

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: Incentive Programs for Currency Derivative Products in 2022

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Hong Kong Futures Exchange Limited (the “Exchange” or “HKFE”) is pleased to announce the Bundled Liquidity Providing Incentive (“Bundled”) Program, Active Trader (“AT”) Program and Joint Promotional (“JP”) Program for Currency Derivative Products and the extension of Exchange Trading Fee Waiver for Mini USD/CNH Futures from 3 January 2022 (T Session) until 30 June 2022 (T Session)¹ (collectively, “Programs”).

1. **Bundled Program**

The Exchange will extend the Bundled Program from 3 January 2022 (T Session) until 30 June 2022 (T Session). The Bundled Program is designed for market participants to support the liquidity development of currency derivatives through participation as either a Liquidity Provider (“LP”) or as a Proprietary Trader (“PT”). LPs and PTs are defined as follows:

- LP – the person performing the 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 through a market maker account as assigned by the Exchange; and

¹ There is no trading after 12:30p.m. on the eve of Lunar New Year. The trading hours on that day shall be 8:30a.m. – 12:30p.m.

- PT – an EP trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account² and commits to meeting the minimum monthly clearing volume in the Eligible Products assigned.

LP / PT applicants may apply to participate in the Bundled Program with respect to one or combination of the following products:

Eligible Products

- RMB Currency Futures Basket, namely AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures;
- USD/CNH Futures;
- Mini USD/CNH Futures (only for participating as a PT);
- USD/CNH Options; and
- INR/USD and INR/CNH Futures.

For the avoidance of doubt, LPs participating in the Bundled Program are not allowed to participate as LPs in the Cash Incentive program for the same Eligible Products in the same trading sessions.

Incentives

1. **Nil Exchange trading fee** on LP's transactions effected in the assigned Eligible Products in the calendar month in which those Eligible Products are traded.
2. Upon fulfilment of the obligations set forth in the Attachment, LPs and PTs will be entitled to the following fee rebates:
 - exchange trading fees in Hang Seng Index Futures ("HSIF") and Hang Seng China Enterprises Index Futures ("HSCEIF");
 - market data (securities/derivatives) fee; and
 - hosting services fee.

In addition, all LPs and Type 1, Type 2, Type 3 and Type 4 PTs will be granted a waiver for OMnet Application Programming Interface ("OAPI") sub-license fees for up to a maximum amount per month.

² Or other accounts as assigned by the Exchange.

Category	Maximum incentives per month per trading session, HK\$			
	Combination of:			
	HSIF/HSCEIF Exchange Trading Fee Rebate	Market Data Fee Rebate ³ (Derivatives/ Securities)	Hosting Services Fee Rebate	No. of OAPI Sub-licence Fee Waiver ⁴
Type of LP				
Type 1	Up to \$100,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$41,600 (i.e. 16 OAPIs)	
Type 2	Up to \$50,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$20,800 (i.e. 8 OAPIs)	
Nil Exchange trading fee will be applied on LPs' transactions effected in the assigned contract(s).				
Type of PT				
Type 1	Up to \$250,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$52,000 (i.e. 20 OAPIs)	
Type 2	Up to \$140,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$31,200 (i.e. 12 OAPIs)	
Type 3	Up to \$100,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$20,800 (i.e. 8 OAPIs)	
Type 4	Up to \$70,000 subtracted by the actual OAPI sub-licence fee waiver		Up to \$15,600 (i.e. 6 OAPIs)	
Type 5	Up to \$40,000 in total		N/A	
Type 6	Up to \$20,000 in total		N/A	
Type 7	Up to \$10,000 in total		N/A	
Type 8	Up to \$5,000 in total		N/A	

Details of Exchange trading fee rebate:

Product	HSIF*	HSCEIF*
Exchange trading fee rebate per contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)

* HSIF / HSCEIF contracts that have been used by HSI / HSCEI options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

An LP / PT can apply to participate in one or combination of the Eligible Products or different categories of LPs / PTs Types, but the aggregate incentives to which an LP / PT is entitled will be subject to an overall cap as set up in the table above. The Exchange has the absolute discretion to change the overall cap and quota allocation between the products.

Quota

As LPs / PTs the quota is limited⁵, 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

³ Market data fee rebate includes relevant license fees, connection fees and usage fees.

⁴ The Exchange may assign different caps on the number of OAPI waivers for different products (for example, the maximum number of OAPI for Type 1 LP could be less than 16 OAPIs). Currently HK\$2,600 per month for each OAPI with 5 transactions per second (TPS).

⁵ The quota is indicative and could be revised subject to the Exchange's plan or budget.

commitment. If the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicants' past performance.

