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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 MSCI China A 50 Connect (USD) Index Futures Contract

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Hong Kong Futures Exchange Limited (“the Exchange” or “HKFE”) is pleased to announce that Securities and Futures Commission (“SFC”) has approved to introduce the MSCI China A 50 Connect Index Futures (“the Proposed Contract”) on **18 October 2021 (Monday)** (“Launch Date”).

The MSCI China A 50 Connect Index is designed to have a comprehensive representation of the Chinese economy by selecting 50 stocks from the largest stocks in the China A-share large-cap universe, and by targeting at least two stocks from each sector. The index comprises 50 Stock Connect eligible underlyings and has a high correlation to the performance of key MSCI A-share indexes. Details of the index information will be announced by MSCI in due course. For more information, please refer to MSCI’s media release (see [link](#)).

Details of the contract specifications are set forth in Attachment I. Relevant rule amendments will be announced via separate circulars.

¹ All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: http://www.hkex.com.hk/eng/global/privacy_policy.htm

Trading Arrangements for the Proposed Contract

Pre-Launch Arrangements

To facilitate market participants in the trading and clearing of the Proposed Contract, the following pre-launch arrangements will be made available one business day before the Launch Date:

- i. Trading codes will be displayed on HKATS, but the Proposed Contract will not be tradable on that day; and
- ii. Information relating to the Proposed 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 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 (“HKEX”) 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. Participants who wish to use the above-mentioned RPF are reminded to update the PC-SPAN Organisation Master File.

Other Trading Arrangements

- i. The following contract months will be available for trading from the Launch Date: November 2021, December 2021, March 2022, June 2022, September 2022, December 2022.
- ii. The minimum block trade volume is 25 contracts.
- iii. Block trade permissible price range: $\pm 3\%$ from reference price which will be applied in the T and T+1 sessions (see details in Attachment II).
- iv. Error trade parameters: $\pm 3\%$ from notation price² which will be applied in the T and T+1 sessions (see details in Attachment II).
- v. Large-scale error trade parameters: $\pm 6\%$ from notation price which will be applied in the T and T+1 sessions (see details in Attachment II).
- vi. Volatility Control Mechanism will not be applied during T and T+1 session.

² EPs that are original parties to a transaction on HKATS can file error trade claims to HKFE if the trades deviate from this error trade price parameter.

- vii. Price limit will be applied in the T+1 session. The price limit will be $\pm 5\%$ from the reference price.
- viii. The maximum HKATS order size limit is 1,000 contracts. Exchange Participants (“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.

Clearing and Settlement Arrangements

To be eligible for clearing and settlement of the Proposed Contracts, Clearing Participants (“CPs”) of the HKFE Clearing Corporation Limited (“HKCC”) need to arrange for USD settlement capability, including having an active USD bank account with any of the appointed settlement banks appointed by HKCC.

CPs are requested to ensure that these bank accounts are in active status and ready for cash settlement. Non-Clearing Participants should contact their General Clearing Participants to ascertain their eligibility of clearing the Proposed Contracts.

Risk Management Arrangements

Margin offset among certain Contracts will be offered in PRiME³, if available. CPs could allocate the eligible positions to relevant account(s)⁴ in accordance with the Clearing House Procedures for margin offset claim purpose. Margin levels and margin offset parameters⁵ for the Proposed Contracts will be announced and an update of PC-SPAN Organisation Master File will be made available in due course. Details of the risk management arrangements will be provided in separate HKCC circular in due course.

Information Vendor Access Code

The access codes of information vendors for the underlying index and the Proposed Contract will be available in due course.

Liquidity Provider and Other Incentive Programs

Details of liquidity provider and other incentive programs will be announced in due course.

³ Please refer to section 2.7 of [PRiME Margining Guide](#) for details.

⁴ Client Offset Claim Account

⁵ Delta/Spread Ratio and Spread Credit Rate

SFC Commission Levy Exemption

The Commission Levy for the Proposed Contract will be exempted for the first six months of trading, i.e. from 18 October 2021 (Monday) to the close of T session on 15 April 2022 (Friday). Participants are advised to inform their clients accordingly.

Contract	During six-month SFC commission levy exemption, i.e. from 18 October 2021 (Monday) to 15 April 2022 (Friday) (T Session)	After six-month SFC commission levy exemption, i.e. from 15 April 2022 (Friday) (T+1 Session) onwards
MSCI China A 50 Connect (USD) Index Futures	Nil	USD 0.07

Participants' Readiness

Participants are required to notify their staff and all interested clients of the details of the Proposed Contract. Please ensure that all trading, clearing, and back office systems, including OAPI program and other operational arrangements are ready in order for a smooth operation upon the introduction. In addition, staff should be fully aware of the above and should exercise caution when dealing with the Proposed Contract and when advising their clients.

