

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 Mini USD/CNH Futures Contract
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Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) is pleased to announce the launch of the Mini USD/CNH Futures contract (“the Contract”). The trading of the Contract is targeted to commence in the first half of 2021, subject to market readiness.

The Contract aims to cater for market participants that prefer cash settled contract and a smaller contract size for hedging their needs, such as medium-sized corporates and individuals.

Contract Specifications

The key terms of the Contract are summarised below:

	Mini USD/CNH Futures
HKATS Code	MCS
Price Quotation	RMB per USD
Contract Size	USD 20,000
Contract Months	Spot, next 3 calendar months and next 6 calendar quarter months
Settlement Method	Cash settled in RMB
Trading Hours	8:30 a.m. – 4:30 p.m. (T Session) 5:15 p.m. – 3:00 a.m. (T+1 Session)
Last Trading Day (“LTD”)	Two Hong Kong Business Days prior to the third Wednesday of the Contract Month

LTD Trading Hours	8:30 a.m. – 11:00 a.m.
Final Settlement Price	USD/CNY(HK) Spot Rate published by the Hong Kong Treasury Markets Association (“TMA”) at or around 11:30 a.m. on the LTD
Final Settlement Day	The first Hong Kong Business Day after the LTD
Position Limits under HKFE Rules	Position delta for USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options combined of 8,000 long or short in all Contract Months combined
Large Open Position	2,500 open contracts, in any one Contract Month
Trading Fee (per contract per side)	RMB 1.60
Settlement Fee (per contract per side)	RMB 1.60
Commission Levy	Not applicable

Details of the Position Limits under HKFE Rules and other contract specifications are set forth in Attachment I for reference. Relevant rule amendments related to the Contract will be announced in a separate circular in due course.

The Contract currently is not included in the prescribed limits as stipulated in the Securities and Futures Ordinance (“SFO”) ¹. The Position Limits treatment and calculation under HKFE Rules and the SFO for trading CNH Products ² and the Contract are explained in the following section and illustrated in Attachment II respectively.

Position Limits

Until the sub-legislation of the SFO is amended to include the combined position limit for the Contract, Exchange participants (“EPs”) and their clients are required to observe **both** the existing statutory position limit as stipulated in the SFO and the Exchange position limit as stipulated in the Contract Specifications under the HKFE Rules, as follows:

- a. Statutory position limit as stipulated in the SFO:

¹ [Cap. 571Y - Securities and Futures \(Contracts Limits and Reportable Positions\) Rules.](#)

² CNH Products: USD/CNH Futures, CNH/USD Futures and USD/CNH Options.

8,000 long or short position delta limit for USD/CNH Futures and Options contracts, and CNH/USD Futures contract in all Contract Months combined (“Combined Limit”), provided that the position delta for the spot month USD/CNH Futures contract and the spot month USD/CNH Options contract combined during the last 5 trading days must not exceed 2,000 long or short.

Subject to amendment of the relevant sub-legislation of the SFO, the Contract will be included in the Combined Limit.

- b. Exchange position limit as stipulated in the Contract Specifications under the HKFE Rules³:
8,000 long or short position delta for USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options contracts in all Contract Months combined, provided that the position delta for the spot month USD/CNH Futures contract and the spot month USD/CNH Options contract combined during the last 5 trading days must not exceed 2,000 long or short.

The position delta equivalent of (i) a Mini USD/CNH Futures Contract to a USD/CNH Futures Contract and (ii) a CNH/USD Futures Contract to a USD/CNH Futures Contract shall be calculated as follows:

Position Delta	Equivalent Position Delta
One long Mini USD/CNH Futures Contract	0.2 of one long USD/CNH Futures Contract
One short Mini USD/CNH Futures Contract	0.2 of one short USD/CNH Futures Contract
One short CNH/USD Futures Contract	0.5 of one long USD/CNH Futures Contract
One long CNH/USD Futures Contract	-0.5 of one long USD/CNH Futures Contract

More illustrations of position limits calculation are set forth in Attachment II.

Trading Arrangements

Pre-Launch Arrangements

In order to facilitate market participants in trading and clearing of the Contract, the following pre-launch arrangements will be made available one business day before the launch date:

- a. Trading code will be displayed on HKATS, but the Contract will not be tradable on that day; and

³ The relevant HKFE Rule will come into effect at the launch of the Contract.

