

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 2021

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Reference is made to the circular dated 7 December 2020 (Ref: [MKD/CMD/008/20](#)). Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce enhancements to its existing Bundled Liquidity Providing Incentive Program for the Gold Futures, Silver Futures and Iron Ore Futures (“Enhanced Bundled Incentive Program”). The Bundled Liquidity Providing Incentive Program for the London Metal Mini Futures contracts, details of which were specified in the circular dated 7 December 2020, remains unchanged and is included in this circular for completeness only.

1. Enhanced Bundled Incentive Program

The Enhanced Bundled Incentive Program will take effect from 3 May 2021 (T session) to 31 December 2021 (T session) (both dates inclusive) and the key enhancements are summarised as following:

- a. Type 4, 5, 6 and 7 Liquidity Provider (“LP”) will be newly introduced for **Gold Futures, Silver Futures and Iron Ore Futures**;
- b. Type 4, 5, 6, 7 and 8 Proprietary Trader (“PT”) will be newly introduced for **Gold Futures and Silver Futures**;
- c. Type 2, 3 LP will be removed for **Gold Futures and Silver Futures**;
- d. Type 1 LP will be removed for **Iron Ore Futures**

The program is designed for market participants to support the liquidity development of commodity derivatives through participation as either a LP or as a 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>	<u>Effective Dates</u> (both dates inclusive)
Gold Futures	- USD Gold Futures - CNH Gold Futures	Any combination of : - USD Gold Futures - CNH Gold Futures - USD Silver Futures - CNH Silver Futures	For LPs and PTs: 3 May 2021 (T Session) to 31 December 2021 (T Session)
Silver Futures	- USD Silver Futures - CNH Silver Futures		
Iron Ore Futures	- Monthly Contracts	N/A	For LPs: 3 May 2021 (T Session) to 31 December 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)

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

¹ Or other account as assigned by the Exchange.

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, 4, 5, 6 and 7 LP and Type 4, 5 and 6 PT 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 ² (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-license Fee Waiver ³
LPs:				
Type 1 LP	\$30,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$28,600 (i.e. 11 OAPIs)
Type 4 LP (Option A, B or C) (New)	\$60,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$26,000 (i.e. 10 OAPIs)
Type 5 LP (Option A or, B or C) (New)	\$40,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$39,000 (i.e. 15 OAPIs)
Type 6 LP (New)	\$40,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$15,600 (i.e. 6 OAPIs)
Type 7 LP (New)	\$20,000 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	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
Type 4 PT (New)	\$80,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$10,400 (i.e. 4 OAPIs)
Type 5 PT (New)	\$50,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$5,200 (i.e. 2 OAPIs)
Type 6 PT (New)	\$30,000 per month subtracted by the actual OAPI sub-license fee waiver for the month			Up to \$5,200 (i.e. 2 OAPIs)
Type 7 PT (New)	Up to \$10,000 in total			N/A
Type 8 PT (New)	NA			N/A

² Market data fee rebate includes relevant license fees, connection fees and usage fees.

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

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 Enhanced Bundled Incentive Program is eight Type 1 LPs equivalent and seven Type 1 PTs equivalent in total⁴. 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 Enhanced Bundled Incentive Program is now open for application. Deadline for application is **Friday, 23 April 2021**.

Unless otherwise specified, all existing appointments of Gold Futures, Silver Futures and Iron Ore Futures LPs will be terminated on 30 April 2021 (T session). All applicants (including existing Gold, Silver and Iron Ore LPs) interested to join the Enhanced Bundled Incentive Program starting from 3 May 2021 (T session) to 31 December 2021 (T session) are required to submit the application.

If there is quota available after 23 April 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 Enhanced Bundled Incentive Program from the next calendar month.

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

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

2. Trading Fee Rebates and Waiver for Commodity Derivatives Products

New Trading Fee Rebates for LPs/PTs of Gold Futures and Silver Futures:

Subject to fulfilment of respective obligations, all LPs and PTs of the USD Gold Futures, USD Silver Futures, CNH Gold Futures and CNH Silver Futures contracts⁵ will be entitled 100% Exchange trading fee rebates for the trading from 30 June 2021 (T+1 Session) to 31 December 2021 (T Session), both dates inclusive.

Details of trading fee waivers for Gold Futures, Silver Futures and Iron Ore Futures (for the whole market) and trading fee rebates for LPs/PTs of London Metal Mini Futures specified in the circular dated 7 December 2020, remain unchanged and is included in below summary table for completeness only.

