

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: Bundled Liquidity Providing Incentive Program for Currency Derivatives Products in 2020

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References are made to the circulars dated 28 November 2018 (Ref.: [MKD/FIC/006/18](#)) regarding Bundled Liquidity Providing Incentive Program for Currency Derivatives Products in 2019, and the circular dated 4 October 2019 (Ref.: [MKD/FIC/004/19](#)) regarding the Launch of Indian Rupee Currency Futures contracts, Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the Bundled Liquidity Providing Incentive Program for currency derivatives products for the period from 2 January (T Session) 2020 to 31 December 2020¹. The program is designed for market participants to support the liquidity development of currency derivatives through participation as either a Liquidity Provider (“LP”) or as a Proprietary Trader (“PT”). LPs and PTs are defined as follows:

- LP – the person performing the liquidity providing activities (i.e. an 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 trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account² and commits to meeting the minimum monthly clearing volume in the Eligible Products assigned.

¹ There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:30 a.m. – 12:30 p.m.

² Or other accounts as 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:

Eligible Products

- AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures (“RMB Currency Futures Basket”);
- USD/CNH Futures;
- USD/CNH Options; and
- INR/USD and INR/CNH Futures.

Details of LPs’ and PTs’ obligations are set forth in the Attachment.

Incentives

Upon fulfilment of its obligations set forth in Attachment, 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 Futures (“HSIF”), Hang Seng China Enterprises Index Futures (“HSCEIF”) and USD/CNH Futures (“CNHF”);
- market data (securities/derivatives) fee; and
- hosting services fee.

Upon fulfilment of its obligations set forth in Attachment, each Type of LP and Type 1, 1a, 1b of PT will be granted a waiver for OMnet Application Programming Interface (“OAPI”) sub-licence fees for up to a maximum amount per month.

Category	Maximum incentives per month per trading session, HK\$			
	Combinations of:			
	HSIF/ HSCEIF/ CNHF Trading Fee Rebate	Market Data Fee Rebate ³ (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub-licence Fee Waiver ⁴
Type of LPs				
Type 1	\$150,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$83,200 (i.e. 32 OAPIs)
Type 2	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$41,600 (i.e. 16 OAPIs)
Type 3	\$50,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$20,800 (i.e. 8 OAPIs)

³ Market data fee rebate includes relevant licence fees, connection fees and usage fees.

⁴ The Exchange may assign different caps on the number of OAPI for waiver for different products (for example, the maximum number of OAPI for Type 1 LP could be less than 32 OAPIs). Currently HK\$2,600 per month for each OAPI with 5 transactions per second (TPS).

Category	Maximum incentives per month per trading session, HK\$			
	Combinations of:			
	HSIF/ HSCEIF/ CNHF Trading Fee Rebate	Market Data Fee Rebate ³ (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub- licence Fee Waiver ⁴
Type of PTs				
Type 1	Up to \$70,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$5,200 (i.e. 2 OAPIs)
Type 1a ⁵	Up to \$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$15,600 (i.e. 6 OAPIs)
Type 1b ⁵	Up to \$70,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$10,400 (i.e. 4 OAPIs)
Type 2	Up to \$40,000 in total			N/A
Type 3	Up to \$20,000 in total			N/A
Type 4	Up to \$10,000 in total			N/A
Type 5	Up to \$5,000 in total			N/A
Type 6	Up to \$2,500 in total			N/A

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

Product	HSIF*	HSCEIF*	CNHF ⁶
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: * HSIF / HSCEIF contracts that have been used by HSI/HSCEI options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

The maximum quota for this program is 11 for LPs and 23 for PTs in total⁷. An LP / PT can apply to participate in one or more Eligible Products or different categories of LPs/PTs Types, but the aggregate incentives to which an LP / PT is entitled will be subject to an overall cap.

⁵ Type 1a and Type 1b of PT apply to PTs of the INR Currency Futures contracts only.

⁶ The fee rebate for USD/CNH Futures will be converted to HK dollars based on the foreign exchange rate at the time of the payment calculation.

Clearing volumes of USD/CNH Futures contracts that have been used by USD/CNH Futures Active Traders and USD/CNH Futures Market Makers/LPs in claiming trading fee discounts are not entitled to further trading fee rebates.

⁷ The number of LP quotas for the RMB Currency Futures Basket (Type 3) is 2, for the USD/CNH Futures contracts (Type 2) is 3, for the USD/CNH Options contracts (Type 1) is 3 and for the INR/USD and INR/CNH Futures contracts (Type 1 and Type 2) is 3 in total; the number of PT quotas for the INR/USD and INR/CNH Futures contracts (Type 1a and Type 1b) is 7 in total and for all other eligible products is 16 in total. For instance, if a market participant joins the program as Type 1 LP for the USD/CNH Options contracts, Type 1 LP for the INR/USD Futures contracts and Type 1 PT for the RMB Currency Futures Basket, the total maximum amount of the incentives will be equal to 2 quotas of Type 1 LP (2 x \$150,000) + 1 quota of Type 1 PT (\$70,000), which can be added up to \$370,000 of maximum incentives per month (including up to 66 OAPIs worth \$171,600). The Exchange has the absolute discretion to change the overall cap and quotas allocation between the products.

