

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 Liquidity Providing Incentive Program for Currency Derivatives Products in 2021

**Enquiry:** Ms. Iris Hui (Email: [IrisHui@hkex.com.hk](mailto:IrisHui@hkex.com.hk); Tel: 2840-3726)  
Mr. Ray Yen (Email: [RayYen@hkex.com.hk](mailto:RayYen@hkex.com.hk); Tel: 2211-6122)  
Ms. Coco Lee (Email: [CocoLee@hkex.com.hk](mailto:CocoLee@hkex.com.hk); Tel: 2840-3217)

Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the Bundled Liquidity Providing Incentive Program for Currency Derivatives Products (the “Program”) for the period from 4 January (T Session) 2021 to 31 December 2021<sup>1</sup>. The Program is designed for market participants to support the liquidity development of currency derivatives through participation as either a Liquidity Provider (“LP”) or as a Proprietary Trader (“PT”). LPs and PTs are defined as follows:

- LP – the person performing the liquidity providing activities (i.e. an Exchange Participant (“EP”) or an entity or individual who has entered into a liquidity providing arrangement with an EP) and commits to meeting the quoting obligations assigned by the Exchange; and
- PT – an EP trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account<sup>2</sup> and commits to meeting the minimum monthly clearing volume in the Eligible Products assigned.

LP / PT applicants may apply to participate in the Program with respect to one or more of the following products:

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<sup>1</sup> There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:30 a.m. – 12:30 p.m.

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

## Eligible Products

- RMB Currency Futures Basket, namely AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures;
- USD/CNH Futures;
- USD/CNH Options; and
- INR/USD and INR/CNH Futures.

For the avoidance of doubt, LPs participating in the Cash Incentive Program are not allowed to participate as LPs in the Program for the same Eligible Products in the same trading sessions. Details of LPs' and PTs' obligations are set forth in the Attachment.

## Incentives

Upon fulfilment of the obligations set forth in Attachment, LPs / PTs will be entitled to the following incentives:

1. Nil Exchange trading fee on LPs' transactions effected in the assigned contract(s); and
2. Fee rebates (up to a maximum amount per month) to each LP / PT in the following items:
  - exchange trading fees in Hang Seng Index Futures ("HSIF") and Hang Seng China Enterprises Index Futures ("HSCEIF");
  - market data (securities/derivatives) fee; and
  - hosting services fee.

In addition, each Type of LP and PT Type 1a and Type 1b will be granted a waiver for OMnet Application Programming Interface ("OAPI") sub-licence fees for up to a maximum amount per month.

Category	Maximum incentives per month per trading session, HK\$			
	Combinations of:			
	HSIF/ HSCEIF Exchange Trading Fee Rebate	Market Data Fee Rebate <sup>3</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub-licence Fee Waiver <sup>4</sup>
Type of LP				

<sup>3</sup> Market data fee rebate includes relevant licence fees, connection fees and usage fees.

<sup>4</sup> 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 32 OAPIs). Currently HK\$2,600 per month for each OAPI with 5 transactions per second (TPS).

Category	Maximum incentives per month per trading session, HK\$			
	Combinations of:			
	HSIF/ HSCEIF Exchange Trading Fee Rebate	Market Data Fee Rebate <sup>3</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub-licence Fee Waiver <sup>4</sup>
Type 1	Up to \$150,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$83,200 (i.e. 32 OAPIs)
Type 2	Up to \$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$41,600 (i.e. 16 OAPIs)
Type 3	Up to \$50,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$20,800 (i.e. 8 OAPIs)
Type of PT				
Type 1a	Up to \$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$20,800 (i.e. 8 OAPIs)
Type 1b	Up to \$70,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$15,600 (i.e. 6 OAPIs)
Type 2	Up to \$40,000 in total			N/A
Type 3	Up to \$20,000 in total			N/A
Type 4	Up to \$10,000 in total			N/A
Type 5	Up to \$5,000 in total			N/A
Type 6	Up to \$2,500 in total			N/A

Details of Exchange trading fee rebate are as follows:

Product	HSIF*	HSCEIF*
Exchange trading fee rebate per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)

Notes: \* HSIF / HSCEIF contracts that have been used by HSI / HSCEI options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

An LP / PT can apply to participate in one or more Eligible Products or different categories of LPs / PTs Types, but the aggregate incentives to which an LP / PT is entitled will be subject to an overall cap as set up in the table above. The Exchange has the absolute discretion to change the overall cap and quota allocation between the products.

### **Quota**

The LPs / PTs quota is specified in the Attachment. As the quota is limited<sup>5</sup>, the Exchange may allocate and / or re-assign 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 applicants' past performance.

### **Application Procedure and Existing LP and PT Arrangement**

All existing appointments of LPs and PTs under the Bundled Incentive Liquidity Providing Program in 2020 will be terminated on 31 December 2020. The Program for 2021 is now open for LP and PT applications and interested candidates are required to submit their applications to the aforementioned enquiry contacts. The deadline for applications is 31 December 2020.