Existing LP/PT Arrangement

All existing appointments of LPs and PTs under the Bundled Program in 2021 will be terminated on 31 December 2021.

2. AT Program

The period of the AT Program will be extended for six months with its details set force as below:

Program Period:	3 January 2022 (T Session) to 30 June 2022 (T Session)
Eligible Participants:	Existing and new ATs
Eligible Products:	USD/CNH Futures and Options, and Mini USD/CNH Futures contracts ("CNH suite"), INR/USD Futures and INR/CNH Futures contracts ("INR suite")
Requirements and Incentives:	Exchange trading fee rebate based on the specified thresholds of combined monthly clearing volume of each suite of Eligible Products as set forth below

CNH suite		INR suite	
Combined monthly clearing volume thresholds (number of contracts)	Percentage of Exchange trading fee rebate ⁶	Combined monthly clearing volume thresholds (number of contracts)	Percentage of Exchange trading fee rebate ⁶
Existing ATs			
400 - 1,999	25%	100 - 2,999	25%
2,000 - 9,999	50%	3,000 - 5,999	50%
10,000 - 19,999	75%	6,000 - 14,999	75%
20,000 - 29,999	85%	15,000 or above	100%
30,000 or above	100%		
Volume weighting for calculating monthly aggregate clearing volume	<ul style="list-style-type: none"> • USD/CNH Futures and USD/CNH Options: 1 x number of contracts • Mini USD/CNH Futures: 0.2 x number of contracts 	Volume weighting for calculating monthly aggregate clearing volume	<ul style="list-style-type: none"> • INR/USD Futures and INR/CNH Futures: 1 x number of contracts
New ATs			
Any number of contracts cleared during the first four consecutive calendar months after enrolling in the AT Program is entitled to 100% Exchange trading fee rebate			

⁶ Exchange trading fee per contract of USD/CNH Futures and Options is RMB 8; Mini USD/CNH Futures is RMB 1.6, although its Exchange trading fee is waived until 30 June 2022; INR/USD Futures is USD 0.6 and INR/CNH Futures is RMB 2.5

In determining whether an AT meets the specified combined monthly clearing volume thresholds, the Exchange will measure the AT's volume of the CNH suite and INR suite based on the number of contracts cleared in the House Account of the EP, the Individual Client Accounts assigned only to that AT trading through the relevant EP and other accounts as assigned by the Exchange. The trading fee rebate will be credited to the relevant Common Collateral Management System collateral account of the Clearing Participant for the EP before the end of the following calendar month.

The existing ATs will be automatically enrolled in the AT Program effective from 3 January 2022 (T Session), unless the existing ATs notify the Exchange that they do not wish to be enrolled. The Exchange reserves the right to terminate the appointment of any existing AT, who fails to clear at least 400 contracts for the CNH suite or 100 contracts for the INR suite per calendar month for two consecutive calendar months.

For the avoidance of doubt, the Market Makers and Bundled Program LPs for any Currency Futures and Options⁷ are eligible to enroll in the AT Program; however, the volume incurred from their market making and / or liquidity providing activities will be excluded from the rebate calculation under the AT Program.

3. JP Program

To continue to enhance investors' knowledge about the Currency Futures and Options, namely AUD/CNH Futures, CNH/USD Futures, EUR/CNH Futures, JPY/CNH Futures, INR/CNH Futures, INR/USD Futures, USD/CNH Futures and Options and Mini USD/CNH Futures contracts ("the Products"), the Exchange will extend the JP Program for the period starting from 3 January 2022 to 30 June 2022. 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;
- b. Promotional Materials – Free copies of printed promotional materials and electronic banners will be provided to the EAs for promoting the Products and distributing the materials during public seminar(s) and marketing event(s); and

⁷ Currency Futures and Options contracts include USD/CNH Futures, USD/CNH Options, EUR/CNH Futures, JPY/CNH Futures, AUD/CNH Futures, CNH/USD Futures, INR/CNH Futures and INR/USD Futures contracts

- c. Speaker – The Exchange will provide a representative to speak at a public seminar(s) and in-house training organized 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 HKFE for reviewing; the proposal should specify the target number of attendees / participants, venue and date;
- b. The Products must be the primary theme of marketing activities;
- c. The marketing activities should be organized not later than 30 June 2022; 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 management⁸ of the EA.

4. Extension of the Exchange Trading Fee Waiver for Mini USD/CNH Futures

The Exchange trading fee waiver for the Mini USD/CNH Futures contract will be extended until 30 June 2022 (T session) for all EPs and their clients.

