

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 in 2020

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References are made to the circular dated 17 December 2019 (Ref: [MKD/CMD/005/19](#)). Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce enhancements to its existing Bundled Liquidity Providing Incentive Program for the Gold Futures, Iron Ore Futures and London Metal Mini Futures contracts (“Enhanced Bundled Incentive Program”).

The Enhanced Bundled Incentive Program will take effect from 2 July 2020 (T session) to 31 December 2020 (T session) (both dates inclusive), and the new trading fee rebates and waivers arrangements for the Gold Futures, London Metal Mini Futures and Iron Ore Futures contracts respectively will take effect from 30 June 2020 (T+1 session) to 31 December 2020 (T session) as specified below.

The Bundled Liquidity Providing Incentive Program for the Silver Futures contracts, details of which were specified in the circular dated 3 April 2020 (Ref: [MKD/CMD/002/20](#)), remains unchanged and is included in this circular for completeness only.

1. Enhanced Bundled 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 Enhanced Bundled Incentive Program with respect to one or more of the following products:

	<u>Eligible Products for LPs</u>	<u>Eligible Products for PTs</u>
Gold Futures	<ul style="list-style-type: none"> - USD Gold Futures, or - CNH Gold Futures 	<ul style="list-style-type: none"> - USD Gold Futures, or - CNH Gold Futures
Iron Ore Futures	<ul style="list-style-type: none"> - Monthly Contracts 	<ul style="list-style-type: none"> - Monthly Contracts, and / or - Quarterly Contracts
London Metal Mini Futures	<p>Any 1 of the following:</p> <ul style="list-style-type: none"> - USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures - USD London Nickel Mini Futures; <p>or</p> <p>All of the following:</p> <ul style="list-style-type: none"> - CNH London Aluminium Mini Futures - CNH London Zinc Mini Futures - CNH London Copper Mini Futures and - CNH London Nickel Mini Futures 	<p>Any combination of:</p> <ul style="list-style-type: none"> - 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
Silver Futures	<ul style="list-style-type: none"> - USD Silver Futures, or - CNH Silver Futures 	<ul style="list-style-type: none"> - USD Silver Futures, or - CNH Silver Futures

Details of LP's and PT's obligations are set forth in **Attachment I**.

¹ Or other account as assigned by the Exchange.

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 1/2/6/7 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-license Fee Waiver ³
LPs:				
Type 1 LP (Option A, B or C)	\$120,000 per month subtracted by the actual OAPI sub-license 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-license 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-license 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-license fee waiver for the month		Up to \$10,400 (i.e. 4 OAPIs)	
Type 5 LP	\$60,000 per month subtracted by the actual OAPI sub-license fee waiver for the month		Up to \$ 41,600 (i.e. 16 OAPIs)	
Type 6 LP (New)	\$40,000 per month subtracted by the actual OAPI sub-license fee waiver for the month		Up to \$20,800 (i.e. 8 OAPIs)	
Type 7 LP (New)	\$25,000 per month subtracted by the actual OAPI sub-license 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-license fee waiver for the month		Up to \$10,400 (i.e. 4 OAPIs)	

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.

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
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
Type 5 PT	Up to \$40,000 in total			N/A
Type 6 PT (New)	\$120,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$10,400 (i.e. 4 OAPIs)
Type 7 PT (New)	Up to \$50,000 in total subtracted by the actual OAPI sub-licence fee waiver for the month			Up to \$5,200 (i.e. 2 OAPIs)

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.

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.

⁴ The fee rebate for CNH Futures contracts 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.

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.

Application Procedure and Existing LPs and PTs Arrangement

The Enhanced Bundled Incentive Program is now open for application. Deadline for application is Wednesday, **17 June 2020**. Existing LPs and PTs appointments remain unchanged, while existing LPs and PTs who are interested to join the new options offered in the Enhanced Bundled Incentive Program are required to submit a new application. If there is quota available after 20 June 2020, 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 Enhanced Bundled 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 Ms. Flora Poon (Email: FloraPoon@hkex.com.hk) for application details.

