

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: Incentive Programs for Commodity Derivatives Products in 2020
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Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the incentives programs for commodity derivatives products for the period from 2 January 2020 (T session) to 31 December 2020 (T session) (both dates inclusive), and the trading fee rebates /waivers arrangement for the period 2 January 2020 (T session) to 30 June 2020 (T session) as specified below.

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 who performs liquidity providing activities (i.e. an Exchange Participant (“EP”) or an 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 who trades through its House Account or any entity or individual represented by an EP trading through an Individual Client Account¹ 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:

¹ 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, or - CNH Gold Futures	- USD Gold Futures; or - CNH Gold Futures
Iron Ore Futures	- Monthly Contracts	- Monthly Contracts, and/or - Quarterly Contracts
London Metal Mini Futures	Any 1 of the following: - USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures - USD London Nickel Mini Futures; or All of the following: - CNH London Aluminium Mini Futures - CNH London Zinc Mini Futures - CNH London Copper Mini Futures - CNH London Nickel Mini Futures	Any combination of: - USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures - USD London Nickel Mini Futures - USD London Tin Mini Futures - USD London Lead Mini Futures - CNH London Aluminium Mini Futures - CNH London Zinc Mini Futures - CNH London Copper Mini Futures - CNH London Nickel Mini Futures - CNH London Tin Mini Futures - CNH London Lead Mini Futures

Details of LP's and PT's obligations 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;
- Market data (securities/derivatives) fee; and
- Hosting services fee.

In addition, each LP and Type 1/2 PTs will be granted a waiver for OMnet Application Programming Interface ("OAPI") sub-license fees for up to a maximum amount per month.

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 ² (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver ³
LPs:				
Type 1 LP (Option A, B or C)	\$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 (Option A, B or C)	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 83,200 (i.e. 32 OAPIs)	
Type 3 LP (Option A, B or C)	\$50,000 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	\$20,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$10,400 (i.e. 4 OAPIs)	
PTs:				
Type 1 PT	\$150,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$10,400 (i.e. 4 OAPIs)	
Type 2 PT	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$5,200 (i.e. 2 OAPIs)	
Type 3 PT	Up to \$60,000 in total		N/A	
Type 4 PT (Option A or B)	N/A		N/A	

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

Product	HSI Futures*	HSCEI Futures*	CNH Futures ⁴
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.

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.

² Market data fee rebate includes relevant licence fees, connection fees and usage fees.

³ Currently HK\$2,600 per month for each OAPI with 5 transactions per second.

⁴ The fee rebate for CNH Futures will be converted to HK dollars 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 a 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.

Quota

The maximum quota for this program is 16 Type 1 and 4 Type 4 LPs or 12 Type 1 and 2 Type 2 PTs in total⁵. 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, subject to Commodities Development Department's decision.

Application Procedure and Existing LPs and PTs Arrangement

The LP and PT programs for 2020 are now open for application. Deadline for application is **20 December 2019**. If there is available quota after 20 December 2019, interested parties are allowed to send the application at a later date. The deadline for applications to participate in the program shall be the 20th of each calendar month. Successful applicants will be admitted to the Bundled Liquidity Providing Incentive Program from the next calendar month.

Interested parties should contact Mr. Alan Feng (Email: AlanFeng@hkex.com.hk), Ms. Lucky Yang (Email: LuckyYang@hkex.com.hk), Ms. Debbie Zhuang (Email: DebbieZhuang@hkex.com.hk) or Mr. Aston Lim (Email: AstonLim@hkex.com.hk) for application details.

Unless otherwise specified, all existing appointments of LPs and PTs will be terminated on 31 December 2019. Existing LPs and PTs who are interested to join the program in 2020 are required to submit a new application.

⁵ or a combination of different categories of LPs/PTs whereby the aggregate maximum incentives per month are equivalent to that for 16 Type 1 and 4 Type 4 LPs or 12 Type 1 and 2 Type 2 PTs.

2. Trading Fee Rebates and Wavier for Commodity Derivatives Products

Products	From 2 Jan 2020 to 30 Jun 2020				
	All LPs	PT Type 1 and Type 2	PT Type 3	PT Type 4 (A)	PT Type 4 (B)
CNH Gold Futures	100% Rebate [^]	100% Rebate [^]	50% Rebate [^]	50% Rebate [^]	N/A
USD Gold Futures	100% Rebate [^]	100% Rebate [^]	50% Rebate [^]	50% Rebate [^]	N/A
USD London Aluminium Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
USD London Zinc Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
USD London Copper Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
USD London Nickel Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
USD London Tin Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
USD London Lead Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Aluminium Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Zinc Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Copper Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Nickel Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Tin Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
CNH London Lead Mini Futures	100% Rebate [^]	N/A	N/A	50% Rebate [^]	100% Rebate [^]
Products	All LPs	PT Type 1 and Type 2	PT Type 3	All Other Accounts	
Iron Ore Futures – Monthly Contracts	100% Waiver	100% Waiver	100% Waiver	100% Waiver	
Iron Ore Futures – Quarterly Contracts	100% Waiver	100% Waiver	100% Waiver		

[^] subject to fulfilment of their respective obligations

Trading Fee Rebates for LPs/PTs of Gold Futures and London Metal Mini Futures:

Subject to fulfilment of respective obligations, all LPs of Gold Futures and London Metal Mini Futures will be entitled to 100% trading fee rebates, and all PTs of Gold Futures and London Metal Mini Futures will be entitled to trading fee rebates based on their tier types stated above, starting from 2 January 2020 (T session) to 30 June 2020 (T session) (both dates inclusive). The respective Settlement Fees and SFC Commission Levy will remain unchanged.

Trading Fee Waivers for Iron Ore Futures (for the whole market):

The Exchange trading fee waiver for Iron Ore Futures will be extended until 30 June 2020 (T session) 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.

