiver for the OMnet Application Programming Interface (“OAPI”) sub-licence fees of up to a maximum amount per month, subject to the fulfilment of its obligations.

A summary of the incentives is listed as follows:

### LP:

Type	Maximum Incentives per month (in HKD)			
	Combinations of:			Max Total
	HSIF/ HHIF/ CNHF Trading Fee Rebate	Market Data Fee Rebate <sup>2</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	
Type 1	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$41,600 per month (i.e. 16 OAPIs)	<b>\$100,000 per month</b>
Type 2	Up to \$50,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$5,200 per month (i.e. 2 OAPIs)	<b>\$50,000 per month</b>

Note: The Exchange may assign different caps on the number of OAPI for waiver for different products (for example, the maximum number of OAPI for Type 1 LP could be less than 16 OAPIs).

<sup>2</sup> Market data fee rebate includes relevant licence fees, connection fees and usage fees.

<sup>3</sup> Currently HK\$2,600 per month for each OAPI with 5 TPS

PT:

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

LPs / PTs can choose to provide liquidity to a combination of the Eligible Products, subject to a cap of total fee rebates available in cross products, market data and hosting services. The details of the cross product trading fee rebate are as follows:

Product	HSIF*	HHIF*	CNHF **
Trading Fee Rebate Per Contract	HK\$6.5 (i.e. 65% rebate)	HK\$2.5 (i.e. 71% rebate)	RMB 3 (i.e. 37% rebate)

Notes:

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

\*\* The fee rebate for CNHF will be converted to HK dollars based on the foreign exchange rate at the time of the calculation. The clearing volumes of CNHF which have been claimed for trading fee rebate by CNHF Active Traders are not entitled to further trading fee rebate. In addition, 100% of trading fee rebate (i.e. RMB 8) will be offered to CNHF LPs if they meet the obligations and the trading fee rebate will not be counted in the rebate amount in cross-product trading fees.

### Quota

The maximum quota for this Bundled Incentive Program is 10 Type 1 LPs and 10 Type 1 PTs in total, or a combination of different categories of LPs/PTs whereby the aggregate maximum incentives per month, calculated in accordance with the table set out above, are equivalent to that

offered to 10 Type 1 LPs<sup>4</sup> and 10 Type 1 PTs for all Eligible Products. As the quota is limited, the Exchange should allocate the quota based on the Exchange's business plan at the time of LPs/PTs selection and the applicant's indications of commitment on each Eligible Product. 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 the Existing LPs and PTs**

All existing LPs under the incentive programs as stated in the circulars (Ref: MKD/FIC/10/17 and Ref: MKD/FIC/12/17) will be deemed to have applied for the Bundled Incentive Program in 2018, unless they notify the Exchange that they do not wish to apply for it.

All existing appointments of PTs under the incentive programs as stated in the circulars (Ref: MKD/FIC/10/17 and Ref: MKD/FIC/12/17) will be terminated on 29 December 2017 (Day Session). The existing PTs, who are interested to join the Bundled Incentive Program in 2018, are required to submit the application and indicate their choices on the product and the PT category.

### **Application Procedure**

The Bundled Incentive Program is now open for applications. Interested applicants should contact Ms. Iris Hui ([IrisHui@hkex.com.hk](mailto:IrisHui@hkex.com.hk)) or Ms. Montassya Hutauruk ([MontassyaHutauruk@hkex.com.hk](mailto:MontassyaHutauruk@hkex.com.hk)) for further information. The deadline for application will be 21 December 2017.

Julien Martin  
Head  
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*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.*

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<sup>4</sup> For each currency options LP can get up to 3 quotas of rebate due to the requirement for quoting more options series.

## Attachment I

## I. LP Obligations

Each LP will be required to meet the following obligations:

	RMB Currency Futures Product Basket: AUD/CNH; JPY/CNH; EUR/CNH; CNH/USD Futures			USD/CNH Futures		USD/CNH Options		
LP Type	Type 1 (Option 1)	Type 1 (Option 2)	Type 1 (Option 3)	Type 1	Type 2	Type 1 (Option 1)	Type 1 (Option 2)	Type 2
CQ <sup>5</sup> or QR <sup>6</sup>	CQ any pair except CNH/USD	CQ any 2 pairs	CQ any 2 pairs	CQ	CQ	CQ		QR
Contract Months	<u>CNH/USD</u> : Spot, the next calendar month and the next two calendar quarter months  <u>AUD/CNH, JPY/CNH, EUR/CNH</u> : Spot and the next calendar month			Spot and the next quarter month (i.e. next Mar/ Jun /Sep /Dec)		50 series for all 8 contract months (i.e. spot month, the next three calendar months and the next four calendar quarter months)		50% QR response within 90 sec
Max. Bid / Offer Spread	<u>CNH/USD</u> : Spot and the next calendar month: 5 ticks; the next two calendar quarter months: 10 ticks  <u>AUD/CNH, JPY/CNH, EUR/CNH</u> : 40 ticks			Spot: 6 ticks; Next calendar quarter month: 8 ticks		70-160 <sup>^</sup>	50-140 <sup>^</sup>	70-160 <sup>^</sup>
Quote Size (ctrs)	10			5		5		5
% of Trading Hours	70% (T Session only)		60% (T and T+1 Sessions)	70% (T or T+1 Sessions)	50% (T or T+1 Sessions)	50%		N/A
Max. No. of OAPI Waiver	4	16	16	16	2	4	16	2

<sup>^</sup> Minimum fluctuations of respective contract month

<sup>5</sup> CQ – Continuous Quotes

<sup>6</sup> QR – Quote Requests

## II. PT Obligations

Each PT will be required to meet the monthly volume commitment\* as follows:

PT Type	PT's Volume Commitment		
	RMB Currency Futures Basket: • AUD/CNH • JPY/CNH • EUR/CNH • CNH/USD	CNH Options	USD/CNH Futures
Type 1	1,000 contracts	1,000 contracts	6,000 contracts
Type 2	500 contracts	500 contracts	4,000 contracts
Type 3	250 contracts	250 contracts	2,000 contracts
Type 4	150 contracts	150 contracts	n/a
Type 5	100 contracts	100 contracts	n/a
Type 6	50 contracts	50 contracts	n/a

\* Monthly volume commitment is measured as the aggregate volume of the product basket.

Note: 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 accounts as assigned by the Exchange.