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| Subject: | Stock Futures Market Enhancement |
| Enquiry: | Mr. Wallace Chan (Tel: 2211-6139 E-mail: [wallacechan@hkex.com.hk](mailto:wallacechan@hkex.com.hk))  Ms. Flora Lo (Tel: 2211-6137 E-mail: [floralo@hkex.com.hk](file:///\\SOAF1022\DM_SHARE\PDD_COMMON\PDD\$Outstanding%20Projects\$Additional%20Expiries\Circular\floralo@hkex.com.hk)) |

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|  | 編號  Ref. No.: | MKD/EQD/16/18 |
|  | 日期  Date: | 28/05/2018 |

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Hong Kong Futures Exchange Limited (The Exchange) is pleased to announce that the following stock futures market enhancements will take effect from **Tuesday, 3 July 2018 (Effective Date)**:

1. **Introduction of a New Trading Fee Structure**

A new 3-Tier trading fee structure will be introduced to reduce the transaction cost in trading stock futures:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Tier | Nominal Value Per Contract (in HK$) | Existing Trading Fee Per Contract (in HK$) | | New Trading Fee Per Contract  (in HK$) | |
| Standard  (House / Client) | Market Maker | Standard  (House / Client) | Market Maker |
| 1 | >$25,000 | $3.50 | $0.50 | $3.00 | $0.50 |
| 2 | >$10,000 – $25,000 | $1.00 | $0.15 |
| 3 | ≤ $10,000 | $0.50 | $0.07 |

The full list of the stock futures and the new tier levels are specified in Attachment I.

In addition, the Exchange will review the tier levels on an annual basis to adjust for any substantial change in the nominal value due to market development, or as and when there are capital adjustments to the underlying stock. The next annual review will be implemented in January 2019.

For the avoidance of doubt, the trading fee waiver announced in the circular (ref: [MKD/EQD/06/18](http://www.hkex.com.hk/-/media/HKEX-Market/Services/Circulars-and-Notices/Participant-and-Members-Circulars/HKFE/2018/MKD_EQD_06_18_e.pdf)) dated 14 February 2018 regarding the new incentive programs for stock futures will be applied to all stock futures trading on or before 31 August 2018, unless otherwise specified.

1. **Reduction of Settlement Fee**

The settlement fee for all stock futures contracts will be reduced from HK$10 per contract to HK$2 per contract.

1. **Introduction of Liquidity Provider Program**

The Exchange now invites applications of Liquidity Provider (LP) for 10 selected stock futures contracts (see program details in Attachment II). Interested parties should contact Ms. Montassya Hutauruk ([MontassyaHutauruk@hkex.com.hk](mailto:MontassyaHutauruk@hkex.com.hk)), Mr Charles Kwan ([CharlesKwan@hkex.com.hk](mailto:CharlesKwan@hkex.com.hk)) or Mr Joe Huang ([JoeHuang@hkex.com.hk](mailto:JoeHuang@hkex.com.hk)) for details.

1. **Revision of Proprietary Trader Program**

Reference is made to the circular (Ref: [MKD/EQD/30/17](http://www.hkex.com.hk/-/media/HKEX-Market/Services/Circulars-and-Notices/Participant-and-Members-Circulars/HKFE/2017/MKD_EQD_30_17_e.pdf)) dated 15 December 2017 on the incentives program for equity derivatives products. Please note that the obligations of Proprietary Trader for 10 selected stock futures (Stock Futures Basket) shall be revised[[1]](#footnote-1) (see details in Attachment III). Interested parties should contact Mr Joe Huang ([JoeHuang@hkex.com.hk](mailto:JoeHuang@hkex.com.hk)) or Mr Charles Kwan ([CharlesKwan@hkex.com.hk](mailto:CharlesKwan@hkex.com.hk)) for details.

1. **Revision of Final Settlement Price Determination**

The determination of the Final Settlement Price (FSP) shall be revised as follows:

|  |  |  |
| --- | --- | --- |
|  | Existing Method | New Method |
| FSP | The average of (i) the midpoints of the best bid and best ask for the underlying stock taken at five-minute intervals from five minutes after the start of, and up to five minutes before the end of, the Continuous Trading Session of the Stock Exchange of Hong Kong (SEHK) and (ii) the closing price of the underlying stock as quoted by SEHK on the Last Trading Day (LTD). | The official closing price of the underlying stock as quoted by SEHK on the LTD. |

For the avoidance of doubt, the FSP of the contract months with LTD prior to the Effective Date (i.e. May and June 2018 expiries) will be determined by the existing method and the FSP of the contract months with LTD later than the Effective Date will be determined by the new method.

