

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: Cash Incentive Program and Open Interest Promotion Program in 2022

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Hong Kong Futures Exchange Limited (the “Exchange” or “HKFE”) is pleased to announce the Cash Incentive Program for trading USD/CNH Futures contract, Mini USD/CNH Futures contract and INR/USD Futures contract and Open Interest Promotion Program for trading USD/CNH Futures contract from 3 January 2022 (T Session) to 30 June 2022 (T Session)¹ (collectively “Programs”).

1. Cash Incentive Program

The Cash Incentive Program is designed to attract more Liquidity Providers (“LPs”) to the market and will allow LPs to receive a cash stipend for liquidity providing activities on its derivative products upon fulfilment of their obligations. For the avoidance of doubt, the Cash Incentive Program, Market Maker Program and Bundled Liquidity Providing Incentive Program are mutually exclusive and the LPs, who participate in one of the programs, will not be allowed to participate in the other programs for the same products and in the same trading session.

Eligible Products

USD/CNH Futures, Mini USD/CNH Futures and INR/USD Futures contract (the “Contract” or collectively the “Contracts”) are eligible products for the Cash Incentive Program.

An LP is defined as a 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 meet the quoting obligations for the minimum number of the Contract as assigned

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

by the Exchange.

Obligations and Incentives

Upon fulfilment of the obligations set forth in this section below, each LP will be offered the following:

Type of LP	Cash incentive per Contract per trading session (where applicable) per month, in HKD	No. of OAPI Sub-licence Fee Waiver ²
Type 1a	Tier A: HK\$85,000 Tier B: HK\$65,000	Up to HK\$ 13,000 (i.e. 5 OAPIs) for USD/CNH Futures Up to HK\$ 26,000 (i.e. 10 OAPIs) for Mini USD/CNH Futures
Type 1b	Tier A: HK\$4,000 x no. of days with fulfilled obligations Tier B: HK\$3,000 x no. of days with fulfilled obligations	
Type 2	HK\$2,000 x no. of days with fulfilled obligations	
Type 3	HK\$100,000	Nil
Type 4	HK\$70,000	Nil

For LP Type 1a, Type 3 and Type 4, where the appointment in respect of the Contract(s) commences later than the first Business Day of a calendar month, the amount of cash incentive in the first month of its appointment will be pro-rated based on the number of Business Days in which the appointment is in effect over the total number of Business Days in that month.

For LP Type 1b and Type 2, the amount of cash incentive will be calculated by multiplying the amount specified in the above table by the number of Business Days³ the LP has met its liquidity providing obligations.

In addition, all LPs will be entitled to nil Exchange trading fees on the transactions effected in the Contract. The nil Exchange trading fee shall only apply to the trades conducted by the LP on and after the Business Day in which its appointment comes into effect.

The applicable LP types and the minimum obligations for each Eligible Product are summarised in the table below:

Type	USD/CNH Futures or Mini USD/CNH Futures			INR/USD Futures	
	Type 1a	Type 1b	Type 2	Type 3	Type 4
Quota	8 for USD/CNH Futures and 10 for Mini USD/CNH Futures			1	3
Contract months	spot month, next month, 1 st quarter month, 2 nd quarter month ⁴		spot month, 1 st quarter month ⁵	spot month, next month, 3 rd month	

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

³ The minimum Continuous Quotes ("CQ") obligations for the assigned Contract must be met on no less than 5 Business Days.

⁴ 1st quarter month and 2nd quarter month are the nearest calendar quarter months that follow the next month contract.

⁵ 1st quarter month is the nearest calendar quarter month that follows the spot month contract.

