

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: New Liquidity Provider and Active Trader Incentive Programs for MSCI Asia and Emerging Market Index Futures and Options Suite (“MSCI Suite”)

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Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce the introduction of new Liquidity Provider (“LP”) Programs and an Active Trader (“AT”) Program to support the liquidity development of MSCI Suite between July 2021 and June 2022:

- LP Program for a basket of 17 stock index futures in the MSCI Suite (“Tier 1 MSCI LP Program”);
- LP Program for MSCI Taiwan (USD) Index Futures (“Tier 2 MSCI LP Program”); and
- AT Program for MSCI Taiwan (USD) Index Futures and Options.

Please refer to the Attachment for the program details.

Interest parties should contact Ms. Emily Huang (EmilyHuang@hkex.com.hk), Mr. David Lutz (DavidLutz@hkex.com.hk), Ms. Kate Lin (Katelin@hkex.com.hk), or Ms. Tracy Zhang (TracyYTZhang@hkex.com.hk) for application information. Applicants who wish to participate the programs starting from the first day are required to submit their application on or before **24 June 2021 (Thursday)**.

Alexander Siu
Head of Equities Product Development
Markets Division

Attachment

Tier 1 MSCI LP Program

1. One LP to provide two-way continuous bid/ask quotes (“CQ”) in a basket of 17 selected MSCI futures contracts in T or / and T+1 session:

No.	Contracts	No. of Permits		
		Outright (T Session)	Outright (T+1 Session)	Calendar Spread (T Session)
1	MSCI Asia ex Japan Net Total Return (USD) Index Futures	1	1	1
2	MSCI China Free Net Total Return (USD) Index Futures	1	1	1
3	MSCI EM Asia Net Total Return (USD) Index Futures	1	1	1
4	MSCI Emerging Markets Net Total Return (USD) Index Futures	1	1	1
5	MSCI Hong Kong Net Total Return (USD) Index Futures	1		
6	MSCI India Net Total Return (USD) Index Futures	1	1	1
7	MSCI Indonesia Net Total Return (USD) Index Futures	1	1	1
8	MSCI Japan Net Total Return (JPY) Index Futures	1		
9	MSCI Japan Net Total Return (USD) Index Futures	1	1	1
10	MSCI Malaysia Net Total Return (USD) Index Futures	1		
11	MSCI Philippines Net Total Return (USD) Index Futures	1		
12	MSCI Taiwan Net Total Return (USD) Index Futures	1	1	1
13	MSCI Thailand Net Total Return (USD) Index Futures	1		1
14	MSCI Emerging Markets (USD) Index Futures	1		1
15	MSCI Japan (JPY) Index Futures	1		
16	MSCI Singapore Free (SGD) Index Futures	1	1	
17	MSCI Taiwan 25/50 (USD) Index Futures	1	1	1
	Total	17	10	11

2. Below are the program details:

Tier 1 MSCI LP	Outright		Calendar Spread
	T Session	T+1 Session	T session
Program Period	2 July 2021 to 30 June 2022		
LP Quota	1		
Eligible Participants	EPs or direct clients of EPs		
LP Obligations	<ul style="list-style-type: none"> Provide CQ for 70% of trading hours in each contract; 	<ul style="list-style-type: none"> Provide CQ for 50% of trading hours in each contract; 	<ul style="list-style-type: none"> Provide CQ for 70% of trading hours each contract;
	<ul style="list-style-type: none"> Other obligation details (including quote size and spread) will be determined through bidding process* 		
<u>LP Incentives:</u>			
Trading Fee Discount	LP (market making account only) will pay a discounted trading fee# as follows: <ul style="list-style-type: none"> USD 0.30 for USD contracts SGD 0.42 for SGD contracts JPY 32 for JPY contracts Note: The market-wide trading fee waivers for specific product, if any, will supersede the above discounted trading fee during the market-wide trading fee waiver period.		
Cash Incentives	HKD 25,000 per contract per month	HKD 25,000 per contract per month	HKD 12,500 per contract per month
OAPI Sub-license Fee waiver	1 OAPI per contract for T session (i.e. 17 OAPIs or HKD 44,200 per month in total)	Nil	Nil

*Applicant with the highest total number of contracts with the best bid will be selected and its indicated obligations will be taken as the final obligation.

The period for LP to be entitled discounted trading fee is between 30 June 2021 (T+1 Session) to 30 June 2022 (T Session), both dates inclusive.

3. LP performance in respect of each trading session will be evaluated at the end of each calendar month. If the LP fails to meet its obligations of an assigned contract in respect of a trading session in a month, it will not be entitled to the incentives in respect of that trading session for the contract for that month. If the LP fails to meet the its commitment for two consecutive months, its appointment may be subject to early termination by HKEX.

