

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: Enhancement of Incentive Programs for Commodity Derivatives Products

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Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce certain enhancements to its existing incentives program for commodity derivatives products (References are made to the circular dated 4 December 2018 (Ref: [MKD/CMD/003/18](#))). The enhanced incentive program will take effect from 1 July 2019 (T session) to 31 December 2019 (T session) (both dates inclusive).

### 1. Bundled Liquidity Providing Incentive Program

The program is designed for market participants to support the liquidity development of commodity derivatives through participation as either a liquidity provider (“LP”) or as a proprietary trader (“PT”). LP and PT are defined as follows:

- LP – the person performing liquidity providing activities (i.e. an Exchange Participant (“EP”) or the entity or individual who has entered into a liquidity providing arrangement with an EP) and commits to meeting the quoting obligations assigned by the Exchange; and
- PT – an EP trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account<sup>1</sup> and commits to meeting the minimum monthly clearing volume in the Eligible Products (see below) assigned by the Exchange.

LP / PT applicants may apply to participate in the Bundled Liquidity Providing Incentive Program with respect to one or more of the following products:

<sup>1</sup> or other account as assigned by the Exchange.

	<u>Eligible Products for LPs</u>	<u>Eligible Products for PTs</u>
Gold Futures	- USD Gold Futures - CNH Gold Futures	- USD Gold Futures - CNH Gold Futures
Iron Ore Futures	- Monthly Contracts - Quarterly Contracts	(newly added to program): - Monthly Contracts - Quarterly Contracts
London Metal Mini Futures	Any 4 of the following: - London Aluminium Mini Futures - London Zinc Mini Futures - London Copper Mini Futures - London Nickel Mini Futures - London Tin Mini Futures - London Lead Mini Futures	N/A

Details of LPs' and PTs' obligations have been updated and are set forth in **Attachment I**.

#### Incentives

Upon fulfilment of its obligations (see **Attachment I**), each LP / PT will be offered rebates (up to a maximum amount per month) in the following items:

- Cross-product trading fees in Hang Seng Index ("HSI") Futures, Hang Seng China Enterprises Index ("HSCEI") Futures and USD/CNH ("CNH") Futures<sup>2</sup>;
- Market data (securities/derivatives) fee; and
- Hosting services fee.

In addition, each LP will be granted a waiver for OMnet Application Programming Interface ("OAPI") sub-license fees for up to a maximum amount per month.

<sup>2</sup> Except for Type 5 LP to which HSI Futures/ HSCEI Futures/ CNH Futures Trading Fee Rebate is not applicable.

Category	Maximum Incentives per month per trading session (in HKD)			
	Combinations of:			
	HSI Futures/ HSCEI Futures/ CNH Futures Trading Fee Rebate	Market Data Fee Rebate <sup>3</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver <sup>4</sup>
<b>LPs:</b>				
Type 1 LP (Option A or B) (revised)	\$120,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 83,200 (i.e. 32 OAPIs)	
Type 2 LP (revised)	\$80,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$41,600 (i.e. 16 OAPIs)	
Type 3 LP (Option A or B) (revised)	\$40,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 41,600 (i.e. 16 OAPIs)	
Type 4 LP (revised)	\$20,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$20,800 (i.e. 8 OAPIs)	
Type 5 LP (revised)	N/A	\$40,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month	Up to \$20,800 (i.e. 8 OAPIs)	
<b>PTs:</b>				
Type 1 PT	Up to \$200,000 in total		N/A	
Type 2 PT (revised)	Up to \$140,000 in total		N/A	
Type 3 PT (revised)	Up to \$120,000 in total		N/A	
Type 4 PT (new)	Up to \$80,000 in total		N/A	

Details of cross-product trading fee rebate are as follows:

Product	HSI Futures*	HSCEI Futures*	CNH Futures <sup>5</sup>
Trading Fee Rebate Per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)	RMB 3.00 (i.e. 37% rebate)

Notes: \* HSI / HSCEI Futures contracts that have been used by HSI/HSCEI Options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

<sup>3</sup> Market data fee rebate includes relevant licence fees, connection fees and usage fees.

<sup>4</sup> Currently HK\$2,600 per month for each OAPI with 5 transactions per second.

<sup>5</sup> The fee rebate for CNH Futures will be converted to HKD based on the foreign exchange rate at the time of the payment calculation. Clearing volumes of CNH Futures contracts that have been used by CNH Futures Active Traders in claiming trading fee rebate are not entitled to further trading fee rebate. In addition, 100% of trading fee rebate (i.e. RMB 8) will be offered to CNH Futures LP if they meet the obligations and the trading fee rebate will not be counted in the rebate amount in cross-product trading fees.