2. Trading Fee Rebates and Wavier for Commodity Derivatives Products

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

Subject to fulfilment of respective obligations, all LPs of the Gold Futures and the London Metal Mini Futures contracts will be entitled to 100% trading fee rebates, and all PTs of the Gold Futures contracts will be entitled to trading fee rebates based on their tier types stated below, starting from 30 June 2020 (T+1 session) to 31 December 2020 (T session) (both dates inclusive). The respective Settlement Fees and SFC Commission Levy will remain unchanged.

Products	From 30 June 2020 (T+1 session) to 31 Dec 2020 (T session)		
	All LPs	PT Type 1, Type 2	PT Type 3, Type 4 (A), Type 4 (B) and Type 7
CNH Gold Futures	100% Rebate [^]	100% Rebate [^]	50% Rebate [^]
USD Gold Futures	100% Rebate [^]		
CNH London Metal Mini Futures	100% Rebate [^]	N/A	N/A
USD London Metal Mini Futures			

[^] subject to fulfilment of their respective obligations

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

The existing Exchange trading fee waiver for the Iron Ore Futures contracts will be extended until 31 December 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 the Iron Ore Futures contracts will remain unchanged.

Trading Fee Waivers and Rebates for Silver Futures:

As stated in the circular dated 3 April 2020 (Ref: [MKD/CMD/002/20](#))

- 1) The Exchange Trading Fee and Settlement Fee for the Silver Futures contracts will be waived from 8 June 2020 (T Session) to 4 December 2020 (T Session), both dates inclusive, for the whole market (i.e. all accounts used for trading Silver Futures);
- 2) The Commission Levy for the Silver Futures contracts will be exempted for the first six months of trading from 8 June 2020 (T Session) to 4 December 2020 (T Session), both dates inclusive; and
- 3) All LPs and PTs appointed for the USD and/or CNH Silver Futures contracts will be entitled to 100% trading fee rebate from 4 December 2020 (T+1 Session) to 31 December 2020 (T Session), both dates inclusive, subject to fulfilment of their respective obligations.

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

Dennis Zhang
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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

Enhanced Bundled 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	6 (new)	7 (new)	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			Any 2 of the following contracts: M, 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: 5 ticks Other months: 3 ticks(T) 4 ticks(T+1)	Spot: 6 ticks Farthest month: 6 ticks Other months: 5 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	6	6	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)	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)	3 (Option C) (new)	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;	M+1 and M+2	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	20 ticks		
	When Bid Price >=\$100					
	Additional 5 ticks added on all obligations above					
Quote Size (contracts)	25	15	50	10	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)	70% (T) or 60% (T+1)	60% (T) or 50% (T+1)

Obligations	Silver Futures (either CNH Silver Futures or USD Silver Futures)			
LP Type	5	3 (Option A)	4	3 (Option B)
CQ or QR	CQ			
Contract Months	Any 2 of the following contracts: Spot Month (M), next 2 calendar months (M+1, M+2), the next Jun or the next Dec contracts			Spot Month (M) , the next calendar month (M+1), and any 1 of the next Jun or the next Dec contracts
Max. Bid / Offer Spread	Spot: 18 ticks Farthest month: 20 ticks Other months: 13 ticks			Spot: 15 ticks Farthest month: 20 ticks Other months: 13 ticks
Quote Size (contracts)	15	10	5	1
% of Trading Hours	70% (T or T+1)	50% (T or T+1)	30% (T or T+1)	70% (T or T+1) and 94% of LTD

Note: 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
	Type 4 (Option B)(new)	1,000 contracts
	Type 7 (new)	3,500 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
	Type 6 (new)	6,000 contracts

Products	Types	Minimum Monthly Clearing Volume
Silver Futures (CNH and USD Silver Futures combined)	Type 2	8,000 contracts
	Type 3	4,000 contracts
	Type 5	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 account as assigned by the Exchange.