Alexander Siu
Co-Head of Equities Product Development
Markets Division

This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Attachment I

Contract Specifications

Contracts	MSCI China A 50 Connect (USD) Index Futures
Underlying Index	MSCI China A 50 Connect Index
HKATS Code	MCA
Trading Currency	USD
Underlying Index Currency	CNH
Contract Multiplier	USD 25
Minimum Fluctuation	0.20 index point (i.e. USD 5)
Contract Months	Spot, next calendar month and the following 4 quarterly months
Pre-Opening	8:45 am – 9:00 am
Trading Hours	9:00 am – 4:30 pm (T); 5:15 pm – 3:00 am (T+1)
Trading Hours on Last Trading Day	9:00 am – 3:00 pm
Last Trading Day (“LTD”)	The third Friday of the Contract Month. If it is not a Hong Kong business day or it falls on a Mainland China public holiday, the LTD shall be the preceding Hong Kong business day which is also a business day in Mainland China
Final Settlement Day	The Hong Kong business day after the Final Settlement Price is determined
Final Settlement Price (“FSP”)	The average of quotations of the MSCI China A 50 Connect Index on LTD, taken at (i) 15 second intervals during the last two hours of trading on the Shanghai Stock Exchange and Shenzhen Stock Exchange before the end of the continuous trading sessions, and (ii) the closing index value, rounded up to the nearest 2 decimal places if the figure in the third decimal place is 5 or above and rounded down to the nearest 2 decimal places if it is below 5.
Exchange Fee	USD 1.0
Settlement Fee	USD 1.0
Commission Levy ⁶	USD 0.07
Large Open Position	500 open contracts in any one Contract Month
Position Limit	28,000 net contracts long or short across all Contract Months

⁶ The Commission Levy is collected in the trading currency equivalent to HKD 0.54 at the exchange rate determined by HKFE from time to time. There will be Commission Levy exemption for the first six months of trading from Launch Date.

Attachment II

Block Trade Permissible Price Range

With reference to the HKFE rule 815A (5), the price at which a block trade is executed must be fair and reasonable, and the revised permissible price range for block trades is determined in the following manner:

- (a) When the executed price is at or within the range of highest traded price, lowest traded price, bid and ask price of the contract; or
- (b) When the executed price is within a price range to both sides of a reference price obtained through prevailing market prices, or if necessary, determined as the theoretical values based on the prevailing underlying values. The block trade permissible price range for the Contracts is 3%.

Error Trade Parameters

The price parameters for the purposes of the error trade rule under HKFE Rule 819B is 3% from notional price.

Note:

The notation price will be determined as follows:

- (a) The last traded price within 5 minutes prior to the error trade;
- (b) The mid-point of the best bid/ask price immediately prior to the error trade;
- (c) Last settlement price; or
- (d) The difference of notation prices between the related outright contracts (calendar spread only).

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

Large-Scale Error Trade Parameters

The price parameters for the purposes of the error trade rule under HKFE Rule 819BA and 819BB is 6% from the notation price.

Note:

Please refer to the Large-Scale Error Trade Handling Procedures for the Large-Scale Error Trade Notation Price determination methodology.

Reference Price for the Price Limits in T+1 Session

The reference price of each individual contract month is defined as the last traded price of individual contract month in T Session. If such price is not available for any specific contract, the reference price would be determined in the following manner:

Case 1: Spot month has no trade, the reference price will be the previous day's daily settlement price (for newly listed contract months, the reference price of the preceding contract month will apply).

Case 2: Spot month has trades, the reference price will be the spot month's last traded price plus previous day's rollover spread between the daily settlement price of the contract month in question relative to daily settlement price of the spot month will be applied ^{Note}.

Note:

(a) Last trading day:

If the last traded price in a back month is not available on the last trading day of the expiring month, the spot next month's last traded price plus previous day's rollover spread (between the daily settlement price of the contract month in question relative to the daily settlement price of the spot next month) will be applied.

