

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: **Market Makers for Equity Index Options in the T+1 Session**

Enquiry: **HKATS Hotline¹ Tel: 2211-6360**

Reference is made to the circular dated 7 February 2018 (Ref: [MO/DT/026/18](#)). Hong Kong Futures Exchange (HKFE) is pleased to announce that the following list of market makers for the following products will take effect from 14 May 2018:

Products	Regular Market Maker in the T+1 Session	Obligations
Hang Seng Index (HSI) Options	IMC Asia Pacific Ltd	Provide continuous quotes
	SG Securities (HK) Ltd	Provide continuous quotes
	I-Access Investors Ltd	Provide continuous quotes
Hang Seng China Enterprises Index (HHI) Options	IMC Asia Pacific Ltd	Provide continuous quotes
	SG Securities (HK) Ltd	Provide continuous quotes
Mini - HSI (MHI) Options	IMC Asia Pacific Ltd	Provide continuous quotes
	SG Securities (HK) Ltd	Provide continuous quotes
	I-Access Investors Ltd	Provide continuous quotes

The market making requirements and incentives for regular market makers for the T+1 Session are specified in Attachment.

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

For any enquiry, please contact HKATS hotline at 2211 6360.

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This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Market Making Requirements and Incentives for Regular Market Makers for the T+1 Session (T+1 RMMs)

A. Market Making Requirements for T+1 RMMs

T+1 RMMs shall follow the following market making requirements for:

- 1) market makers who provide Continuous Quotes (CQ) (Table A); and
- 2) market makers who respond to Quote Requests (QR) (Table B)

Table A – Market Making Requirements for T+1 RMMs Elected to Provide Continuous Quotes (CQ)

Market Making Requirements		Regular Market Makers for the T+1 Session (CQ)
Assigned Option Series	HSI and HHI Options	40 out of 198 (Table A1)
	MHI Options	20 out of 116 (Table A2)
Minimum Quote Size	HSI and HHI Options: See Table C1 MHI Options: See Table C2	
Maximum Bid/Offer Spread		
Minimum Percentage of Trading Hours Coverage	35%	

Table A1 – Option Series Selection Pool (For HSI Options and HHI Options)

Contract Month	Series	Call Series	Put Series
Spot Month	Nearest OTM	15	15
	Nearest ITM	2	2
2 nd Calendar Month	Nearest OTM	15	15
	Nearest ITM	2	2
3 rd Calendar Month	Nearest OTM	15	15
	Nearest ITM	2	2
4 th Calendar Month	Nearest OTM	10	10
	Nearest ITM	2	2
1 st Quarter Month	Nearest OTM	10	10
	Nearest ITM	2	2
2 nd Quarter Month	Nearest OTM	10	10

	Nearest ITM	2	2
3 rd Quarter Month	Nearest OTM	10	10
	Nearest ITM	2	2
Total		198	

Table A2 – Option Series Selection Pool (For MHI Options)

Contract Month	Series	Call Series	Put Series
Spot Month	Nearest OTM	15	15
	Nearest ITM	2	2
2 nd Calendar Month	Nearest OTM	15	15
	Nearest ITM	2	2
1 st Quarter Month	Nearest OTM	10	10
	Nearest ITM	2	2
2 nd Quarter Month	Nearest OTM	10	10
	Nearest ITM	2	2
Total		116	

Table B – Market Making Requirements for T+1 RMMs Elected to Respond to Quote Requests (QR)

Market Making Requirements	Regular Market Makers for the T+1 Session (QR)
Minimum Percentage of QR Responses	35%
Minimum Quote Size	HSI and HHI Options: See Table C1 MHI Options: See Table C2
Maximum Bid/Offer Spread	
Maximum Time Limit for Responding to QR	20 seconds
Minimum Display Time	20 seconds

Table C1 – Minimum Quote Size and Maximum Bid/Offer Spread (For HSI Options and HHI Options)

Contract Month	Call/Put Option Price	Requirements	
		Minimum Quote Size	Maximum Bid/Offer Spread
spot month to 4 th calendar months	1 – 750 points	3 contracts	40 points or 20% of bid price, whichever is higher
	751 points or more		150 points

1 st and 2 nd calendar quarter months following the 4 th calendar month	1 – 750 points	2 contracts	60 points or 30% of bid price, whichever is higher
	751 points or more		225 points
3 rd calendar quarter month following the 4 th calendar month	1 – 750 points		80 points or 40% of bid price, whichever is higher
	751 points or more		300 points

Table C2 – Minimum Quote Size and Maximum Bid/Offer Spread (For MHI Options)

Contract Month	Call/Put Option Price	Requirements	
		Minimum Quote Size	Maximum Bid/Offer Spread
spot month and 2 nd calendar months	1 – 750 points	3 contracts	40 points or 20% of bid price, whichever is higher
	751 points or more		150 points
1 st and 2 nd calendar quarter months following the 2 nd calendar month	1 – 750 points	2 contracts	60 points or 30% of bid price, whichever is higher
	751 points or more		225 points

B. Incentives for T+1 RMMs

Upon fulfilling the market making requirements, the performance of each T+1 RMM will be measured monthly against 3 incentive tiers to determine the eligible monthly incentives. Details of the requirements for respective incentives tiers are as follows:

Table D – T+1 Session Market Makers Requirements for the 3 Incentive Tiers

Market Makers Requirements for the 3 Incentive Tiers		Incentive Tier 1	Incentive Tier 2	Incentive Tier 3
Assigned Option Series ²	HSI and HHI Options	50	40	40
	MHI Options	25	20	20
Minimum Percentage of Trading Hours Coverage ² or Minimum Percentage of QR Responses ³		70%	50%	35%

² Applicable to market makers who provide continuous quotes in the T+1 Session

The incentives of T+1 RMMs include:

- 1) Reduced trading fee for the products which the T+1 RMMs make market (Table E)
- 2) Reduced trading fee for the products with same underlying index⁴
- 3) OAPI Waivers (Table F)

Table E – Trading Fees

Product	Incentive Tier 1	Incentive Tier 2	Incentive Tier 3
HSI Options	Free	HK\$2.00	HK\$2.00
HHI Options		HK\$0.50	HK\$0.50
MHI Options		HK\$0.40	HK\$0.40

Table F – OAPI Waivers

Product	Incentive Tier 1	Incentive Tier 2	Incentive Tier 3
HSI Options	Up to 18 waivers (i.e. HK\$46,800 per month or equivalent) for each product	Up to 4 waivers (i.e. HK\$10,400 per month or equivalent) for each product	Up to 2 waivers (i.e. HK\$5,200 per month or equivalent) for each product
HHI Options			
MHI Options	Up to 5 waivers (i.e. HK\$13,000 per month or equivalent) for each product	Up to 2 waivers (i.e. HK\$5,200 per month or equivalent) for each product	Up to 1 waiver (i.e. HK\$2,600 per month or equivalent) for each product

³ Applicable to market makers who respond to quote requests in the T+1 Session

⁴ The number of contracts that are eligible for a reduced trading fee may be limited as specified in the Trading Procedures relating to Stock Index Futures and Stock Index Options contained in the HKFE Rules