- b. Information related to the Contract will be generated in the risk parameter files (“RPF”), clearing and open interest reports.

The purpose of the generation of RPF one business day before the launch date is to assist market participants to estimate the margin requirements for trading on the launch date. Please note that the margin requirements estimated using the RPF available on the business day before the launch date may not be the same as the actual amounts required on the launch date. Hong Kong Exchanges and Clearing Limited and its subsidiaries accept no liability whatsoever for any loss or damage arising from or in connection with the use of the information contained in such RPF. Market participants who wish to use the above-mentioned RPF are reminded to update the PC-SPAN Organisation Master File.

Trading Eligibility

EPs are required to have RMB settlement capability in order to be granted trading access to the Contract.

Maximum Order Size

The maximum HKATS order size limit is 1,000 contracts. EPs are required to submit their request to HKFE for setting up their own order size limits based on their business needs and risk management requirements.

Block Trade Volume Threshold and Permissible Price Range

Subject to the HKFE Rule 815 (2A) regarding block trades, the minimum volume threshold for the Contract will be 100 contracts. A block trade must be executed within a permissible price range, which is determined in the following manners:

- a. At or within the range of highest traded price, lowest traded price, bid and ask price of the contract; or
- b. At or within the $\pm 3\%$ price range of a reference price obtained through prevailing market prices, or if necessary, determined as theoretical values based on prevailing underlying values.

Any block trade that not satisfying all the above criteria will be deleted pursuant to HKFE Rule 819D.

Error Trade Price Parameter and Procedures

The error trade price parameter for the Contract is $\pm 1\%$ from the notation price. More details are set forth in Attachment III.

After-Hours Trading (“AHT”) Session Price Limit

AHT session price limit for the Contract is $\pm 3\%$ of the reference price⁴ of AHT session price limit. The reference price of AHT session price limit is determined in the following manners:

- a. Last traded price of the respective Contracts in the day trading session;
- b. For a non-newly listed contract month, if there is no last traded price during the day trading session, the previous day’s daily settlement price of the same contract month will be used as the reference price;
- c. For a newly listed contract month, if there is no last traded price during the day trading session, the reference price of the preceding contract month, as determined by a or b above, will apply.

Clearing and Settlement Arrangements

In order to be eligible for clearing and settlement of the Contract, Clearing Participants (“CPs”) of HKFE Clearing Corporation Limited (“HKCC”) need to set up an RMB account with any one of the Settlement Banks appointed by HKCC and maintain relevant mandates in such form as prescribed by HKCC from time to time.

CPs should ensure that the bank account is in active status and ready for cash settlement. Non-Clearing Participants should contact their General Clearing Participants to ascertain their eligibility of clearing the Contract.

Risk Management Arrangements

Margin offset will be offered via inter-commodity spread functionality in PRiME⁵. CPs can allocate the eligible positions to relevant account(s) in accordance with the Clearing House Procedures for

⁴ For the avoidance of doubt, the reference price mentioned in the “Block Trade Volume Threshold and Permissible Price Range” section is not related to the reference price in this section.

⁵ Please refer to section 2.7 of PRiME Margining Guide for details.

margin offset claim purpose. Margin offset will be available for the following contract pairs at the launch:

- a. the existing physically delivered USD/CNH Futures and Options contracts and
- b. the existing cash-settled CNH/USD Futures contract.

Margin levels and margin offset parameters⁶ will be announced and an update of PC-SPAN Organisation Master File will be made available in due course. More details of the risk management arrangements will be provided in a separate HKCC circular in due course.

EPs' and CPs' Readiness

EPs and CPs should notify their staff and all interested clients about the Contract and ensure that their trading and back office systems are ready in order for a smooth operation upon commencement of the Contract's trading. In addition, EPs and CPs should be fully aware of the above and should exercise caution when dealing with the Contract and when advising their clients.

Incentive and Joint Promotional Programs

Incentive Programs

The Exchange will include the Contract in the Active Trader Program, Bundled Liquidity Providing Incentive Program and Cash Incentive Program that are currently available for other products. Details of the aforementioned programs will be announced in due course.

Joint Promotional Program

Further to the circular dated 22 December 2020 (Ref. No.: [MKD/FIC/009/20](#)) regarding the Active Trader Program and Joint Promotional Program for Currency Futures and Options Contracts in 2021, the Exchange will include the Contract in the scope of the Joint Promotional Program. Eligible Applicants ("EAs") include EPs, information / system vendors, financial industry associations and media.