If no official closing price is available on the LTD due to events such as typhoon or black rainstorm warning, or trading suspension of the underlying stock, the FSP shall be the last available official closing price of the underlying stock before the LTD.

1. **Trading Arrangement in case of Prolonged Trading Suspension in the Underlying Stock**

If the underlying stock has been suspended for trading for three months or more, or has been approved for privatization, the Chief Executive, in consultation with the Commission, may discontinue the trading of the stock futures contract.

Relevant rule amendments will be announced via a separate circular.

*Inform Your Staff and Clients*

Participants should notify all interested clients about the enhancement in stock futures market and ensure that your back office systems are ready for a smooth operation. In addition, staff should be fully aware of the above and exercise caution when dealing with stock futures contracts and when advising your clients.

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.*

Attachment I

**List of Stock Futures and New Trading Fee Tier**

**a) Stock futures with contract size more than one underlying board lot shares**

| No. | SEHK Code | Underlying Stocks | HKATS  Code | Contract Multiplier (shares) | No. of Board Lots | Tier No. |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | 119 | Poly Property Group Co., Ltd | POL | 10,000 | 10 | 1 |
| 2 | 410 | SOHO China Ltd. | SOH | 10,000 | 20 | 1 |
| 3 | 493 | GOME Electrical Appliances Holding Ltd | GOM | 50,000 | 50 | 1 |
| 4 | 656 | Fosun International Ltd | FOS | 10,000 | 20 | 1 |
| 5 | 861 | Digital China Holdings Ltd. | DIG | 5,000 | 5 | 2 |
| 6 | 981 | Semiconductor Manufacturing International Corporation | SMC | 5,000 | 10 | 1 |
| 7 | 998 | China CITIC Bank Corporation Ltd. | CTB | 20,000 | 20 | 1 |
| 8 | 1055 | China Southern Airlines Co. Ltd. | SOA | 10,000 | 5 | 1 |
| 9 | 1060 | Alibaba Pictures Group Ltd. | ALI | 50,000 | 5 | 1 |
| 10 | 1288 | Agricultural Bank of China Ltd. | ABC/  ABA\* | 10,000/  50,000 | 10/  50 | 1 |
| 11 | 1299 | AIA Group Ltd. | AIA | 1,000 | 5 | 1 |
| 12 | 1336 | New China Life Insurance Co. Ltd. | NCL/  NCA\* | 1,000/  5,000 | 10/  50 | 1 |
| 13 | 1359 | China Cinda Asset Management Co., Ltd. | CDA/  CDB\* | 5,000/  50,000 | 5/  50 | 2/  1 |
| 14 | 1668 | China South City Holdings Ltd. | CTY | 10,000 | 5 | 2 |
| 15 | 1766 | CRRC Corporation Ltd. | CRR | 10,000 | 10 | 1 |
| 16 | 1816 | CGN Power Co., Ltd. | CGN/  CGA\* | 10,000/  50,000 | 10/  50 | 2/  1 |
| 17 | 1918 | Sunac China Holdings Ltd. | SUN/  SUA\* | 2,000/  10,000 | 2/  10 | 1 |
| 18 | 1988 | China Minsheng Banking Corp., Ltd. | MSB/  MSA\* | 10,000/  ~12,000\* | 20 | 1 |
| 19 | 2007 | Country Garden Holdings Co. Ltd. | COG | 5,000 | 5 | 1 |
| 20 | 2018 | AAC Technologies Holdings Inc. | AAC | 1,000 | 2 | 1 |
| 21 | 2238 | Guangzhou Automobile Group Co., Ltd. | GAC/  GAA\*/  GAB\* | 4,000/  10,000/  ~5,600 | 2/  5/  ~2.8 | 1 |
| 22 | 2333 | Great Wall Motor Co. Ltd. | GWM | 10,000 | 20 | 1 |
| 23 | 2357 | AviChina Industry & Technology Co. Ltd. | AVI | 10,000 | 10 | 1 |
| 24 | 2382 | Sunny Optical Technology (Group) Co. Ltd. | SNO | 1,000 | 10 | 1 |
| 25 | 2800 | Tracker Fund of Hong Kong | TRF | 50,000 | 100 | 1 |
| 26 | 2822 | CSOP FTSE China A50 ETF | CSA | 5,000 | 25 | 1 |
| 27 | 2823 | iShares FTSE A50 China Index ETF | A50 | 5,000 | 50 | 1 |
| 28 | 2828 | Hang Seng China Enterprises Index ETF | HCF | 5,000 | 25 | 1 |
| 29 | 2883 | China Oilfield Services Ltd. | CHO | 10,000 | 5 | 1 |
| 30 | 3188 | China AMC CSI 300 index ETF | AMC | 2,000 | 10 | 1 |
| 31 | 3333 | Evergrande Real Estate Group Ltd. | EVG/  EVA\* | 2,000/  20,000 | 2/  20 | 1 |
| 32 | 6030 | CITIC Securities Co. Ltd. | CTS | 1,000 | 2 | 2 |
| 33 | 6837 | Haitong Securities Co. Ltd. | HAI | 10,000 | 25 | 1 |
| 34 | 6886 | Huatai Securities Co., Ltd. | HTS | 10,000 | 50 | 1 |

