

Obligations of Exchange Traded Product market makers

Exchange Traded Product¹ (ETP) market makers² are required to enter two-sided quotes within the applicable market maker obligations based on an ETP's grouping, as set out below:

		Grouping		
		A	B	C
1. The maximum spread of two-sided market making orders entered by a market maker into the System (in percentage)		0.40%	1.00%	2.00%
	HKD	\$200,000	\$200,000	\$100,000
2. The minimum quote size of market making orders that are within the maximum spread (per side)	RMB	\$170,000	\$170,000	\$85,000
	USD	\$25,000	\$25,000	\$12,500
3. The minimum period of time for which a market maker shall maintain a market making order after initially entering it into the system (in seconds)			1 second	
4. The minimum participation rate of a market maker per trading day (in percentage)			80%	

The list of ETP grouping can be found on HKEX's ETP market maker webpage under section "[Market making obligations and spread table](#)". For technical specifications of ETP market making obligations, please contact the ETFs@hkex.com.hk.

Market maker entitlements

Market makers enjoy the following benefits:

- Reduced trading fee (as low as 0% depending on ETP classification) and exempted transaction levy (SFC transaction levy of 0.0027% and FRC transaction levy of 0.00015%) for market making trades;
- Market makers can apply for Market Making Orion Central Gateway – Securities Market (MMOCG-C) Session and securities market data feeds (OMD) – End user Licence at a discounted rate for market making of ETPs;
- One-day buy-in exemption on market making trades;
- Short-selling and tick rule exemption on market making trades; and
- Stamp duty (0.13%) is waived in the course of creating and redeeming ETP units listed in Hong Kong.

1. Exchange Traded Products include Exchange Traded Funds (ETFs) and Leveraged and Inverse Product (L&I Products)
2. Market Makers include Securities Market Makers and Designated Specialists

Spread table for ETPs

All ETPs, unless otherwise specified, adopt Spread Table (Part D) under HKEX's trading rules as below:

Currency Unit				Tick Interval
From	0.01	to	1.00	0.001
Over	1.00	to	5.00	0.002
Over	5.00	to	10.00	0.005
Over	10.00	to	20.00	0.010
Over	20.00	to	100.00	0.020
Over	100.00	to	200.00	0.050
Over	200.00	to	500.00	0.100
Over	500.00	to	1,000.00	0.200
Over	1,000.00	to	2,000.00	0.500
Over	2,000.00	to	9,999.00	1.000

At the preference of the ETF managers, some fixed income and money market ETFs may adopt Spread Table (Part B) under HKEX's trading rules as below:

Currency Unit				Tick Interval
From	0.50	to	9,999.95	0.05

The list of ETF spread tables can be found on HKEX's ETP market maker webpage under section "[Market making obligations and spread table](#)"

Market maker performance

- A market maker is considered in breach of the obligations if one fails to meet the minimum participation rate for five or more days in a calendar month. A breach of the obligations is reported to SFC.
- Market makers found to be in breach of the obligations for two consecutive months could have their SMM permit revoked on the respective ETP.

Disclaimer

The information contained in this document is for general informational purposes only and does not constitute an offer, solicitation or recommendation to buy or sell any securities or to provide any investment advice or service of any kind. HKEX and/or its subsidiaries endeavour to ensure the accuracy and reliability of the information provided, but do not guarantee its accuracy and reliability and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracy or omission or from any decision, action or non-action based on or in reliance upon information contained in this document.