The Exchange will select a number of EAs to receive the following support from the Exchange for:

- a. Marketing Activities Cost Sponsorship - A maximum amount of HK\$60,000 will be sponsored for each selected EA to conduct marketing activities outlined in a marketing proposal submitted by the EA;

⁶ Delta/Spread Ratio and Spread Credit Rate.

- b. Promotional Materials – Free copies of printed promotional materials and, electronic banners, will be provided to the EAs for promoting the Contract and distributing the materials during public seminar(s) and marketing event(s); and
- c. Speaker – The Exchange will provide a representative to speak at a public seminar(s) and in-house training organised by the EAs.

The criteria for granting the Marketing Activities Cost Sponsorship to EAs are as follows:

- a. An EA should submit a detailed marketing proposal to the Exchange for reviewing; the proposal should specify the target number of attendees / participants, venue and date;
- b. The Contract must be the primary theme of marketing activities;
- c. The marketing activities should be organised in 2021; and
- d. The actual expenses of each marketing item should be outlined in the marketing proposal and declared by a Responsible Officer of the EP / senior management⁷ of the EA.

Interested candidates should contact the aforementioned enquiry contacts for further information about the Incentive and Joint Promotional programs.

Trading Information

The access codes of information vendors of the Contract will be available on HKEX's [Derivatives Market Access Codes webpage](#) in due course.

Disclaimer

EPs are required to have their client's attention to the disclaimer set forth in Attachment IV regarding information provided by Treasury Markets Association, before facilitating any trades in the Contract.

Julien Martin

Head

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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.

⁷ A senior manager, who has authorization to approve expenses of a similar amount (HK\$ 60,000) or above.

Attachment I**Contract Specifications
For
Mini US Dollar vs Renminbi (Hong Kong) (“Mini USD/CNH”) Futures**

The following Contract Specifications shall apply to the Mini USD/CNH Futures Contract:

Contract Size	USD 20,000
Contract Months	Spot month, the next three calendar months and the next six calendar quarter months (i.e. quarter months are March, June, September and December). The Chief Executive may, in consultation with the Commission, introduce additional Contract Months for trading from time to time as he considers appropriate
Price Quotation	RMB per USD (e.g. RMB 6.2486 per USD)
Minimum Fluctuation	RMB 0.0001 (4 decimal places)
Maximum Fluctuation	As prescribed by the Exchange from time to time
Tick Value	RMB 2
Contracted Price	The price at which a Mini USD/CNH Futures Contract is registered by the Clearing House
Contracted Value	Contracted Price multiplied by the Contract Size (e.g. RMB 6.2486 x 20,000)
Trading Hours (Hong Kong time)	8:30 a.m. – 4:30 p.m. (day trading session) 5:15 p.m. – 3:00 a.m. (after-hours trading session) There is no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on those three days shall be 8:30 a.m. – 12:30 p.m.
Trading Hours on the Last Trading Day (Hong Kong time)	8:30 a.m. – 11:00 a.m.
Trading Method	The Exchange’s Automated Trading System (HKATS)

Position Limits Position delta for the USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options combined of 8,000 long or short, in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and

Position delta for the USD/CNH Futures, Mini USD/CNH Futures, CNH/USD Futures and USD/CNH Options combined of 8,000 long or short, in all Contract Months combined, per Client

For this purpose, the position delta equivalent of (i) a Mini USD/CNH Futures Contract to a USD/CNH Futures Contract and (ii) a CNH/USD Futures Contract to a USD/CNH Futures Contract shall be calculated as follows:

Position Delta	Equivalent Position Delta
One long Mini USD/CNH Futures Contract	0.2 of one long USD/CNH Futures Contract
One short Mini USD/CNH Futures Contract	0.2 of one short USD/CNH Futures Contract
One short CNH/USD Futures Contract	0.5 of one long USD/CNH Futures Contract
One long CNH/USD Futures Contract	-0.5 of one long USD/CNH Futures Contract

Large Open Positions 2,500 open contracts, in any one Contract Month, per Exchange Participant for the Exchange Participant's own behalf; and

2,500 open contracts, in any one Contract Month, per Client

Settlement Method Cash settled contract for difference

Settlement Currency RMB

Final Settlement Day The first Hong Kong Business Day after the Last Trading Day

Last Trading Day Two Hong Kong Business Days prior to the third (3rd) Wednesday of the Contract Month