LP / PT can apply to participate in one or more Eligible Products, but the aggregate incentives to which an LP / PT is entitled will be subject to an overall cap as set out in the table above.

#### Quota

The maximum quota for this program is 9 Type 1 LPs or 5 Type 1 PTs in total<sup>6</sup>. As the quota is limited, 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. If the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicant's past performance in the selection, subject to Commodities Development Department's decision.

#### Application Procedure and Existing LPs and PTs Arrangement

The Enhanced Bundled Liquidity Providing Incentive Programs for Commodity Derivatives Products for the 2<sup>nd</sup> half of 2019 are now open for application. Unless otherwise specified, all existing appointments of LPs and PTs will be adjusted to its enhanced type. All applicants (including existing LPs and PTs) interested to join the enhanced incentive program starting from 1 July 2019 (T session) to 31 December 2019 (T session) are required to submit the application.

Interested parties should contact Mr. Alan Feng (Email: [AlanFeng@hkex.com.hk](mailto:AlanFeng@hkex.com.hk)), Ms. Lucky Yang (Email: [LuckyYang@hkex.com.hk](mailto:LuckyYang@hkex.com.hk)), Ms. Debbie Zhuang (Email: [DebbieZhuang@hkex.com.hk](mailto:DebbieZhuang@hkex.com.hk)) or Mr. Aston Lim (Email: [AstonLim@hkex.com.hk](mailto:AstonLim@hkex.com.hk)) for application details. Deadline for application will be **Friday, 21 June 2019**.

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<sup>6</sup> or a combination of different categories of LPs/PTs whereby the aggregate maximum incentives per month are equivalent to that for 9 Type 1 LPs or 5 Type 1 PTs.

## 2. Trading Fee Rebates/Waiver for Commodity Derivatives Products

Products	Trading Fee Per Contract				
	From 1 Jul 2019 to 31 Dec 2019				
	All LPs	PT Type 1 and Type 2	PT Type 3	PT Type 4	Other Accounts <sup>7</sup>
CNH Gold Futures	100% Rebate <sup>^</sup>	100% Rebate <sup>^</sup>	60% Rebate <sup>^</sup>	20% Rebate <sup>^</sup>	RMB 6.00
USD Gold Futures	100% Rebate <sup>^</sup>	100% Rebate <sup>^</sup>	60% Rebate <sup>^</sup>	20% Rebate <sup>^</sup>	USD 1.00
Iron Ore Futures – Monthly Contracts	100% Waiver	100% Waiver	100% Waiver	100% Waiver	100% Waiver
Iron Ore Futures – Quarterly Contracts	100% Waiver	100% Waiver	100% Waiver	100% Waiver	100% Waiver
London Aluminium Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 3.00
London Zinc Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 3.00
London Copper Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 5.00
London Nickel Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 3.00
London Tin Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 3.00
London Lead Mini Futures	100% Rebate <sup>^</sup>	No Rebate	No Rebate	No Rebate	RMB 3.00

<sup>^</sup> subject to fulfilment of their respective obligations

### Gold Futures:

Subject to fulfilment of respective obligations, all LPs will be entitled to 100% trading fee rebates, and all PTs entitled to trading fee rebates based on their tier types stated above, starting from 1 July 2019 (T session) to 31 December 2019 (T session) (both dates inclusive). The Settlement Fees and SFC Commission Levy for Gold Futures will remain unchanged.

### Iron Ore Futures:

As stated in the circular dated 4 December 2018 (Ref: [MKD/CMD/003/18](#)), the Exchange trading fee waiver for Iron Ore Futures will continue to apply until 31 December 2019 for the whole market (i.e. all accounts used for trading Iron Ore Futures). The Settlement Fees and SFC Commission Levy for Iron Ore Futures will remain unchanged.

### London Metal Mini Futures:

All LPs of London Metal Mini Futures will be entitled to 100% trading fee rebates, subject to fulfilment of their obligations, starting from 1 July 2019 (T session) 31 December 2019 (T session)

<sup>7</sup> Same amount as specified in the contract specifications, and is subject to change from time to time.

(both dates inclusive). The Settlement Fees and SFC Commission Levy for London Metal Mini Futures will remain unchanged.

Participants are advised to inform their clients of the revision of trading fee rebates/waiver accordingly.