Notification to EPs and their clients and Application Procedure

EPs are requested to notify their staff and clients about the aforementioned Programs and the Exchange trading fee waiver for Mini USD/CNH futures. The Programs are now open for applications and applicants, who wish to participate in the Bundled Program starting from the first day (i.e. 3 January 2022), are required to submit their applications before 20 December 2021. Interested parties should contact Ms. Emily Huang (EmilyHuang@hkex.com.hk), Mr. Alan Shum (AlanShum@hkex.com.hk), Ms. Tracy Zhang (TracyYTZhang@hkex.com.hk) and Mr. Ray Yen (RayYen@hkex.com.hk) for application and enquiry.

Kenneth Wong

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FIC Product Development

Markets 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.

⁸ A senior manager, who has authorization to approve expenses of HK\$ 60,000 or above.

Attachment

I. LP Quota and Obligations

The minimum CQ⁹ obligations for each product and applicable LP types are set out as follow:

	RMB Currency Futures Basket ¹⁰	USD/CNH Futures	USD/CNH Options	INR/USD Futures	INR/CNH Futures
Period	From 3 January 2022 (T session) to 30 June 2022 (T session)				
LP Type	Type 2	Type 1	Type 1	Type 1	Type 2
Incentives	1. Nil Exchange trading fee on the assigned Eligible products 2. Upon fulfilment of the obligations, rebates of: <ul style="list-style-type: none"> • HSIF and HSCEIF Exchange trading fee, • Market data (derivatives/securities) fee, • Hosting service fee, and • Waiver of OAPI sub licence fee 				
Quota	1	10		2	1
Contract Months	spot month, next month, 1 st quarter month, 2 nd quarter month ¹¹	spot month, 1 st quarter month ¹²	120 series for all 10 contract months (i.e. spot month, next month, 3 rd month, 4 th month and 1 st quarter month, 2 nd quarter month, 3 rd quarter month, 4 th quarter month, 5 th quarter month, 6 th quarter month)	spot month, next month, 3 rd month	spot month, next month
Max. bid / offer spread (ticks)	spot month and next month: 40; 1 st quarter month, 2 nd quarter month: 60	<u>T session</u> spot month: 7; 1 st quarter month: 10 <u>T+1 session</u> spot month: 10; 1 st quarter month: 12	spot month, next month, 3 rd month, 4 th month, 1 st quarter month, 2 nd quarter month, 3 rd quarter month, 4 th quarter month: 50-140 ¹³ ; 5 th quarter month, 6 th quarter month: 200 ¹³	spot month: 3, next month: 4, 3 rd month: 20	spot month, next month: 30
Quote size (no. of contracts)	10	5	5	10	8
% of trading hours	60% of T session or 50% of T and T+1 sessions	50% of T or T+1 sessions	50% of T session ¹⁴	50% of T session and 20% of T+1 session	
Max. no. of OAPI waivers	8	16	16	16	8
Remarks	Trading requirements are applicable to all pairs	-	-	-	-

⁹ Continues quotes

¹⁰ RMB Currency Futures Basket includes AUD/CNH, JPY/CNH, EUR/CNH, CNH/USD Futures.

¹¹ 1st quarter month and 2nd quarter month are the nearest quarter months that follow the next month contract.

¹² 1st quarter month is the nearest quarter month that follows the spot month contract.

¹³ Minimum fluctuation of the relevant contract month.

¹⁴ The liquidity providing hours are defined as the period from 9:00am to 4:30pm.

II. PT Quota and Obligations

The monthly clearing volume commitments for each product and applicable PT types are set out as follows:

PT type	RMB Currency Futures Basket ¹⁵	USD/CNH Futures	Mini USD/CNH Futures	USD/CNH Options	INR Currency Futures ¹⁶
Period	From 3 January 2022 (T session) to 30 June 2022 (T session)				
Quota	1	9			2
Incentives	Upon fulfilment of the obligations, rebates of: <ul style="list-style-type: none"> • HSIF and HSCEIF Exchange trading fee, • Market data (derivatives/securities) fee, • Hosting service fee, and • Waiver of OAPI sub licence fee for Type 1 – Type 4 				
Type 1	N/A	50,000	250,000	N/A	N/A
Type 2	N/A	23,000	115,000	N/A	N/A
Type 3	N/A	12,000	60,000	N/A	6,000
Type 4	5,000	10,000	50,000	2,000	3,500
Type 5	2,500	8,000	40,000	1,000	2,000
Type 6	1,250	6,000	30,000	500	1,000
Type 7	500	3,000	15,000	200	500
Type 8	250	2,000	10,000	100	250

The Exchange will determine a PT's monthly clearing volume 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 accounts as assigned by the Exchange. For the avoidance of doubt, the average price trades performed by PTs should be excluded from the monthly clearing volume commitment.

¹⁵ Aggregate volume of AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures contracts.

¹⁶ Aggregate volume of INR/USD and INR/CNH Futures contracts.