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
3 May 2021 (T Session) to 30 June 2021 (T Session)	LPs	100% Rebate [^]	100% Waiver	100% Waiver
	PTs			N/A
	All Other Accounts	N/A		100% Waiver
30 June 2021 (T+1 Session) to 29 October 2021 (T Session)	LPs	100% Rebate [^]	100% Rebate [^]	100% Waiver
	PTs			N/A
	All Other Accounts	N/A		100% Waiver
29 October 2021 (T+1 Session) to 31 December 2021 (T Session)	LPs	100% Rebate [^]	100% Rebate [^]	100% Waiver
	PTs			N/A
	All Other Accounts	N/A		100% Waiver

[^] subject to fulfilment of their respective obligations

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.

⁵ For example, an LP which participates in USD Gold Futures and/or USD Silver Futures Contract under the Enhanced Bundled Liquidity Providing Incentive Program would not only be entitled to 100% Exchange Trading Fee rebate in that Contract that month, but would also be entitled to 100% Exchange Trading Fee rebate for any proprietary trades of the LP trading CNH Gold Futures and/or CNH Silver Futures contract that month.

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

Enhanced Bundled 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	6 (new)	7 (new)	4 (Option A) (new)	4 (Option B) (new)	4 (Option C) (new)
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		Any 2 of the following contracts: M, M+1 or M+2	M and M+1	
Max. Bid / Offer Spread	M: 4 ticks(T) 6 ticks(T+1) M+1: 3 ticks(T) 3 ticks(T+1) Farthest month: 3 ticks(T) 3 ticks(T+1) Other months: 3 ticks(T) 3 ticks(T+1)	M: 4 ticks(T) 6 ticks(T+1) M+1: 3 ticks(T) 4 ticks(T+1) Farthest month: 3 ticks(T) 4 ticks(T+1) Other months: 3 ticks(T) 4 ticks(T+1)	M: 4 ticks(T) 6 ticks(T+1) M+1: 3 ticks(T) 3 ticks(T+1) M+2: 3 ticks(T) 3 ticks(T+1)	M: 4 ticks M+1: 4 ticks	M: 5 ticks M+1: 5 ticks
Quote Size (contracts)	6	3	6	6	12
% of Trading Hours	50% (T) or 40% (T+1)	40% (T) or 30% (T+1)	70% (T) or 60% (T+1)	50% (T or T+1) and 94% of LTD	40% (T or T+1) and 94% of LTD

Obligations	USD & CNH Silver Futures			
LP Type	4 (Option A) (new)	6 (new)	7 (new)	4 (Option B) (new)
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			M and M+1
Max. Bid / Offer Spread	M: 16 ticks(T) 15 ticks(T+1) M+1: 13 tick(T) 14 ticks(T+1) Farthest month: 14 ticks(T) 14 ticks(T+1) Other months: 13 ticks(T) 14 ticks(T+1)	M: 16 ticks(T) 15 ticks(T+1) M+1: 14 tick(T) 15 ticks(T+1) Farthest month: 14 tick(T) 15 ticks(T+1) Other months: 14 tick(T) 15 ticks(T+1)		M: 15 ticks M+1: 14 ticks
Quote Size (contracts)	20	10	15	15
% of Trading Hours	70% (T) or 60% (T+1)	50% (T) or 40% (T+1)	40% (T) or 30% (T+1)	50% (T or T+1) and 94% of LTD

Obligation	Iron Ore Futures (Monthly Contracts)		
LP Type	5 (Option A) <i>(new)</i>	5 (Option B) <i>(new)</i>	5 (Option C) <i>(new)</i>
CQ or QR	CQ		
Contract Months	Any 3 of the followings: M, the next 5 contract months, next January, May or September	M+1 and M+2	Any 2 of the following contract series: - M / M+1 calendar month - M+1/ M+2 calendar month - M+2/ M+3 calendar month - M+3/ M+4 calendar month - M+4/ M+5 calendar month
Max. Bid / Offer Spread	When Bid Price <\$100		15 ticks
	M and other months: 40 ticks M+1 and M+2: 30 ticks	M+1: 25 ticks M+2: 30 ticks	
	When Bid Price >=\$100		
	Additional 5 ticks added on all obligations above		
Quote Size (contracts)	5		25
% of Trading Hours	50% (T)	60% (T)	60% (T)

Note: Options A, B and C are entitled to the same incentives despite different obligations

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](#).

Table 2 – PT Obligations

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

Products	Types	Minimum Monthly Clearing Volume
Gold Futures and Silver Futures (CNH & USD Gold Futures and Silver Futures combined)	Type 4 (<i>new</i>)	3,000 contracts
	Type 5 (<i>new</i>)	2,000 contracts
	Type 6 (<i>new</i>)	1,000 contracts
	Type 7 (<i>new</i>)	500 contracts
	Type 8 (<i>new</i>)	200 contracts

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.