	USD/CNH Futures or Mini USD/CNH Futures	INR/USD Futures		
Trading requirement	CQ			
Max. bid / offer spread (ticks)	<p>Tier A</p> <p><u>T session</u> spot month: 4, next month: 5, 1st quarter month: 5, 2nd quarter month: 10</p> <p><u>T+1 session</u> spot month: 5, next month: 5, 1st quarter month: 5, 2nd quarter month: 10</p> <p>Tier B</p> <p><u>T session</u> spot month: 6, next month: 8, 1st quarter month: 8, 2nd quarter month: 15</p> <p><u>T+1 session</u> spot month: 7, next month: 10, 1st quarter month: 10, 2nd quarter month: 15</p>	<p><u>T session:</u> spot month: 6 1st quarter month: 10</p> <p><u>T+1 session:</u> spot month: 9 1st quarter month: 12</p>	<p><u>T and T+1 sessions</u> spot month: 2, next month: 4, 3rd month: 20</p>	<p><u>T and T+1 sessions</u> spot month: 3, next month: 5, 3rd month: 20</p>
Quote size (number of contracts)	USD/CNH Futures: 5 Mini USD/CNH Futures: 25	10		
% of trading hours	60% of T session or 50% of T+1 session	50% of T session and 20% of T+1 session		

Type 1a LP and Type 1b LPs are not required to sign up for a specific tier, but their performance will be measured against both tiers to determine the incentives entitlement.

Quota

LP applicants may apply to provide liquidity to one or a combination of Contracts. However, as the LP quota is limited⁶, 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.

2. Open Interest Promotion Program

The Open Interest Promotion Program is designed to incentivize EPs who can facilitate growth of open interest of the USD/CNH Futures contract by matching block trades⁷ between market participants.

⁶ The quota is indicative and could be revised subject to the Exchange's plan or budget.

⁷ The minimum volume threshold of a block trade is 50 contracts.

Eligible Participants

All EPs are eligible to apply to participate in the Open Interest Promotion Program. Successful EPs will be designated as Eligible EPs.

Program Details

Qualified monthly block trade volume (number of buy or sell lots)	Each Eligible EP has to execute minimum 500 lots of block trades monthly in order to be qualified for the cash incentives	
Monthly block trade volume thresholds (number of buy or sell lots) ⁸	500 to 3,999	4,000 and above
Monthly cash incentives per EP per month (HK\$)	8,000	40,000
Eligible block trades	<p>Block trades executed by the Eligible EP via the Block Trade Facility in Hong Kong Futures Automated Trading System and reported in its Omnibus Client Account, Individual Client Accounts (“ICAs”) and Market Maker accounts that have not enrolled in other incentive programs⁹, such as Market Maker, Bundled Liquidity Providing Incentive, Cash Incentive and Active Trader programs.</p> <p>For the avoidance of doubt, (i) the block trades counted towards claiming incentives under the aforementioned programs and (ii) proprietary block trades of the Eligible EPs <u>will be excluded</u> from monthly eligible block trades volume.</p>	
Performance measurement	All Eligible EPs will be ranked by their monthly block trades volumes from the highest to the lowest and top 20 Eligible EPs in any given month will be entitled to receive the cash incentives. Ranking will be reset monthly starting from the first business day of each month.	
Monthly cash incentives cap (maximum number of EPs entitled to receive cash incentives)	20	

The Exchange reserves the right to require all Eligible EPs to provide information on every executed block trade, including but not limited to the details of Eligible EPs’ ultimate client, block trade’s size, price and nature, in order to confirm eligibility of block trades.

The Exchange has the absolute discretion to accept or decline the appointments of EPs, change the monthly cash incentives’ cap and the monthly cash incentives amount depending on the Exchange’s business plan.

⁸ The Exchange will determine EPs’ monthly block trade volume solely based on the block trades executed via the Block Trade Facility in Hong Kong Futures Automated Trading System.

⁹ USD/CNH Futures block trade reported in an ICA or Market Maker account that is enrolled in the incentive programs for other products is eligible for the incentives under this program.

Application Procedure

The aforementioned Programs are now open for application and applicants, who wish to participate in the Cash Incentive Program starting from the first day (i.e. 3 January 2022), are required to submit their applications before 14 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.

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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.