

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 USD London Aluminium / Zinc / Copper / Nickel Mini 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 extend the Cash Incentive Program to USD London Aluminium / Zinc / Copper / Nickel Mini Futures contracts during the period from 4 May 2020 (T session) to 31 October 2020. The Cash Incentive Program is designed to attract new Liquidity Providers (“LPs”) to the market and enable LPs to receive a cash stipend for liquidity providing activities on eligible derivative products subject to 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 and the Bundled Incentive Program are mutually exclusive therefore LPs who participate in one of the programs will not be allowed to participate in the other programs for the same Contract.

Eligible Products

USD London Aluminium / Zinc / Copper / Nickel Mini Futures contracts (collectively “USD London Metal Mini Futures” or “the Contracts”, each “a Contract”) 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

Subject to fulfilment of its obligations, each eligible LP will be entitled to a cash incentive of HK\$30,000 per Contract per month per trading session.

Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the LP must still satisfy its obligations in full to be entitled to the cash incentive for that month. Neither the LP’s obligations nor the cash incentive will be pro-rated.

In addition, upon an LP fulfilling the obligations of an assigned Contract, the LP will be offered a rebate of 100% of the Exchange fees on transactions effected in that assigned Contract and any other USD London Aluminium / Zinc / Copper / Nickel Mini Futures contracts traded in the LP’s market making account or other account as assigned by the Exchange in the same calendar month in which the assigned Contract is traded¹.

Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the Exchange fee rebate for the assigned and any other Contracts where applicable, shall only apply to the trades conducted by the LP on and after the date of appointment to the program.

¹ For example, an LP which is assigned the USD London Aluminium Futures Contract under the Cash Incentive Program and which fulfils its liquidity providing obligations in respect of such Contract would not only be entitled to a 100% rebate of the Exchange fees paid for trades of the LP in that Contract that month, but would also be entitled to a 100% rebate of Exchange fees paid for any proprietary trades of the LP in any other USD London Metal Mini Futures that month, regardless of whether the LP has been assigned any other Contract or fulfils its obligations in such other Contract.

Obligations

The minimum Continuous Quote obligations for each Contract are as follows:

	London Metal Mini (USD London Metal Mini Futures)							
Option	Option A				Option B			
Trading Requirements	Continuous Quotes							
Contract Months	M+2 and any 2 of the following contracts: the Spot Month(M), next contract month (M+1), 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			
Contract	Choose any 1 of the 4 Metals (Copper / Aluminium / Zinc / Nickel)				Choose any 1 of the 4 Metal (Copper / Aluminium / Zinc / Nickel)			
Max. Bid / Offer Spread	M+2				M+2			
	Copper 6 Ticks	Aluminium 4 Ticks	Zinc 4 Ticks	Nickel 20 Ticks	Copper 6 Ticks	Aluminium 4 Ticks	Zinc 4 Ticks	Nickel 20 Ticks
	Other Months				Calendar Spreads			
	Copper 8 Ticks	Aluminium 5 Ticks	Zinc 5 Ticks	Nickel 25 Ticks	Copper 6 Ticks	Aluminium 5 Ticks	Zinc 6 Ticks	Nickel 10 Ticks
Quote Size (contracts)	5	5	5	6	5	5	5	6
% of Trading Hours	80% (T or T+1 Session)				Outright			
					80% (T and T+1 Session)			
					Calendar Spreads			
					80% (T or T+1 Session)			

The Exchange will take the levels of commitment made by an applicant in its application form to be the final obligations for measuring the applicant's performance.

Quota

LP applicants may apply to provide liquidity to either one or more of the Contracts. For the selection of LPs, the Exchange will consider the applicants' past performance and their levels of commitment as set out in the application form against the criteria set out in Appendix I although the Exchange is not bound to select an applicant with a higher score. As the LP quota for all Contracts is limited to 24 LPs on an aggregate basis, the Exchange may allocate and / or re-assign the quota depending on the Exchange's business plan at the time of selection and has the sole discretion to determine the selection of an LP applicant for the Cash Incentive Program.

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 invited to submit the application through the enquiry contacts listed above by 17 April 2020.

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.

Appendix I - Selection and Marking Criteria for LPs: Marking System

		Max. score of each criteria	Score
1	Past Performance in the USD London Metal Minis	50	
	Meet the requirement under USD London Metal Mini Futures incentive program offered by HKEX for at least the two preceding months		50
	Any Failure/No History		0
2	Max. Bid-Ask Spread on M+2 (ticks)	15	
	Copper	Aluminium & Zinc	Nickel
	1 - 2	1	10 and below
	3	2	11 - 15
	4	3	16 - 19
	5	-	-
	Circular obligation (6)	Circular obligation (4)	Circular obligation (20)
3	Quote Size (contracts)	10	
	Copper, Aluminium & Zinc	Nickel	
	20 and above	24 and above	10
	15 – 19	18 – 23	5
	10 – 14	12 - 17	2
	5 - 9	6 - 11	0
4	Quoting Session	10	
	Both		10
	T		5
	T+1		3
5	% of Trading Hours	5	
	85% and above		5
	80% - 84%		0
6	Currently Trading on the LME – Proof of statement (recent 3 months) or email from LME member specifying applicant name and date	5	
	Yes		5
	No		0
7	Quoting Contract Months (Option A) in addition to M+2 (choose only 2)	5	
	M		3
	M+1		2
	M+3		1
	Total	100	