Final Settlement Price USD/CNY(HK) Spot Rate published by the Hong Kong Treasury Markets Association at or around 11:30 a.m. on the Last Trading Day. The Chief Executive of the Exchange has the power under the Regulations for trading Currency Futures Contracts to determine the Final Settlement Price under certain circumstances

Trading Fee (per contract per side) Exchange Fee RMB 1.60

The amount indicated above is subject to change from time to time

Levies (per contract per side) Investor Compensation Levy is payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance

Commission Rate Negotiable

Attachment II

Illustrations of Position Limits Calculation

The following examples illustrate different scenarios that may or may not breach the position limits of the CNH Products⁸ and Mini USD/CNH Futures under the SFO and HKFE Rules.

Given:

- Statutory position limits under the SFO: 8,000 position delta for the CNH Products
- Exchange position limits under HKFE Rules: 8,000 position delta for the CNH Products and Mini USD/CNH Futures combined

Case	Open position delta of the CNH Products in all Contract Months combined (A)	Open position delta of Mini USD/CNH Futures in all Contract Months combined ⁹ (B)	Aggregate position delta in all Contracts Months combined (A + B)	Within statutory position limit of the CNH Products	Within Exchange position limits of the CNH Products and Mini USD/CNH Futures
a. Long or short CNH Products only					
1	+8,000	0	+8,000	Yes	Yes
2	-8,000	0	-8,000	Yes	Yes
3	+8,100	0	+8,100	No	No
4	-8,100	0	-8,100	No	No
b. Long or short Mini USD/CNH Futures only					
1	0	+8,000	+8,000	Yes	Yes
2	0	-8,000	-8,000	Yes	Yes
3	0	+8,100	+8,100	Yes	No
4	0	-8,100	-8,100	Yes	No
c. Same direction					
1	+7,500	+500	+8,000	Yes	Yes
2	-7,500	-500	-8,000	Yes	Yes
3	+8,100	+200	+8,300	No	No
4	-8,000	-500	-8,500	Yes	No
d. Different directions to offset the position limit					
1	+8,000	-200	+7,800	Yes	Yes
2	+500	-7,000	-6,500	Yes	Yes
3	-500	+8,100	+7,600	Yes	Yes
4	+500	-8,100	-7,600	Yes	Yes
5	+8,700	-500	+8,200	No	No
6	-500	+8,700	+8,200	Yes	No
7	+8,200	-500	+7,700	No	Yes

⁸ CNH Products: USD/CNH Futures, CNH/USD Futures and USD/CNH Options

⁹ The position delta of one Mini USD/CNH Futures contract equivalent to 0.2 and the position delta of one USD/CNH Futures contract equivalent to 1.

Attachment III

Error Trade Price Parameter and Procedures for the Contract

The error trade price parameter is $\pm 1\%$ from notation price of the Contract.

Note:

The notation price of the Contract will be determined as follows:

1. The average of the prices of the previous match and the next match in that contract month occurring reasonably close to the time of error trade. If this, in the opinion of the Exchange, fails to reflect a fair price, the notation price will be determined on the basis of item (2) below.
2. The reasonable bid and offer prices available around the time of error trade. If this, in the opinion of the Exchange, fails to reflect a fair price, the notation price will be determined on the basis of item (3) below.
3. The prices obtained by the Exchange from consulting up to three independent market practitioners who have no interest in the trade in order to arrive at a valid notation price.

Notwithstanding the foregoing, the Exchange shall have absolute discretion in determining the notation price.

Attachment IV

Disclaimer of the Treasury Markets Association (“TMA”)

The following disclaimers and copyright notice regarding information provided on the Treasury Markets Association's website:

- a. The benchmark and reference rates in this website are provided with delays for general information purposes. While the TMA will make all reasonable efforts to ensure a continuous, accurate and timely service, the TMA and other data providers make no warranties, representations or undertakings, expressed or implied by law or otherwise, in relation to the benchmark and reference rates and are not responsible for any errors or omissions, or losses caused by disruptions in the service or late publication of the daily rates or inaccuracy of the daily rates or otherwise arising from the use of or reliance on the benchmark and reference rates. By viewing or downloading these rates, you implicitly accept this disclaimer and agree to its terms.
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