

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

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Subject: Incentive Programs for Commodity Derivatives Products in 2021  
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Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the Bundled Liquidity Providing Incentive Program for the Gold Futures, Silver Futures, Iron Ore Futures and London Metal Mini Futures contracts, and the trading fee rebates and waivers arrangements for each of the contracts as specified below.

### 1. The 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 Account<sup>1</sup> 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:

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<sup>1</sup> Or other account as assigned by the Exchange.

	<u>Eligible Products for LPs</u>	<u>Eligible Products for PTs</u>	<u>Effective Dates</u> (both dates inclusive)
Gold Futures	- USD Gold Futures - CNH Gold Futures	N/A	For LPs:
Silver Futures	- USD Silver Futures - CNH Silver Futures	N/A	1 March 2021 (T Session) to 29 October 2021 (T Session)
London Metal Mini Futures	- USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures	Any combination of: - USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures	For LPs: 4 January 2021 (T Session) to 31 December 2021 (T Session)  For PTs: 1 March 2021 (T Session) to 29 October 2021 (T Session)
Iron Ore Futures	- Monthly Contracts	N/A	For LPs:  1 March 2021 (T Session) to 29 October 2021 (T Session)

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 and Hang Seng China Enterprises Index ("HSCEI") Futures;
- Market data (securities/derivatives) fee; and
- Hosting services fee.

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

Product	HSI Futures*	HSCEI Futures*
Trading Fee Rebate Per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)

Note: \* 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.

In addition, each Type 1 and 2 LP 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 Trading Fee Rebate	Market Data Fee Rebate <sup>2</sup> (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver <sup>3</sup>
<b>LPs:</b>				
Type 1 LP	\$30,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 28,600 (i.e. 11 OAPIs)	
Type 2 LP	\$11,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 10,400 (i.e. 4 OAPIs)	
Type 3 LP	N/A		N/A	
<b>PTs:</b>				
Type 1 PT	Up to \$80,000 in total		N/A	
Type 2 PT	Up to \$45,000 in total		N/A	
Type 3 PT	Up to \$30,000 in total		N/A	

An 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 seven Type 1 LPs and eight Type 1 PTs in total<sup>4</sup>. 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 Bundled Liquidity Providing Incentive Program is now open for application. The deadline for application is **Friday, 18 December 2020**. If there is quota available after 1 January 2021, 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.

<sup>2</sup> Market data fee rebate includes relevant licence fees, connection fees and usage fees.

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

<sup>4</sup> Or a combination of different categories of LPs/PTs whereby the aggregate maximum incentives per month are equivalent to that for seven Type 1 LPs and eight Type 1 PTs.

Interested parties should contact Mr. Alan Feng (Email: [AlanFeng@hkex.com.hk](mailto:AlanFeng@hkex.com.hk)), Ms. Lucky Yang (Email: [LuckyYang@hkex.com.hk](mailto:LuckyYang@hkex.com.hk)), Ms. Debbie Zhuang (Email: [DebbieZhuang@hkex.com.hk](mailto:DebbieZhuang@hkex.com.hk)) or Ms. Jennifer Tang (Email: [JenniferTang@hkex.com.hk](mailto:JenniferTang@hkex.com.hk)) for application details.

Unless otherwise specified, all existing appointments of LPs and PTs will be terminated on 31 December 2020. Existing LPs and PTs who are interested to join the program in 2021 are required to submit a new application.

## **2. Trading Fee Rebates and Wavier for Commodity Derivatives Products**

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

Subject to fulfilment of respective obligations, all LPs and PTs of the London Metal Mini Futures contracts will be entitled to 100% trading fee rebates, for LPs starting from 4 January 2021 (T session) to 31 December 2021 (T session) (both dates inclusive) and for PTs starting from 1 March 2021 (T session) to 29 October 2021 (T session) (both dates inclusive).

### Trading Fee Waivers for Gold Futures and Silver Futures (for the whole market):

The Exchange Trading Fee for the USD Gold Futures, USD Silver Futures, CNH Gold Futures and CNH Silver Futures contracts will be waived from 4 January 2021 (T Session) to 30 June 2021 (T Session), both dates inclusive, for the whole market (i.e. all accounts used for trading USD Gold Futures, USD Silver Futures, CNH Gold Futures and CNH Silver Futures).

### Trading Fee Waivers for LPs of Gold Futures and Silver Futures:

All Gold and Silver Futures LPs will be entitled Exchange Trading Fee waiver for the trading of the USD Gold Futures, USD Silver Futures, CNH Gold Futures and CNH Silver Futures contracts<sup>5</sup> traded in the LP's market making account, from 1 March 2021 (T Session) to 29 October 2021 (T Session), both dates inclusive.

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<sup>5</sup> For example, an LP which participates in USD Gold Futures and/or USD Silver Futures Contract under the Bundled Liquidity Providing Incentive Program would not only be entitled to Exchange Trading Fee waiver in that Contract that month, but would also be entitled to an Exchange Trading Fee waiver paid for any proprietary trades of the LP trading CNH Gold Futures and/or CNH Silver Futures contract that month.

