

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: Introduction of Cash Incentive Program for trading US Dollar versus Renminbi (Hong Kong) (“USD/CNH”) Futures contracts and Indian Rupee versus US Dollar (“INR/USD”) Futures contracts

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With a view to enhance market liquidity and to meet the demand of an evolving market making environment, Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to introduce the Cash Incentive Program into its current suite of incentive programs. The Cash Incentive Program is designed to attract more new Liquidity Providers (“LPs”) to the market and will allow LPs to receive a cash stipend for liquidity providing activities on its derivative products upon fulfilment of their obligations.

The Cash Incentive Program will exist for LPs in parallel with the current Bundled Incentive Program, acting as an incentive for strategic products. For the avoidance of doubt, the Cash Incentive Program, Market Maker Program and the Bundled Incentive Program are mutually exclusive and the LPs who participate in one of the programs will not be allowed to participate in the other programs.

Eligible Products

USD/CNH Futures contracts and INR/USD Futures contracts (collectively “the Contracts”) are eligible products for the Cash Incentive Program.

An LP is defined as a person performing the 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 for the minimum number of the Contracts as assigned by the Exchange.

Incentives

Upon fulfilment of its obligations each LP will be offered cash incentive set out in the table below.

Types of LP	Incentive per month per trading session, in HKD
Type 1 LP	\$200,000 per Contract
Type 2 LP	\$100,000 per Contract

Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the amount of the cash incentive in the first month of its appointment will be pro-rated based on the number of Business Days in which the appointment is in effect over the total number of Business Days in that month.

In addition, each LP will be offered a rebate of 100% of the Exchange fees on transactions effected in the assigned Contract in the calendar month in which the Contract is traded. Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the Exchange fee rebate shall only apply to the trades conducted by the LP on and after the Effective Date.

Obligations

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

Type of LP	USD/CNH Futures		INR/USD Futures	
	Type 2 Option 1	Type 2 Option 2	Type 1	Type 2
Trading requirements	CQ ¹			
Contract Months	spot month		spot and the next calendar months	
Max. Bid / Offer Spread	<u>T session:</u> 5 ticks <u>T+1 session:</u> 8 ticks	<u>T session:</u> 7 ticks <u>T+1 session:</u> 10 ticks	5 ticks	7 ticks

¹ Continuous Quotes

	USD/CNH Futures		INR/USD Futures	
Type of LP	Type 2 Option 1	Type 2 Option 2	Type 1	Type 2
Quote Size (number of contracts)	5	5	12	10
% of trading hours	50% (T or T+1 session)	70% (T or T+1 session)	70% (T session)	60% (T session)

Quota

LP applicants may apply to provide liquidity to either one or both of the Contracts. However, as the LP 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.

Application Procedure

The Cash Incentive Program for the Contracts is now open for application. Those who are interested to become an LP of the Contracts are required to submit the application through the enquiry contacts listed above.

Julien Martin

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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.