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

Dennis Zhang
Head of Commodities Development
Market Development Division

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

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

Obligations	Gold Futures (either CNH Gold Futures or USD Gold Futures)						
LP Type	2 (Option A)	2 (Option C)	3 (Option A)	4	3 (Option C)	2 (Option B)	3 (Option B)
Continuous Quotes (CQ) or Quote Requests (QR)	CQ						
Contract Months	Any 2 of the following contracts: M+1, M+2, the next Jun or the next Dec contracts				Spot Month (M) and any 1 of the next Jun or the next Dec contracts	Any 2 of the following contract series: - M / M+1 calendar month - M / M+2 calendar month - M / Jun calendar month - M / Dec calendar month - M+1/ Jun calendar month - M+1/ Dec calendar month - M+2/ Jun calendar month - M+2/ Dec calendar month - Jun/ Dec calendar month	
Max. Bid / Offer Spread	Farthest month: 2 ticks Other months: 2 ticks	Farthest month: 2 ticks Other months: 1 ticks	Farthest month: 2 ticks Other months: 2 ticks	Farthest month: 2 ticks Other months: 2 ticks	Spot: 6 ticks Farthest month: 6 ticks Other months: 3 ticks	1 tick of calendar spread between the given contract series	
Quote Size (contracts)	12	6	6	3	1	12	6
% of Trading Hours	80% (T) or 70% (T+1)	50% (T or T+1)	60% (T or T+1)	40% (T or T+1)	70% (T or T+1) and 94% of LTD	70% (T or T+1)	50% (T or T+1)

Obligations	CNH London Metal Mini Futures			
LP Type	4			
CQ or QR	CQ			
Contract Months	Any 3 of the following contracts: M, M+1, M+2 or M+3			
Contracts	Copper	Aluminium	Zinc	Nickel
Max. Bid / Offer Spread	10 ticks	6 ticks	8 ticks	30 ticks
Quote Size (contracts)	5	5	5	6
% of Trading Hours	50% (T session)			

Obligations	USD London Metal Mini Futures							
LP Type	3 (Option A)				3 (Option B)			
CQ or QR	CQ							
Contract Months	Any 3 of the following contracts: M, M+1, M+2 or M+3				M+2 and all of the following contract series: M / M+1, M / M+2, M+1/ M+2, M+2/ M+3			
Contracts	Any 1 of the following 4 metal contracts:				Any 1 of the following 4 metal contracts:			
	Copper	Aluminium	Zinc	Nickel	Copper	Aluminium	Zinc	Nickel
Max. Bid / Offer Spread	8 ticks	5 ticks	6 ticks	30 ticks	Outright (M+2)			
					6 ticks	4 ticks	4 ticks	20 ticks
					Calendar Spreads			
					6 ticks	5 ticks	6 ticks	10 ticks
Quote Size (contracts)	5	5	5	6	5	5	5	6
% of Trading Hours	80% (T or T+1 session)				Outright (M+2)			
					80% (T or T+1 session)			
					Calendar Spreads			
					80% (T and T+1 session)			

Obligation	Iron Ore Futures (Monthly Contracts)				
LP Type	1 (Option A)	3 (Option A)	1 (Option C)	1 (Option B)	3 (Option B)
CQ or QR	CQ				
Contract Months	Any 4 of the following: M, the next 5 contract months, next January, May or September;	Any 3 of the following: M, the next 5 contract months, next January, May or September;	Any 4 of the following: M, the next 5 contract months, next January, May or September;	Any 4 of the following contract series: - M / M+1 calendar month - M / M+2 calendar month - M / M+3 calendar month - M / M+4 calendar month - M+1/ M+2 calendar month - M+1/ M+3 calendar month - M+1/ M+4 calendar month - M+2/ M+3 calendar month - M+2/ M+4 calendar month - M+3/ M+4 calendar month - M+4/ M+5 calendar month	Any 3 of the following contract series: - M / M+1 calendar month - M / M+2 calendar month - M / M+3 calendar month - M / M+4 calendar month - M+1/ M+2 calendar month - M+1/ M+3 calendar month - M+1/ M+4 calendar month - M+2/ M+3 calendar month - M+2/ M+4 calendar month - M+3/ M+4 calendar month - M+4/ M+5 calendar month
Max. Bid / Offer Spread	When Bid Price <\$100			15 ticks	20 ticks
	M and other months: 25 ticks M+1, M+2: 20 ticks	M and other months: 30 ticks M+1, M+2: 25 ticks	M and other months: 30 ticks M+1, M+2: 20 ticks		
	When Bid Price >=\$100				
	Additional 5 ticks added on all obligations above				
Quote Size (contracts)	25	15	50	25	25
% of Trading Hours	70% (T) or 60% (T+1)	60% (T) or 50% (T+1)	70% (T) or 60% (T+1)	70% (T) or 60% (T+1)	60% (T) or 50% (T+1)

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

Table 2 – PT Obligations

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

Products	Types	Minimum Monthly Clearing Volume
Gold Futures (CNH and USD Gold Futures combined)	Type 1	8,000 contracts
	Type 2	6,000 contracts
	Type 3	4,000 contracts
	Type 4 (Option A)	3,000 contracts

Products	Types	Minimum Monthly Clearing Volume
London Metal Mini Futures (CNH and USD London Metal Mini Futures combined)	Type 4 (Option A)	500 contracts
	Type 4 (Option B)	1,000 contracts

Products	Types	Minimum Monthly Clearing Volume
Iron Ore Futures (Monthly and Quarterly contracts combined)	Type 1	8,000 contracts
	Type 2	4,500 contracts
	Type 3	2,000 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 account as assigned by the Exchange.