## 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 further extended until 31 December 2021 (T session) for the whole market (i.e. all accounts used for trading Iron Ore Futures).

## Summary of Trading Fee Rebates and Waiver:

		USD London Aluminium / Zinc / Copper Mini Futures	USD & CNH Gold Futures and USD & CNH Silver Futures	Iron Ore Futures – Monthly Contracts
4 January 2021 (T Session) to 26 February 2021 (T+1 Session)	LPs	100% Rebate <sup>^</sup>	N/A	N/A
	PTs	N/A	N/A	N/A
	All Other Accounts	N/A	100% Waiver	100% Waiver
1 March 2021 (T Session) to 30 June 2021 (T Session)	LPs	100% Rebate <sup>^</sup>	100% Waiver*	100% Waiver
	PTs	100% Rebate <sup>^</sup>	N/A	N/A
	All Other Accounts	N/A	100% Waiver	100% Waiver
30 June 2021 (T+1 Session) to 29 October 2021 (T Session)	LPs	100% Rebate <sup>^</sup>	100% Waiver*	100% Waiver
	PTs	100% Rebate <sup>^</sup>	N/A	N/A
	All Other Accounts	N/A	N/A	100% Waiver
29 October 2021 (T+1 Session) to 31 December 2021 (T Session)	LPs	100% Rebate <sup>^</sup>	N/A	N/A
	PTs	N/A	N/A	N/A
	All Other Accounts	N/A	N/A	100% Waiver

<sup>^</sup> subject to fulfilment of their respective obligations

\* all Gold and Silver Futures LPs will be entitled Exchange Trading Fee waiver for the trading of the USD Gold Futures, USD Silver Futures, CNH Gold Futures and CNH Silver Futures contracts

The respective Settlement Fees and SFC Commission Levy for the London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts will remain unchanged.

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

Christina Bao  
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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**

**Bundled Liquidity Providing Incentive Program**

**Table 1 – LP Obligations**

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

Obligations	USD & CNH Gold Futures	
LP Type	2	3
CQ or QR	CQ	
Contract Months	Any 2 of the following contracts: Spot Month (M), M+1, M+2, the next Jun or the next Dec contracts	
Max. Bid / Offer Spread	M: 8 ticks Other months: 7 ticks	M: 5 ticks Farthest month: 6 ticks Other months: 4 ticks
Quote Size (contracts)	6	
% of Trading Hours	40% (T or T+1)	

Obligations	USD & CNH Silver Futures	
LP Type	2	3
CQ or QR	CQ	
Contract Months	Any 2 of the following contracts: M, M+1, M+2, the next Jun or the next Dec contracts	
Max. Bid / Offer Spread	M: 20 ticks M+1: 19 ticks Farthest month: 20 ticks Other months: 18 ticks	M: 19 ticks M+1: 18 ticks Farthest month: 18 ticks Other months: 16 ticks
Quote Size (contracts)	10	5
% of Trading Hours	30% (T or T+1) and 50% of LTD	40% (T or T+1)

**Note:**

- LPs for Gold Futures or Silver Futures are required to apply for the same LP type for both Gold Futures and Silver Futures in one application. LPs applying for either single product, or different LP types for different products will not be accepted.  
i.e. LPs can apply for Type 2 USD Gold Futures (T session) and Type 2 CNH Silver Futures (T+1 session) in one application; LPs applying Type 2 USD Gold Futures (T session) and Type 3 USD Silver Futures (T+1 session) will not be accepted.

Obligations	USD London Metal Mini Futures		
LP Type	1		
CQ or QR	CQ		
Contract Months	Any 3 of the followings: M, M+1, M+2 or M+3		
Contracts	Copper	Aluminium	Zinc
Max. Bid / Offer Spread	M+2		
	5 ticks	3 ticks	4 ticks
	Other Months		
	6 ticks	4 ticks	4 ticks
Quote Size (contracts)	10	10	10
% of Trading Hours	70% (T or T+1)		

Note:

- LPs for London Metal Mini Futures are not obliged to quote during bank holidays in United Kingdom and/or London Metal Exchange's Holiday as published on its [website](#).

Obligation	Iron Ore Futures (Monthly Contracts)
LP Type	1
CQ or QR	CQ
Contract Months	Any 3 of the followings: M, the next 5 contract months, next January, May or September
Max. Bid / Offer Spread	When Bid Price <\$100
	M and other months: 40 ticks M+1, M+2: 35 ticks
	When Bid Price >=\$100
	Additional 5 ticks added on all obligations above
Quote Size (contracts)	5
% of Trading Hours	50% (T)

**Table 2 – PT Obligations**

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

Products	Types	Minimum Monthly Clearing Volume
London Metal Mini Futures (USD London Aluminium / Zinc / Copper Mini Futures combined)	Type 1	7,000 contracts
	Type 2	4,500 contracts
	Type 3	3,000 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.