

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: Updates on the Liquidity Provider Programs for MSCI Asia and Emerging Market Index Futures and Options

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Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) is pleased to announce (a) the introduction of a new tier (“Tier 4”) of Liquidity Provider (“LP”) for the MSCI Taiwan (USD) Index Futures; and (b) the inclusion of the MSCI AC Asia ex Japan Net Total Return Index (USD) Futures to the existing Tier 2 LP program of the MSCI Asia and Emerging Market Index Futures and Options Suite (“MSCI Suite”). Details are set forth in Attachment I.

The appointments of the Tier 4 LP for the MSCI Taiwan (USD) Index Futures and Tier 2 LP for the MSCI AC Asia ex Japan Net Total Return Index (USD) Futures are now open for application.

The deadline for application for the Tier 4 LP for the MSCI Taiwan (USD) Index Futures and the deadline for application for the Tier 2 LP for the MSCI AC Asia ex Japan Net Total Return Index (USD) Futures will be **2 December 2020**. Interested parties should contact Ms. Emily Huang (EmilyHuang@hkex.com.hk) and Mr. Aaron Thio (AaronThio@hkex.com.hk) for application information.

Alexander Siu
Co-head of Equities Product Development
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Attachment I

(a) Tier 4 LP Program for MSCI Taiwan (USD) Index Futures

1. In addition to the existing LP programs for the MSCI Suite¹, the new Tier 4 LP will provide liquidity in the MSCI Taiwan (USD) Index Futures in both T and T+1 sessions, with higher quoting obligation in terms of max bid/offer spread compared to the other LPs.

Program Period	Six months (from 1 December 2020 to 31 May 2021, both dates inclusive)																				
Eligibility	Exchange Participants (EPs) or direct clients of EPs																				
Quota	Maximum two LPs																				
Obligations	<ul style="list-style-type: none"> Provide two-way continuous bid/ask quote in MSCI Taiwan (USD) Index Futures for 70% of trading hours in T session and 50% of trading hours in T+1 session. Final obligations including quote size and spread will be determined through bidding process. 																				
Incentives:																					
Trading Fee Discount	<p>LP (market making account only) will pay a discounted trading fee of:</p> <ul style="list-style-type: none"> USD 0.30 for MSCI Taiwan (USD) Index Futures <p>Note: Currently, there are market-wide trading fee waivers for trading MSCI Taiwan (USD) Index Futures until 16 February 2021, please refer to circular (MKS/EQD/21/20) for details.</p>																				
Cash Incentives	<p>HKD 1.6 million in total for 6 months per LP with breakdown as follows:</p> <table border="1"> <thead> <tr> <th rowspan="3">Month</th> <th colspan="2">Cash Incentives (in HKD '000)</th> <th rowspan="3">Total</th> </tr> <tr> <th colspan="2">MSCI Taiwan (USD) Futures</th> </tr> <tr> <th>Fulfillment of T session obligations</th> <th>Fulfillment of T+1 session obligations</th> </tr> </thead> <tbody> <tr> <td>December 2020</td> <td>\$400</td> <td>\$200</td> <td>\$600</td> </tr> <tr> <td>January – May 2021</td> <td>\$125 per month</td> <td>\$75 per month</td> <td>\$200 per month (or \$1,000 total)</td> </tr> <tr> <td>Total</td> <td>\$1,025</td> <td>\$575</td> <td>\$1,600</td> </tr> </tbody> </table>	Month	Cash Incentives (in HKD '000)		Total	MSCI Taiwan (USD) Futures		Fulfillment of T session obligations	Fulfillment of T+1 session obligations	December 2020	\$400	\$200	\$600	January – May 2021	\$125 per month	\$75 per month	\$200 per month (or \$1,000 total)	Total	\$1,025	\$575	\$1,600
Month	Cash Incentives (in HKD '000)		Total																		
	MSCI Taiwan (USD) Futures																				
	Fulfillment of T session obligations	Fulfillment of T+1 session obligations																			
December 2020	\$400	\$200	\$600																		
January – May 2021	\$125 per month	\$75 per month	\$200 per month (or \$1,000 total)																		
Total	\$1,025	\$575	\$1,600																		
OAPI Sub-license Fee waiver	1 OAPI per contract																				

2. LP performance will be measured on per contract per trading session basis at the end of each month. In the event that an LP fails its obligation in a particular contract, the LP will be required to pay the difference between the discounted trading fee and the standard trading fee and there will be no OAPI waiver and cash incentives given to the LP. Should an existing LP not fulfil the obligations for two consecutive months, the Exchange reserves the right to terminate the LP.

