

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: New Bundled Incentive Program for Fixed Income and Currency Derivative Products  
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Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce a new bundled incentive program between 3 July 2017 and 29 December 2017 (both dates inclusive) for market participants to support the liquidity development of:

- USD/CNH Futures;
  - AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures (“RMB Currency Futures Basket”);  
and
  - USD/CNH Options;
- collectively as “Eligible Products”.

### Eligible Applicants

- Liquidity Provider (“LP”)<sup>1</sup> - 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
- Proprietary Trader (“PT”) - an EP trading through its House Account or any client represented by an EP trading through an Individual Client Account<sup>2</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> USDCNH Futures is not an eligible product in the bundled LP incentive program for the category of LPs.

<sup>2</sup> Or other account as assigned by the Exchange.

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

## Incentives

Upon fulfilment of its obligations, each LP or PT will be offered a rebate of up to a maximum amount per month for a combination of the following fee items:

- Cross-product trading fee in Hang Seng Index Futures (“HSIF”), H-shares Index Futures (“HHIF”) and USD/CNH Futures;
- Market data (securities / derivatives) fee; and
- Hosting services fee.

In addition, each LP will be granted a waiver for 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:

Category	Maximum Incentives per month (in HK\$)				Maximum Total per month
	Combinations of:				
	Trading Fee Rebate	Market Data Fee Rebate	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver <sup>3</sup>	
Type 1 LP	Up to \$89,600 in total			Up to \$10,400 per month (i.e. 4 OAPIs)	<b>\$100,000</b>
Type 2 LP	Up to \$44,800 in total			Up to \$5,200 per month (i.e. 2 OAPIs)	<b>\$50,000</b>
Type 1 PT	Up to \$100,000 in total			N/A	<b>\$100,000</b>
Type 2 PT	Up to \$50,000 in total				<b>\$50,000</b>
Type 3 PT	Up to \$25,000 in total				<b>\$25,000</b>
Type 4 PT	Up to \$10,000 in total				<b>\$10,000</b>
Type 5 PT	Up to \$5,000 in total				<b>\$5,000</b>
Type 6 PT	Up to \$2,500 in total				<b>\$2,500</b>

<sup>3</sup> Currently HK\$2,600 per month for 1 OMnet Application Programming Interface connection (“OAPI”) with 5 transactions per second

LPs / PTs can choose to provide liquidity to a combination of Eligible Products, subject to the cap of aggregated rebates of trading fee, market data fee and hosting services fee. Details of the cross-product trading fee rebate are as follows:

Product	HSIF*	HHIF*	USD/CNH Futures**
Trading Fee Rebate Per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)	RMB3.00 <sup>4</sup> (i.e. 37% rebate)

\*Note: Clearing volumes of HSIF and HHIF which have been claimed for trading fee discount by HSI and HHI options market makers are not entitled to further trading fee rebate.

\*\*Note: Clearing volumes of USD/CNH Futures which have been claimed for trading fee rebate by USD/CNH Futures Active Traders are not entitled to further trading fee rebate.

**Attachment II** provides an example to illustrate details of the fee rebate calculation.

### Quota

The maximum quota for this bundled incentive program is 8<sup>5</sup> Type 1 LPs and 8 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, is equivalent to that offered to 8 Type 1 LPs and 8 Type 1 PTs for all Eligible Products. As the quota will be limited, the Exchange will allocate the quota depending on the Exchange's business plan at the time of selection and the applicant's indications of commitment.

The Exchange will select LPs and PTs based on each applicant's additional commitments 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.

<sup>4</sup> The fee rebate for USD/CNH Futures will be converted to HK dollars based on the foreign exchange rate at the time of the payment calculation.

<sup>5</sup> For USD/CNH Options only, a Type 1 LP could be offered up to 3 quotas of rebate due to the additional requirement for quoting more options series.

**Application Procedure**

The new bundled incentive program is now open for application. Interested applicants should contact Ms. Rina Ku ([RinaKu@hkex.com.hk](mailto:RinaKu@hkex.com.hk)) or Ms. Iris Hui ([IrisHui@hkex.com.hk](mailto:IrisHui@hkex.com.hk)) for program details. The deadline for applications is **20 June 2017**. Successful appointments will be announced in due course.

Julien Martin  
Head  
Fixed Income and Currency 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

## I. LP Obligations

LPs will be required to meet the following obligations:

LP Category		LP Quoting Obligations				
		Trading Requirement	Contract Months	Maximum Bid / Offer Spread	Minimum Quote Size	Minimum % of Trading Hours Coverage/ Quote requests
RMB Currency Futures Basket: <ul style="list-style-type: none"> <li>• AUD/CNH</li> <li>• JPY/CNH</li> <li>• EUR/CNH</li> <li>• CNH/USD</li> </ul>	Type 1	Provision of CQ <sup>6</sup> to whole basket	Spot, Next and Next 2 Calendar Quarter months	<u>CNH/USD:</u> <ul style="list-style-type: none"> <li>• 5-20 ticks of respective contract month</li> </ul>	10 contracts	70% of trading hours in a calendar month
	Type 2	Provision of CQ to any pair except CNH/USD		<u>AUD/CNH, JPY/CNH, EUR/CNH</u> <ul style="list-style-type: none"> <li>• Spot month and next calendar month : 40 ticks;</li> <li>• Next 2 quarter months: 70 ticks</li> </ul>		
USD/CNH Options	Type 1	Provision of CQ	50 series for all 8 contract months	70-160 ticks of respective contract month	5 contracts	50% of trading hours in a calendar month
	Type 2	Response to QR <sup>7</sup> (Response within 90 seconds of QR)	All listed contract months	70-160 ticks of respective contract month	5 contracts	50% of the total number of QR