**Julien Martin**

**Head**

**FIC Development**

**Market Development Division**

*This circular has been prepared in English with a Chinese translation. If there is any inconsistency between the two versions, the English version shall prevail.*

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<sup>5</sup> The quota is indicative and could be revised subject to the Exchange's plan or budget.

## Attachment

### I. LP Quota and Obligations

The minimum CQ<sup>6</sup> obligations for each product and applicable LP types are set out as follows:

	RMB Currency Futures Basket <sup>7</sup> :	USD/CNH Futures	USD/CNH Options	INR/USD Futures			INR/CNH Futures
Period	From 4 January (T session) 2021 to 31 December 2021						
LP Type	Type 3	Type 2	Type 2	Type 1	Type 2	Type 3	Type 3
Incentives	1. Nil Exchange trading fee on the assigned Contract(s) 2. Rebate of i) HSIF and HSCEIF Exchange trading fee, ii) market data (derivatives/securities) fee, iii) hosting service fee, and 3. Waiver of OAPI sub licence fee						
Quota	1	2	3	3			1
Contract months	spot, next month and 1 <sup>st</sup> and 2 <sup>nd</sup> quarter months	spot month and 1 <sup>st</sup> quarter month	120 series for all 10 contract months (i.e. spot, next, 3 <sup>rd</sup> , 4 <sup>th</sup> months and 1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , 6 <sup>th</sup> quarter months)	spot, next and 3 <sup>rd</sup> month		spot and next month	spot and next month
Max. bid / offer spread (ticks)	<ul style="list-style-type: none"> <li>spot and next month: 40;</li> <li>1<sup>st</sup> and 2<sup>nd</sup> quarter months: 60</li> </ul>	<u>T session</u> <ul style="list-style-type: none"> <li>spot month: 7;</li> <li>1<sup>st</sup> quarter month: 10</li> </ul> <u>T+1 session</u> <ul style="list-style-type: none"> <li>spot month: 10;</li> <li>1<sup>st</sup> quarter month: 12</li> </ul>	<ul style="list-style-type: none"> <li>spot month, next, 3<sup>rd</sup>, 4<sup>th</sup> months and 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> quarter months: 50-140<sup>8</sup>;</li> <li>5<sup>th</sup> and 6<sup>th</sup> quarter months: 200<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>spot: 3;</li> <li>next month: 4;</li> <li>3<sup>rd</sup> month: 20</li> </ul>	<ul style="list-style-type: none"> <li>spot: 5;</li> <li>next month: 6;</li> <li>3<sup>rd</sup> month: 20</li> </ul>	spot and next month: 7	spot and next month: 50
Quote size (no. of contracts)	10	5	5	10	10	10	8
% of trading hours	60% (T session) or 50% (T and T+1 sessions)	50% (T or T+1 session)	50% (T session) <sup>9</sup>	50% (T session) and 20% (T+1 session)			
Max. no. of OAPI waivers	8	16	16	32	16	8	8
Remarks	Trading requirements are applicable to all pairs	-	-	-			

<sup>6</sup> Continuous quotes

<sup>7</sup> RMB Currency Futures Basket includes AUD/CNH Futures, JPY/CNH Futures, EUR/CNH Futures and CNH/USD Futures contracts.

<sup>8</sup> Minimum fluctuation of the relevant contract month.

<sup>9</sup> The liquidity providing hours are defined as the period from 9:00 am to 4:30 pm.

## II. PT Quota and Obligations

The monthly clearing volume commitments<sup>10</sup> for each product and applicable PT types are set out as follows:

PT Type	RMB Currency Futures Basket <sup>11</sup> : AUD/CNH, JPY/CNH, EUR/CNH, CNH/USD Futures	USD/CNH Futures	USD/CNH Options	INR Currency Futures <sup>12</sup> : INR/USD, INR/CNH Futures
Period	From 4 January (T session) 2021 to 31 December 2021			
Quota	1	14		9
Incentives	1. Rebate of i) HSIF and HSCEIF Exchange trading fee, ii) market data (derivatives/securities) fee, iii) hosting service fee; and 2. Waiver of OAPI sub licence fee for Type 1a and Type 1b			
Type 1a	N/A	N/A	N/A	5,000
Type 1b	5,000	10,000	2,000	3,500
Type 2	2,500	8,000	1,000	2,000
Type 3	1,250	6,000	500	1,000
Type 4	500	3,000	200	500
Type 5	250	2,000	100	250
Type 6	100	1,000	50	100

For the avoidance of doubt, the average price trades performed by PTs should be excluded from the monthly clearing volume commitment.

<sup>10</sup> The Exchange will determine a PT's monthly clearing volume 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.

<sup>11</sup> Aggregate volume of the RMB Currency Futures Basket.

<sup>12</sup> Aggregate volume of the INR/USD and INR/CNH Futures contracts.