Dennis Zhang  
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*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.*

## Attachment I

**Bundled Liquidity Providing Incentive Program****Table 1 – LP Obligations (Updated)**

The minimum obligations for each product and applicable LP types are updated as follows:

Obligations	Gold Futures (either CNH Gold Futures or USD Gold Futures)					
	1 (Option A)	2	3 (Option A)	4	1 (Option B)	3 (Option B)
Continuous Quotes (CQ) or Quote Requests (QR)	CQ					
Contract Months	Any 2 of the Spot, next 2 calendar months, the next Jun and the next Dec contracts				Any 2 of the following contract series: - Spot/ Next calendar month - Spot/ Next 2 calendar months - Spot/ Jun - Spot/ Dec - Next/ Jun - Next/ Dec - Next 2/ Jun - Next 2/ Dec - Jun/ Dec	
Max. Bid / Offer Spread	Spot: 3 ticks Farthest month: 3 ticks Other months: 2 ticks	Spot: 2 ticks Farthest month: 2 ticks Other months: 1 tick	Spot: 3 ticks Farthest month: 3 ticks Other months: 2 ticks	Spot: 3 ticks Farthest month: 3 ticks Other months: 3 ticks	1 tick of calendar spread between the given contract series	
Quote Size (contracts)	12	6	6	6	12	6
% of Trading Hours	70% (T or T+1)	30% (T or T+1)	50% (T or T+1)	50% (T or T+1)	70% (T or T+1)	50% (T or T+1)
Max. No. of OAPI Waiver	32	16	16	8	32	16

Notes: Options A and B are entitled to the same incentives despite different obligations

Obligations	Iron Ore Futures (either Monthly Contracts or Quarterly Contracts)	
	1 (Option A)	1 (Option B)
CQ or QR	CQ	
Contract Months	Any 4 of the following:  Monthly Contracts: the Monthly Contracts for the Spot Month, next 5 contract months, next January, May and September;  Quarterly Contracts: the Quarterly Contracts for the Spot Quarter and next 3 contract quarters	Any 4 of the following contract series: - Spot/Next calendar month - Spot/Next+1 calendar month - Spot/Next+2 calendar months - Spot/Next+3 calendar months - Next/Next+1 calendar month - Next/Next+2 calendar months - Next/Next+3 calendar months - Next+1/Next+2 calendar months - Next+1/Next+3 calendar months - Next+2/Next+3 calendar months - Next+3/Next+4 calendar months - Spot/Next calendar quarter - Next/Next+1 calendar quarter - Next+1/Next+2 calendar quarters

Obligations	Iron Ore Futures (either Monthly Contracts or Quarterly Contracts)	
Max. Bid / Offer Spread	Monthly Contracts: 20 ticks Quarterly Contracts: 30 ticks	Monthly Contracts: 10 ticks Quarterly Contracts: 20 ticks
Quote Size (contracts)	Monthly Contracts: 50 Quarterly Contracts: 45	Monthly Contracts: 50 Quarterly Contracts: 45
% of Trading Hours	60% (T) or 45% (T+1)	
Max. No. of OAPI Waiver	32	

Notes: Options A and B are entitled to the same incentives despite different obligations

Obligations	London Metal Mini Futures (Any 4 of the 6 London Metal Mini Futures)					
LP Type	5					
CQ or QR	CQ					
Contract Months	Any 1 of the Spot and next 3 calendar months					
	Copper	Aluminium	Lead	Zinc	Nickel	Tin
Max. Bid / Offer Spread	8 ticks	10 ticks	5 ticks	6 ticks	30 ticks	100 ticks
Quote Size (contracts)	5	5	5	5	6	5
% of Trading Hours	50% (T session)					
Max. No. of OAPI Waiver	8					

## Table 2 – PT Obligations (Updated)

The minimum monthly clearing volume for each PT type is updated as follows:

Products	Types	Minimum Monthly Clearing Volume
<b>Gold Futures (CNH and USD Gold Futures combined)</b>	Type 1	8,000 contracts
	Type 2	5,000 contracts
	Type 3	3,000 contracts
	Type 4	2,000 contracts

Products	Types	Minimum Monthly Clearing Volume
<b>Iron Ore Futures (Monthly and Quarterly Contracts Combined)</b>	Type 1	8,000 contracts
	Type 2	4,500 contracts
	Type 3	2,000 contracts
	Type 4	1,000 contracts

The Exchange will determine a PT's volume traded solely based on the clearing volume in the House Account of the EP, the Individual Client Account of the client trading through the EP or other accounts as assigned by the Exchange.