

HKEX's market makers include both Securities Market Makers (SMMs) and Designated Specialists (DS). All market makers are subject to the same market making arrangement as follows.

Exchange Traded Products (ETPs) grouping for market making obligations

- ETPs are classified into 5 groups (A-E) which set the market making obligations. Prior to the listing of an ETP, HKEX will consult the individual ETP issuer and market makers and set the ETP's grouping.
- The set of market making obligations should be abided by all market makers making market for the same ETP.

Market making obligations

- Market makers are obligated to enter market making orders upon an occurrence of "Wide Spread"

	Grouping				
	A	B	C	D	E
"Wide Spread" situation					
The limit of the bid ask spread under a "Wide Spread" situation (in spreads)	4	15	20	25	32
The minimum period of time under a "Wide Spread" situation must have occurred continuously in order to constitute a "Wide Spread"	3 minutes				
Market maker response					
The period of time within which a market maker shall enter market making orders into the System upon an occurrence of Wide Spread	90 seconds				
Market maker order					
The maximum spread of two-sided market making orders entered by a market maker into the System (in spreads)	3	10	15	20	30
The minimum quantity of market making orders that a market maker submits (in board lots)	30	5	5	5	5
The minimum period of time for which a market maker shall maintain a market making order after initially entering it into the System	3 minutes				
Market maker performance monitoring					
The minimum response rate of Wide Spread by a market maker in one month	50 percent				
The minimum number of occurrence of Wide Spread in a month for the minimum response rate to apply	50				

- Market making obligations are contained in the Fourteenth Schedule of the Rules of the Exchange.

Market maker incentives

- Market makers enjoy the following benefits:
 - Market making trades are exempted from trading fee (0.005%) and transaction levy (0.0027%);
 - Market makers can apply for Market Making Orion Central Gateway (MMOCG) Session at a discounted rate for market making of ETPs.

Market maker performance

- Market makers performance will be monitored by HKEX on an ongoing basis.
- Market makers of Leveraged and Inverse Products (L&I Products) who fail to meet the obligations for a continuous period of 2 months may have their market maker permits revoked and/or banned from applying for market maker permits for other L&I Products for 1 year.

Ongoing requirements for market makers of L&I Products

- At least 1 market maker is mandatory at the commencement of trading and for continuous trading of the L&I Products.
- The L&I Product must be terminated in the event of resignations of all market makers. The termination should take place at about the same time as the resignation of the last market maker becomes effective. The L&I Product provider and market maker should provide a sufficiently long resignation notice period to allow for an orderly unwinding and termination of the L&I Product.
- In addition, advance notices of termination must be issued to investors pursuant to the requirements under the Code on Unit Trusts and Mutual Funds.

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