

The Designated Specialist (DS) programme permits liquidity providers who are not Exchange Participants (EPs) to take part in Exchange Traded Product (ETP) market making activities in Hong Kong. The DS programme opens up opportunities for liquidity providers to tap the potential in Asia ETF marketplace.

WHAT IS THE DS PROGRAMME?



Who is it for?

Non-EPs that want to provide liquidity in Hong Kong's ETP market



Which products are eligible?

All ETPs, including Exchange Traded Funds (ETFs) and Leveraged and Inverse Products (L&I Products) listed on HKEX

WHAT ARE THE ENTITLEMENTS?

DSs are rewarded with compelling benefits for providing market liquidity, including:

💰 Fee exemption on all market making trades

- Trading Fee
0.005% ▶ 0%
- Transaction Levy
0.0027% ▶ 0%

📄 Short-selling and tick rule exemption

💻 Discounted Market Making Orion Central Gateway (MMOCG) Session

- One-Off Fee (per throttle)
HK\$50,000 ▶ FREE
- Monthly Fee (per throttle)
HK\$960 ▶ HK\$480

📊 Discounted securities market data feeds (OMD) – End User Licence

- Standard Licence (per quarter)
HK\$33,300 ▶ HK\$15,000
- Premium Licence (per quarter)
HK\$43,200 ▶ HK\$19,500
- Full Tick Licence (per quarter)
HK\$64,800 ▶ HK\$29,100

WHO IS ELIGIBLE?

To qualify as a DS, an applicant must satisfy at least ONE of the following criteria:

- ✓ Maintain a paid-up capital of at least HK\$50 million and shareholders' funds of at least HK\$100 million
- ✓ Be licensed by or registered with the Securities and Futures Commission (SFC) for Type 1 or Type 2 regulated activity under the Securities and Futures Ordinance, or be licensed or registered for similar activity by an overseas authority having a memorandum of understanding with SFC
- ✓ Be a licensed bank regulated by an authority acceptable to The Stock Exchange of Hong Kong Limited (SEHK)
- ✓ Maintain a current long-term credit rating of A- or above (Standard & Poor's) or A3 or above (Moody's)

WHAT ARE THE MARKET MAKING OBLIGATIONS?

- Upon occurrence of "wide spreads", DSs have the obligations to provide quotes:
 - at minimum quantity
 - for minimum period of time
 - within maximum spread width
- If "wide spreads" occur more than 50 times in a month, a DS has to provide quotes at a minimum of 50% of the time
- Obligations are measured at DS level by unique broker number

WHAT SHOULD WE DO NOW TO BECOME A DS?

- 1** DS to be a client of an EP of SEHK
DS to fulfil at least one of the four eligibility criteria
- 2** EP to submit Application Form 10A to HKEX to register DS
EP to submit all necessary documents required in Explanatory Note 10A
- 3** DS and EP to perform testing and pass all technical requirements
- 4** EP to receive notification upon successful approval
DS to start market making on effective date

WHAT IS THE HONG KONG ETP OPPORTUNITY?

ETPs listed in Hong Kong include ¹

107 ETFs
22 L&I Products

HK\$311Bn
Market Capitalisation ¹

HK\$4.5Bn
Average Daily Turnover ²



ETP Product coverage



¹ Data as of 31 December 2018

² From 2 January to 31 December 2018

DID YOU KNOW?

- DSs are subject to the same entitlements and obligations as Securities Market Makers (SMMs) on HKEX
- An EP can register one or more DS for an ETP counter
- A DS can be registered by more than one EP only for different ETP counters
- An EP may apply to make market on the same ETP counter as its registered DS

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