Priority will be given to applicants who indicate higher commitments in terms of the quoting spread and quote size for each Eligible Product they apply. However, final obligations assigned will be the same for LPs in the same Eligible Product in order to maintain a level playing field. The Exchange will take into account the majority bidding level and the lowest bidding level among the selected applicants in determining the obligations for performance monitoring.

<sup>6</sup> CQ –Continuous Quotes

<sup>7</sup> QR –Quote Requests

Incentives will not be given to LPs who cannot meet their obligations. In addition, if an LP fails to fulfill the obligations for two consecutive calendar months, its appointment may be subject to early termination.

## II. PT Obligations

PTs will be required to meet the minimum monthly clearing volume as follows:

PT Category	PT's Clearing Volume Commitment		
	RMB Currency Futures Basket*: • AUD/CNH • JPY/CNH • EUR/CNH • CNH/USD	USD/CNH Options	USD/CNH Futures
Type 1	4,000 contracts	2,000 contracts	10,000 contracts
Type 2	2,000 contracts	1,000 contracts	8,000 contracts
Type 3	1,000 contracts	500 contracts	n/a
Type 4	500 contracts	200 contracts	n/a
Type 5	250 contracts	100 contracts	n/a
Type 6	125 contracts	50 contracts	n/a

\* Clearing Volume commitment is measured on the aggregate volume of the basket.

Priority will be given to applicants who indicate higher commitments in terms of the clearing volume for the Eligible Product they apply. However, final obligations assigned will be the same for PTs of the same type in the same Eligible Product in order to maintain a level playing field. The Exchange will take into account the majority bidding level 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, the Individual Client Account of the client trading through the EP or other account as assigned by the Exchange. Incentives will not be given to PTs 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.

## Attachment II

### Example of Fee Rebate and Waiver Calculation for LPs

Assuming a LP has signed up and met the quoting obligations for the following two Eligible Products in a given month, its maximum incentives per month and entitlement of actual fee rebate / waiver for that month will be as follow:

Figures are in HK\$

		Max Incentives Per Month			Fee Rebate / Waiver Entitlement					
Product	LP Type	Cross-product trading fee / market data fee/ hosting services fee rebate	OAPI sub-licence fee waiver	Total	Fee Rebate <sup>8</sup>				OAPI sub-licence fee waiver	Total
					Cross-product trading fee	Market data fee	Hosting services fee	Sub-total		
					Assume a LP traded 10,000 HSI Futures contracts and is eligible for \$6.5 fee rebate per contract. Total HSI Futures fee rebate is \$65,000.	Assume market data fee payable by a LP is \$50,000.	Assume hosting services fee payable by a LP is \$50,000.		Assume OAPI sub-licence fee payable by a LP for 8 OAPIs is \$20,800.	
RMB Currency Futures Basket	Type 1	\$89,600	\$10,400	\$100,000	\$43,333 <sup>9</sup>	\$33,333	\$12,933	\$89,599	\$10,400	\$100,000
USD/CNH Options	Type 2	\$44,800	\$5,200	\$50,000	\$21,667	\$16,667	\$6,467	\$44,801	\$5,200	\$50,000
<b>Total</b>		<b>\$134,400</b>	<b>\$15,600</b>	<b>\$150,000</b>	<b>\$65,000</b>	<b>\$50,000</b>	<b>\$19,400<sup>10</sup></b>	<b>\$134,400</b>	<b>\$15,600<sup>11</sup></b>	<b>\$150,000<sup>12</sup></b>

<sup>8</sup> Fee rebate will be calculated in the following order: (i) HSI Futures trading fee; (ii) HHI Futures trading fee; (iii) CNH Futures trading fee; (iv) market data fee; and (v) hosting services fee.

<sup>9</sup> Each fee rebate/waiver will be pro-rated based on the maximum incentives amount in each product and above calculation rounds to the nearest integer. For example, cross-product HSI Futures trading fee rebate for LP in USD/CNH Options =  $\$65,000 \times \$89,600 \div \$134,400 = \$43,333$

<sup>10</sup> LP paid \$50,000 hosting services fee but will only receive \$19,400 rebate as the aggregated fee rebate has exceeded the cap already.

<sup>11</sup> LP paid \$20,800 OAPI sub-licence fee but will only receive \$15,600 rebate as the OAPI sub-licence fee waiver has a cap of \$15,600.

<sup>12</sup> Subject to rounding.