Upon fulfilment of its obligations set forth in Attachment, an LP of the USD/CNH Futures contracts will be entitled to nil trading fee on transactions in the USD/CNH Futures contracts. With reference to the circular dated 31 October 2019 (Ref.: [MKD/FIC/006/19](#)) regarding the 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 contracts⁸, upon fulfilment of its obligations, nil trading fee shall apply to an LP of USD/CNH Futures contracts on transactions in the USD/CNH Futures under the Cash Incentive Program.

LPs of the other eligible products, upon fulfilment of their obligations set forth in Attachment, will be entitled to 100% trading fee rebate on the transactions effected in the assigned contract(s).

For the avoidance of doubt, LPs participating in the Cash Incentive Program are not allowed to participate as LPs in the Bundled Liquidity Providing Incentive Program for the same Eligible Product.

Quota

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 applicants’ past performance.

Application Procedure and Existing LP and PT Arrangement

All existing appointments of LPs and PTs under the Bundled Incentive Liquidity Providing Program in 2019 will be terminated on 31 December 2019⁹. The Bundled Liquidity Providing Incentive Program for 2020 is now open for application. Those who are interested to participate in the program are required to submit the application. The deadline for application is 27 December 2019.

⁸ The INR/USD Futures and INR/CNH Futures contracts are under the trading fee holiday until 29 April 2020 (T session) for all market participants.

⁹ For the avoidance of doubt, the incentives and obligations stated in this circular supersede the incentives and obligations stated in the circular dated 4 October 2019 (Ref.: [MKD/FIC/004/19](#)) regarding the Launch of Indian Rupee Currency Futures contracts. However, the existing appointments of LPs of the INR Currency Futures contracts, in which the incentives and obligations are the same as stated in this circular, will not be terminated on 31 December 2019.

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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. LP Obligations

The minimum CQ¹⁰ obligations for each product and applicable LP types are set out as follows:

	RMB Currency Futures Basket: AUD/CNH, JPY/CNH, EUR/CNH, CNH/USD Futures	USD/CNH Futures	USD/CNH Options	INR/USD and INR/CNH Futures	
LP Type	Type 3	Type 2	Type 1	Type 1	Type 2
Contract Months	spot, the next calendar month and the next two quarter months	spot, the next calendar month and the next quarter month	120 series for all 10 contract months (i.e. spot month, the next three calendar months and the next six quarter months)	spot and the next calendar month	
Max. Bid / Offer Spread (ticks) ¹¹	<ul style="list-style-type: none"> spot and the next calendar month: 40; the next two quarter months: 60 	<p><u>T session:</u></p> <ul style="list-style-type: none"> spot and the next calendar month: 7; the next quarter month: 10 <p><u>T+1 session:</u></p> <ul style="list-style-type: none"> spot and the next calendar month: 10; the next quarter month: 12 	<ul style="list-style-type: none"> spot month, the next three calendar months and the next four quarter month: 50-140¹⁰; the fifth and sixth quarter month: 200¹⁰ 	<ul style="list-style-type: none"> INR/USD: 2 INR/CNH: 10 	<ul style="list-style-type: none"> INR/USD: 4 INR/CNH: 15
Quote Size (number of contracts)	10	5	5	INR/USD: 30 INR/CNH: 10	INR/USD: 16 INR/CNH: 9
% of trading hours	70% (T session) or 60% (T and T+1 sessions)	65% (T or T+1 session)	50%	INR/USD: 70% (T or T+1 session) INR/CNH: 65% (T or T+1 session)	INR/USD: 60% (T or T+1 session) INR/CNH: 55% (T or T+1 session)
Max. no. of OAPI waiver	8	16	32	32	16
Remarks	Trading requirements are applicable to all pairs	-	-	Trading requirements are applicable to any pair	

¹⁰ Continuous quotes

¹¹ Minimum fluctuation of the relevant contract month

II. PT Obligations

The monthly clearing volume commitments¹² for each product and applicable PT types are set out as follows:

PT Type	RMB Currency Futures Basket ¹³ : AUD/CNH, JPY/CNH, EUR/CNH, CNH/USD Futures	USD/CNH Futures	USD/CNH Options	INR Currency Futures ¹⁴ : INR/USD, INR/CNH Futures
Type 1	5,000	10,000	2,000	N/A
Type 1a	N/A	N/A	N/A	5,000
Type 1b	N/A	N/A	N/A	3,500
Type 2	2,500	8,000	1,000	N/A
Type 3	1,250	6,000	500	N/A
Type 4	500	3,000	200	N/A
Type 5	250	2,000	100	N/A
Type 6	100	1,000	50	N/A

¹² The Exchange will determine a PT's monthly clearing volume 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.

¹³ Aggregate volume of the RMB Currency Futures Basket.

¹⁴ Aggregate volume of the INR/USD and INR/CNH Futures contracts.