Tier 2 MSCI LP Program (i.e. LP Program for MSCI Taiwan (USD) Index Futures)

4. The program consists of multiple LPs to provide CQ for the MSCI Taiwan (USD) Index Futures in T or T+1 session.

	Outright		Calendar Spread												
	T Session	T+1 Session	T Session												
Program Period	2 July 2021 to 30 June 2022														
LP Quota	5	3	3												
Eligible Participants	EPs or direct clients of EPs														
LP Obligations	<ul style="list-style-type: none"> Provide CQ for 70% of trading hours; Quote size and spread are pre-determined in a tiered structure below: <table border="1"> <thead> <tr> <th>Tier</th> <th>Maximum Bid/Ask Spread (% of bid)</th> <th>Minimum Quote Size</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>0.045%</td> <td>2 lots</td> </tr> <tr> <td>B</td> <td>0.060%</td> <td>2 lots</td> </tr> <tr> <td>C</td> <td>0.090%</td> <td>2 lots</td> </tr> </tbody> </table>	Tier	Maximum Bid/Ask Spread (% of bid)	Minimum Quote Size	A	0.045%	2 lots	B	0.060%	2 lots	C	0.090%	2 lots	<ul style="list-style-type: none"> Provide CQ for 50% of trading hours 	<ul style="list-style-type: none"> Provide CQ for 70% of trading hours
Tier	Maximum Bid/Ask Spread (% of bid)	Minimum Quote Size													
A	0.045%	2 lots													
B	0.060%	2 lots													
C	0.090%	2 lots													
		<ul style="list-style-type: none"> Obligations including quote size and spread will be determined through bidding process 													
<u>LP Incentives:</u>															
Trading Fee Discount	LP (market making account only) will pay a discounted trading fee [#] of USD 0.30 per contract. Note: The market-wide trading fee waiver, if any, will supersede the above discounted trading fee during the market-wide trading fee waiver period.														
Cash Incentives	Tier A: HKD 150,000 Tier B: HKD 100,000 Tier C: HKD 50,000	HKD 75,000	HKD 50,000												
OAPI Sub-license Fee waiver	Tier A: 15 OAPIs Tier B: 10 OAPIs Tier C: 5 OAPIs	4 OAPIs	2 OAPIs												
Bundled Fee Rebate	Upon meeting the LP obligations and the minimum monthly volume requirement specified in next section of the Active Trader Program, LP of MSCI Taiwan (USD) Index futures shall be entitled to bundled fee rebate in the Active Trader program, up to HKD 400,000 per calendar month. Please refer to next section for details.														

[#] The period for LP to be entitled discounted trading fee is between 30 June 2021 (T+1 Session) to 30 June 2022 (T Session), both dates inclusive.

5. LP performance in respect of each trading session will be evaluated at the end of each calendar month. If the LP fails to meet its obligations of an assigned contract in respect of a trading session in a month, it will not be entitled to the incentives in respect of that trading

session for the contract for that month. If the LP fails to meet its commitment for two consecutive months, its appointment may be subject to early termination by HKEX.

6. The LP obligations will be pro-rated if there are days when the MSCI Taiwan (USD) Index Futures contract at HKFE is open for trading but Taiwan cash market is closed. For example, if there are 20 trading days in the MSCI Taiwan (USD) Index Futures contract in a calendar month and 2 of which are Taiwan market holiday, the required obligations of that calendar month will be 63% of trading hours in T session ($18/20$ trading days \times 70% obligation).

Active Trader (AT) Program for MSCI Taiwan (USD) Index Futures and Options

7. The AT program is designed to support liquidity development. Upon meeting the minimum monthly clearing volume of 500 contracts (excluding block trade volume) in the MSCI Taiwan (USD) Index Futures and Options during the specified period, an AT will be entitled to bundled fee rebates up to a maximum amount of HKD 400,000 in each calendar month.
8. The amount of bundled fee rebate entitlement is the aggregated monthly clearing volume of MSCI Taiwan (USD) Index Futures and Options with reference to the executed time of the trades. A weighing factor will be applied to the trades executed in different time zones as table below:

Execution Time (HK Time)	Weighing Factor per contract
8:45 am – 9:00 am	HKD 15
Others	HKD 5

For example: If an AT has aggregated monthly clearing volume of MSCI Taiwan (USD) Index Futures and Options of 40,000 contracts, of which 10,000 contracts were executed during 8:45 am – 9:00 am, the amount of bundled fee rebate entitlement will be HKD 300,000 (10,000 contracts x HKD15 + 30,000 contracts x HKD 5).

9. The bundled fee rebate will be calculated on a calendar month basis and may comprises any or all of the following items in order:
- A waiver of up to HKD 5,200 per month of the monthly sub-licence fee for 2 OAPIs to HKATS (not applicable to LP) ;
 - HKD 6.50 (i.e. 65% of standard trading fee) rebate on Hang Seng Index (“HSI”) Futures on a 1:1 volume basis according to the aggregate volume of MSCI Taiwan (USD) Index Futures and Options;
 - HKD 2.50 (i.e. 71% of standard trading fee) rebate on Hang Seng China Enterprises Index (“HSCEI”) Futures on a 1:1 volume basis according to the aggregate volume of MSCI Taiwan (USD) Index Futures and Options;
 - Market data fees paid directly or indirectly to HKEX Information Services Limited for the relevant month; and
 - Hosting services fees directly or indirectly to the HKEX Hosting Services Limited for the relevant month.
10. If AT does not meet the monthly minimum clearing volume consistently for two consecutive months, the Exchange reserves the right to terminate the AT.
11. The AT program period is between 2 July 2021 to 30 June 2022, both dates inclusive.
12. For the avoidance of doubt, LPs/ ATs 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 PTs in other Bundled Incentive programs) 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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