

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: Cash Incentive Program for trading US Dollar versus Renminbi (Hong Kong) (“USD/CNH”) Futures contract and Indian Rupee versus US Dollar (“INR/USD”) Futures contract in 2021

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Reference is made to the circular dated 31 October 2019 (Ref.: [MKD/FIC/006/19](#)) regarding the introduction of Cash Incentive Program for trading US Dollar versus Renminbi (Hong Kong) (“USD/CNH”) Futures contract and Indian Rupee versus US Dollar (“INR/USD”) Futures contract. Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce the extension of the Cash Incentive Program for the period from 4 January (T session) 2021 to 31 December 2021¹.

The Cash Incentive Program is designed to attract more new Liquidity Providers (“LPs”) to the market and will allow LPs to receive a cash stipend for liquidity providing activities on its derivative products upon fulfilment of their obligations.

The Cash Incentive Program exists for LPs in parallel with the current Bundled Liquidity Providing Incentive Program, acting as an incentive for strategic products. For the avoidance of doubt, the Cash Incentive Program, Market Maker Program and Bundled Liquidity Providing Incentive Program are mutually exclusive and the LPs who participate in one of the programs will not be allowed to participate in the other programs for the same products and in the same trading session.

¹ 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.

Eligible Products

USD/CNH Futures contract and INR/USD Futures contract (the “Contract” or collectively the “Contracts”) are eligible products for the Cash Incentive Program.

An LP is defined as a 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 meet the quoting obligations for the minimum number of the Contract as assigned by the Exchange.

Incentives and Obligations

Upon fulfilment of its obligations, each LP will be offered incentive set out in the table below.

Types of LP	Cash incentive per Contract per month, in HKD	Exchange trading fee	
		USD/CNH Futures contract	INR/USD Futures contract
Type 1 LP	150,000	nil	nil
Type 2 LP	100,000	nil	nil
Type 3 LP	50,000	RMB 8 per contract with rebate up to aggregate amount of HKD 50,000 per month	USD 0.6 per contract with rebate up to aggregate amount of HKD 50,000 per month
Type 4 LP ²	300,000	nil	N/A

Type 1, Type 2 and Type 4 LPs are entitled to nil Exchange trading fees on the transactions effected in the assigned Contract(s), while Type 3 LPs are entitled to rebate of the Exchange trading fee up to aggregate of HKD 50,000 per month on the transactions in the assigned Contract(s) as set forth below.

USD/CNH Futures contract		INR/USD Futures contract	
Monthly clearing volume thresholds (number of contracts)	Percentage of Exchange trading fee rebate ³	Monthly clearing volume thresholds (number of contracts)	Percentage of Exchange trading fee rebate ³
400 – 1,999	25%	100 – 2,999	25%
2,000 - 9,999	50%	3,000 – 5,999	50%
10,000 - 29,999	75%	6,000 – 14,999	75%

² Type 4 LP is only applicable to USD/CNH Futures contract.

³ Exchange trading fee per contract of the USD/CNH Futures contract is RMB 8 and INR/USD Futures contract is USD 0.6.

30,000 or above	100%	15,000 or above	100%
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Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the amount of the cash incentive in the first month of its appointment will be pro-rated based on the number of Business Days in which the appointment is in effect over the total number of Business Days in that month. The nil Exchange trading fee and / or rebate of the Exchange trading fee shall only apply to the trades conducted by the LP on and after the Business Day in which the appointment comes into effect.

The applicable LP types, incentives and minimum obligations for each product and are summarised in the table below:

	USD/CNH Futures contract				INR/USD Futures contract		
Period	4 January 2021 (T session) until 31 December 2021						
Type of LP	Type 1	Type 2	Type 3	Type 4	Type 1	Type 2	Type 3
Quota	7				6		
Cash incentive, in HKD:	150,000	100,000	50,000	300,000	150,000	100,000	50,000
Exchange trading fee per contract, in HKD:	nil	nil	RMB 8 with rebate up to HKD 50,000 per month	nil	nil	nil	USD 0.6 with rebate up to HKD 50,000 per month
Trading requirements	Continuous Quotes						
Contract Months	spot and 1 st quarter		spot		spot, next and 3 rd month		
Max. Bid / Offer Spread (ticks)	<u>T session:</u> • spot: 5 • 1 st quarter: 10 <u>T+1 session:</u> • spot: 8 • 1 st quarter: 12	<u>T session:</u> • spot: 6 • 1 st quarter: 10 <u>T+1 session:</u> • spot: 9 • 1 st quarter: 12	<u>T session:</u> 7 <u>T+1 session:</u> 10	<u>T session:</u> 2 <u>T+1 session:</u> 5	T and T+1 sessions • spot: 3 • next month: 4 • 3 rd month: 20	T and T+1 sessions • spot: 5 • next month: 6 • 3 rd month: 20	T and T+1 sessions • spot: 7 • next month: 7 • 3 rd month: 25
Quote Size (number of contracts)	5			20	10		
% of trading hours ⁴	60% of T session and 25% of T+1 session				50% of T session and 20% of T+1 session		

⁴ There is no obligation to quote in T+1 session after the trading of the spot month ceases at 11 a.m. for the USD/CNH Futures contract and 3 p.m. for the INR/USD Futures contract on the last trading day.

Quota

LP applicants may apply to provide liquidity to either one or both Contracts. However, as the LP quota is limited⁵, 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.

Application Procedure

The Cash Incentive Program for the Contracts is now open for application and interested candidates are required to submit their applications to the aforementioned enquiry contacts.

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.

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