**b) Stock futures with contract size equal to one underlying board lot shares**

| No. | SEHK Code | Underlying Stocks | HKATS  Code | Contract Multiplier (shares) | Tier No. |
| --- | --- | --- | --- | --- | --- |
| 1 | 1 | CK Hutchison Holdings Ltd. | CKH | 500 | 1 |
| 2 | 2 | CLP Holdings Ltd. | CLP | 500 | 1 |
| 3 | 3 | The Hong Kong and China Gas Company Ltd. | HKG/  HKA\* | 1,000/  ~1,100 | 2 |
| 4 | 4 | The Wharf (Holdings) Ltd. | WHL | 1,000 | 1 |
| 5 | 5 | HSBC Holdings Plc. | HKB | 400 | 1 |
| 6 | 6 | Power Assets Holdings Ltd. | HEH/  HEB\* | 500/  ~547 | 1 |
| 7 | 11 | Hang Seng Bank Ltd. | HSB | 100 | 2 |
| 8 | 12 | Henderson Land Development Company Ltd. | HLD/  HLA\* | 1,000/  ~1,100 | 1 |
| 9 | 16 | Sun Hung Kai Properties Ltd. | SHK | 1,000 | 1 |
| 10 | 17 | New World Development Company Ltd. | NWD | 1,000 | 2 |
| 11 | 19 | Swire Pacific Limited 'A' | SWA | 500 | 1 |
| 12 | 23 | The Bank of East Asia, Ltd. | BEA | 200 | 3 |
| 13 | 66 | MTR Corporation Ltd. | MTR | 500 | 2 |
| 14 | 267 | CITIC Pacific Ltd. | CIT | 1,000 | 2 |
| 15 | 293 | Cathay Pacific Airways Ltd. | CPA | 1,000 | 2 |
| 16 | 386 | China Petroleum & Chemical Corporation | CPC | 2,000 | 2 |
| 17 | 388 | Hong Kong Exchanges and Clearing Ltd. | HEX | 100 | 2 |
| 18 | 494 | Li & Fung Ltd. | LIF/  LIA\* | 2,000/  ~2,256 | 3 |
| 19 | 700 | Tencent Holdings Ltd. | TCH/  TCA\* | 100/  1,000 | 1 |
| 20 | 728 | China Telecom Corporation Ltd. | CTC/  CTD\* | 2,000/  10,000 | 3/  1 |
| 21 | 762 | China Unicom (Hong Kong) Ltd. | CHU | 2,000 | 2 |
| 22 | 857 | PetroChina Company Ltd. | PEC | 2,000 | 2 |
| 23 | 874 | Guangzhou Baiyunshan Pharmaceutical Holdings Co. Ltd. | BAI | 2,000 | 1 |
| 24 | 883 | CNOOC Ltd. | CNC | 1,000 | 3 |
| 25 | 902 | Huaneng Power International, Inc. | HNP | 2,000 | 2 |
| 26 | 939 | China Construction Bank Corporation | CCB | 1,000 | 3 |
| 27 | 941 | China Mobile Ltd. | CHT | 500 | 1 |
| 28 | 1088 | China Shenhua Energy Co. Ltd. | CSE/  CSC\* | 500/  10,000 | 3/  1 |
| 29 | 1171 | Yanzhou Coal Mining Co. Ltd. | YZC/  YZA\* | 2,000/  10,000 | 2/  1 |
| 30 | 1398 | Industrial and Commercial Bank of China Ltd. | ICB | 1,000 | 3 |
| 31 | 1800 | China Communications Construction Company Ltd. | CCC | 1,000 | 2 |
| 32 | 1898 | China Coal Energy Co. Ltd. | CCE/  CCD\* | 1,000/  10,000 | 3/  1 |
| 33 | 2318 | Ping An Insurance (Group) Company of China, Ltd. | PAI | 500 | 1 |
| 34 | 2328 | PICC Property and Casualty Company Ltd. | PIC/  PIA\* | 2,000/  ~2,998 | 1 |
| 35 | 2388 | BOC Hong Kong (Holdings) Ltd. | BOC | 500 | 2 |
| 36 | 2600 | Aluminum Corporation of China Ltd. | ALC | 2,000 | 2 |
| 37 | 2628 | China Life Insurance Company Ltd. | CLI | 1,000 | 2 |
| 38 | 2899 | Zijin Mining Group Co., Ltd. | ZJM/  ZJA\* | 2,000/  10,000 | 3/  1 |
| 39 | 3328 | Bank of Communications Co., Ltd. | BCM | 1,000 | 3 |
| 40 | 3888 | Kingsoft Corporation Ltd | KSO/  KSA\* | 1,000/  5,000 | 2/  1 |
| 41 | 3968 | China Merchants Bank Co., Ltd. | CMB | 500 | 2 |
| 42 | 3988 | Bank of China Limited | BCL | 1,000 | 3 |

