

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: New Incentive Program for RMB Currency Futures
Enquiry: Mr. Thomas Huen (Email: ThomasHuen@hkex.com.hk; Tel: 2211 6761)
Ms. Ting Wang (Email: WangTing@hkex.com.hk; Tel: 2211 6123)

The Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce a new incentive program for market participants to support the liquidity development of the RMB Currency Futures comprising USD/CNH, EUR/CNH, JPY/CNH, AUD/CNH and CNH/USD Futures (“Eligible Product Basket”) from 1 December 2016 (Day session) to 29 December 2017 (Day session).

Bundled Liquidity Providing Incentive Program - Proprietary Trader

Eligible applicants will be Proprietary Trader (PT) - an Exchange Participant (“EP”) trading through its House Account or any client represented by an EP trading through an Individual Client Account and commits to meet the minimum threshold of aggregate clearing volume of the Eligible Product Basket per month assigned by the Exchange.

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

Upon fulfilment of its obligations, a PT will be given either:

- (a) a 65% trading fee rebate in Hang Seng Index (HSI) Futures (i.e. HK\$6.5 per contract); or
 - (b) a 71% trading fee rebate in H-shares Index (HHI) Futures (i.e. HK\$2.5 per contract),
- as selected by it in its PT application, up to a clearing volume cap per month as follows:

Category	Obligations in aggregate clearing volume of the Eligible Product Basket	Trading fee rebate		Dollar amount equivalent per month (HK\$)
		Max. No. of HSI Futures Contracts (clearing volume per month)	Max. No. of HHI Futures Contracts (clearing volume per month)	
Type 1 PT	≥ 4,000 contracts cleared per month	10,000	26,000	\$65,000
Type 2 PT	≥ 2,000 contracts cleared per month	5,000	13,000	\$32,500

For example, if a PT is appointed for the Eligible Product Basket, the total trading fee rebate per month will be a maximum of 10,000 HSI Futures contracts or a maximum of 26,000 HHI Futures contracts, subject to a cap of its actual clearing volume in HSI / HHI Futures in that month. (This monthly volume cap is in addition to the volume eligible for trading fee discount for market makers of HSI / HHI options or their mini options contracts).

The maximum quota for this incentive program is 10 Type 1 PTs (or a mix of Type 1 and Type 2 PTs whereby the aggregate maximum clearing volume for trading fee rebate per month, calculated in accordance with the table set out above, is equivalent to that for 10 Type 1 PTs) in total. The Exchange will allocate the quota depending on the Exchange's business plan at the time of selection and the applicant's indications of interest in the Eligible Product Basket.

The Exchange will select PT based on the applicant's additional commitments on aggregate clearing volume of the Eligible Product Basket. If the same commitment is indicated by more than one applicant, the Exchange will consider the applicants' performance at the Exchange in the past.

Application Procedure

The new incentive program is now open for application. Interested applicants should contact Ms. Rina Ku (RinaKu@hkex.com.hk) or Mr. Frederick Yim (FrederickYim@hkex.com.hk) for program details. The application deadline will be **28 November 2016**. The appointment of PT will be announced in due course.

Julien Martin
Head
FIC Product Development
Market Development
Att.

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**Obligations of Proprietary Trader (PT)**

PT will be required to meet a minimum threshold of aggregate clearing volume of the Eligible Product Basket in each calendar month as follows:

Type of PT	Volume Obligations (Based on Aggregate Clearing Volume)
Type 1	4,000 contracts per month in aggregate clearing volume of the Eligible Product Basket
Type 2	2,000 contracts per month in aggregate clearing volume of the Eligible Product Basket

Priority will be given to applicants who indicate higher commitments in terms of aggregate clearing volume of the Eligible Product Basket they apply for in the application form. However, the obligations assigned to all selected PTs will be the same for each type in order to maintain a level playing field. The Exchange will take into account the majority and the lowest bidding level among the selected applicants in determining the obligations for performance monitoring.

The Exchange will determine a PT's volume traded solely based on the clearing volume in the House Account of the EP or the assigned Individual Client Account of the client trading through the relevant EP. Incentive will not be given to PT who cannot meet their obligations. In addition, if a PT fails to meet the volume requirements for two consecutive calendar months, its appointment may be subject to early termination.