¹ See Attachment VI in the circular [MKS/EQD/23/20](#) for Tier 1 and Tier 2 LP programs and circular [MKS/EQD/25/50](#) for Tier 3 LP program.

3. In addition, to ensure continuity of the LP performance through the life of the program, the cash incentive payment for December 2020 will be made together with the cash incentive payment for February 2021. If an LP fails to meet the obligations of the contract in a particular trading session or resigns between January and February 2021, the cash incentive payment for December 2020 of that contract in the respective trading session will be reduced as follows:

Condition 1 (LP fulfils obligation in December 2020)	Condition 2 (LP continues service in January and February 2021)	Cash Incentives Entitlement for December 2020 (HKD'000)			
		Payment	MSCI Taiwan (USD) Futures		Total
			T Session	T+1 Session	
No	Yes/No	No payment	0	0	0
Yes	If LP fulfils obligations in both January and February 2021	Full payment	\$400	\$200	\$600
	If LP fulfils obligations in either January or February 2021	Partial payment	\$250	\$150	\$400
	If LP cannot fulfil obligations in January and February 2021	Minimum payment	\$125	\$75	\$200

(b) Tier 2 LP Program for MSCI AC Asia ex Japan Net Total Return Index (USD) Futures

1. In addition to the existing Tier 2 LP program where LP can choose to provide liquidity in any of the selected contracts of the MSCI Suite in the T session, we will include the MSCI AC Asia ex Japan Net Total Return Index (USD) Futures to the Tier 2 LP program. Tier 2 LP of the MSCI AC Asia ex Japan Net Total Return Index (USD) Futures can choose to provide liquidity in either T or T+1 session.

Program Period	Six months (from 2 January 2021 to 30 June 2021, both dates inclusive)
Eligibility	EPs or direct clients of EPs
Quota	1 LP for T session and 1 LP for T+1 session
Obligations	<ul style="list-style-type: none"> • Provide two-way continuous bid/ask quote in MSCI AC Asia ex Japan Net Total Return Index (USD) Futures for 70% of trading hours in T session or 50% of trading hours in T+1 session. • Final obligations including quote size and spread will be determined through bidding process.
Incentives:	
Trading Fee Discount	LP (market making account only) will pay a discounted trading fee of: <ul style="list-style-type: none"> • USD 0.30 for MSCI AC Asia ex Japan Net Total Return Index (USD) Futures
Cash Incentives	HKD 25,000 per contract per trading session per month
OAPI Sub-license Fee waiver	1 OAPI per contract

2. LP performance will be measured on per contract per trading session basis at the end of each month. In the event that an LP fails its obligation in a particular contract, the LP will be required to pay the difference between the discounted trading fee and the standard trading fee and there will be no OAPI waiver and cash incentives given to the LP. Should an existing LP not fulfil the obligations for two consecutive months, the Exchange reserves the right to terminate the LP.

HSI and HSCEI Futures Bundled Fee Rebates for LPs

1. In addition, reference is made to the circular (ref: [MKS/EQD/23/20](#)) dated 18 September 2020. From the effective date of the LP appointment to 16 February 2021 (both dates inclusive), upon meeting the trading requirement specified in the next paragraph, LP will receive 50% trading fee rebate on Hang Seng Index (“HSI”) Futures or Hang Seng China Enterprise Index (“HSCEI”) Futures on a 1:1 volume cleared basis in the monthly aggregate volume of the following contracts (“Eligible Contracts”), subject to a maximum of trading fee rebate of HKD 100,000 per month;

Eligible Contracts:

- MSCI Taiwan (USD) Index Futures
 - MSCI Taiwan Net Total Return (USD) Index Futures
 - MSCI Taiwan 25/50 (USD) Index Futures
 - MSCI Taiwan 25/50 Net Total Return (USD) Index Futures
 - MSCI Singapore Free (SGD) Index Futures
 - MSCI Singapore Free Net Total Return (USD) Index Futures
 - MSCI Singapore Net Total Return (USD) Index Futures
2. The volume and fee rebate measurement will be on monthly basis. LPs will need to meet a monthly minimum aggregate clearing volume of 100 contracts (excluding block trade volume) in the Eligible Contracts during the specified period to be entitled to receive the fee rebates.
 3. For the avoidance of doubt, LPs who are eligible to receive a reduction in trading fees for HSI Futures or HSCEI Futures pursuant to another incentive scheme (e.g. as market maker for standard/mini HSI Options / HSCEI Options, or as LP / Proprietary Trader in other Bundled Incentive programs, etc) will not be able to include these already discounted HSI Futures and HSCEI Futures contracts in the 1:1 volume calculation under this incentive scheme for further fee rebates.

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