Example: On 19 November 2021 (last trading day)

Contract Months	Last Traded Prices (LTP)	Previous Settlement Prices (PSP)	Previous Day Rollover Spread to Spot Next Month (RS-N)	Upper Limits ⁷	Lower Limits ⁸	Remarks
Nov 21	600.00	590.00	N/A	N/A	N/A	Expired
Dec 21	612.00	606.00	0.00	642.60	581.40	+/- 5% of LTP
Mar 22	-	617.00	11.00	654.00	592.00	+/- 5% of (Spot Next LTP plus RS-N)
Jun 22	635.00	622.00	16.00	666.60	603.40	+/- 5% of LTP
Sep 22	-	636.00	30.00	674.00	610.00	+/- 5% of (Spot Next LTP plus RS-N)
Dec 22	658.00	644.00	38.00	690.80	625.20	+/- 5% of LTP

(b) The trading day immediately following the last trading day:

(i) If the last traded price in a back month is not available on the first trading day immediately following the last trading day of the expired month, the spot month's last traded price plus previous day's rollover spread (between the daily settlement price of the contract month in question relative to the daily settlement price of the spot next month) will be applied; and

Example: On 22 November 2021 (the trading day immediately following the last trading day)

Contract Months	Last Traded Prices (LTP)	Previous Settlement Prices (PSP)	Previous Day Rollover Spread to Spot Next Month (RS-N)	Upper Limits ⁷	Lower Limits ⁸	Remarks
Nov 21	N/A	580.00	N/A	N/A	N/A	Expired
Dec 21	600.00	590.00	0.00	630.00	570.00	+/- 5% of LTP
Jan 22	612.00	N/A	N/A	642.60	581.40	+/- 5% of LTP
Mar 22	-	617.00	27.00	658.20	595.80	+/- 5% of (Spot LTP plus RS-N)
Jun 22	635.00	622.00	32.00	666.60	603.40	+/- 5% of LTP
Sep 22	-	636.00	46.00	678.20	613.80	+/- 5% of (Spot LTP plus RS-N)
Dec 22	658.00	644.00	54.00	690.80	625.20	+/- 5% of LTP

- (ii) If both the last traded price and the previous daily settlement price are not available in a back month, the spot month's last traded price plus previous day's rollover spread (between the daily settlement price of the preceding month relative to the daily settlement price of the spot month) will be applied.

Example: On 22 November 2021 (the trading day immediately following the last trading day)

Contract Months	Last Traded Prices (LTP)	Previous Settlement Prices (PSP)	Previous Day Rollover Spread to Spot Month (RS-S)	Upper Limits ⁷	Lower Limits ⁸	Remarks
Nov 21	N/A	580.00	N/A	N/A	N/A	Expired
Dec 21	600.00	594.00	14.00	630.00	570.00	+/- 5% of LTP
Jan 22	-	N/A	N/A	644.60	583.40	+/- 5% of (Spot LTP plus RS-S of preceding month)
Mar 22	620.00	610.00	30.00	651.00	589.00	+/- 5% of LTP
Jun 22	630.00	620.00	40.00	661.40	598.60	+/- 5% of LTP
Sep 22	640.00	630.00	50.00	672.00	608.00	+/- 5% of LTP
Dec 22	650.00	640.00	60.00	682.40	617.60	+/- 5% of LTP

⁷ Calculation result is rounded to the nearest minimum fluctuation of 0.2 index point within the upper limit.

⁸ Calculation result is rounded to the nearest minimum fluctuation of 0.2 index point within the lower limit.

Attachment III

MSCI Disclaimer

The Contracts are not sponsored, endorsed, sold or promoted by MSCI Inc. ("MSCI"), any affiliate of MSCI or any other party involved in, or related to, making or compiling any Indexes. The Contracts have not been passed on by MSCI, any of its affiliates or any other party involved in, or related to, making or compiling any Indexes as to their legality or suitability with respect to any person or entity. MSCI, its affiliates and any other party involved in, or related to, making or compiling the MSCI Indexes do not guarantee the originality, accuracy and/or completeness of the MSCI Indexes or any data included therein. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI Indexes makes any express or implied warranties, and expressly disclaims all warranties of merchantability and fitness for a particular purpose or use with respect to the Contract, the MSCI Indexes or any data included therein. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other party involved in, or related to, making or compiling the MSCI Indexes have any liability for any direct, special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages, claims, losses or expenses relating to any futures or options contracts or caused by any errors or delays in calculating or disseminating the MSCI Indexes. Neither MSCI, any of its affiliates nor any other party involved in, or related to, making or compiling the MSCI Indexes has any obligation to take the needs of the issuers of the Contracts, the owners of the Contracts or the Exchange into consideration in determining, composing or calculating the Indexes. Neither MSCI, its affiliates nor any other party involved in, or related to, making or compiling the MSCI Indexes is responsible for or have participated in the determination of the timing of, prices at, or quantities of the Contracts to be issued or in the determination or calculation of the equation by which the Contracts are redeemable for cash.