*\* Adjusted contracts*

Attachment II

**Liquidity Provider Program**

1. LP will be required to provide continuous quotes in any of the stock futures contracts below:

| Stock Code | Underlying Stock | Assigned Contract Months | Minimum % Trading Hours Coverage | Minimum Quote Quantity | Maximum Bid / Offer Spread |
| --- | --- | --- | --- | --- | --- |
| 5 | HSBC Holdings Plc. | Spot and next months | 70% | 10 contracts | 0.2% of bid price plus the best bid / offer spread of underlying stock |
| 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 |

Note: LP shall not be required to fulfil liquidity providing requirements during the first five minutes of each morning trading session.

1. LP will be entitled to the following incentives:
2. Discount in trading fee if the LP obligation is fulfilled;

|  |  |  |  |
| --- | --- | --- | --- |
| Tier | Nominal Value Per Contract (in HK$) | Trading Fee Per Contract (in HK$) | |
| Standard | Liquidity Provider |
| 1 | >$25,000 | $3.00 | $0.50 |
| 2 | >$10,000 – $25,000 | $1.00 | $0.15 |
| 3 | ≤ $10,000 | $0.50 | $0.07 |

1. Waiver of two OMnet Application Programming Interface (OAPI) monthly sub-licence fee (i.e. HK$5,200 per month or equivalent) per selected stock futures contract; and
2. Waiver of one-off fee for applying for an increase in the Central Gateway throughput rate (Securities Throttle) by one standard Securities Throttle rate[[2]](#footnote-2) (i.e. HK$50,000) per selected stock futures contract.

Attachment III

**Proprietary Trader Program**

1. Reference is made to the circular (Ref: [MKD/EQD/30/17](http://www.hkex.com.hk/-/media/HKEX-Market/Services/Circulars-and-Notices/Participant-and-Members-Circulars/HKFE/2017/MKD_EQD_30_17_e.pdf)) dated 15 December 2017 on the incentives program for equity derivatives products. Please note that the obligations of Proprietary Trader for 10 selected stock futures (Stock Futures Basket) shall be revised:

| PT Category | Minimum Aggregated Monthly Clearing Volume of Stock Futures Basket | |
| --- | --- | --- |
| Existing | New |
| Type 1 | 20,000 contracts | 10,000 contracts |
| Type 2 | 10,000 contracts | 5,000 contracts |
| Type 3 | 5,000 contracts | 2,500 contracts |
| Type 4 | 2,000 contracts | 1,000 contracts |
| Type 5 | 1,000 contracts | 500 contracts |
| Type 6 | 500 contracts | 250 contracts |

1. For ease of reference, PT will be offered fee rebates (up to a maximum amount per month) in the following items upon fulfilment of its obligations:

| PT Category | Maximum Incentives per month (in HKD) | | | |
| --- | --- | --- | --- | --- |
| Combinations of: | | | Max Total per month |
| Cross-product trading fee rebate in Hang Seng Index Futures (HSIF), Hang Seng China Enterprises Index Futures (HHIF) and USD/CNH Futures (CNHF) | Market Data Fee Rebate[[3]](#footnote-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 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| Product | HSIF\* | HHIF\* | CNHF\*\*[[4]](#footnote-4) |
| 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 are not entitled for further trading fee rebate.

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

1. The revised obligations will be applied to existing Proprietary Traders as well. [↑](#footnote-ref-1)
2. A maximum total of 50 Securities Throttles waivers will be granted to LPs and market makers (on a first-come-first-serve basis). [↑](#footnote-ref-2)
3. Market data fee rebate includes relevant licence fees, connection fees and usage fees. [↑](#footnote-ref-3)
4. CNHF fee rebate will be converted to HK dollars based on the foreign exchange rate at the time of payment calculation. [↑](#footnote-ref-4)