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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: Incentive Programs for Commodity Derivatives Products in 2022
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Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the Bundled Liquidity Providing Incentive Program for the Gold Futures, Silver Futures and London Metal Mini Futures contracts, and the trading fee rebates and waivers arrangements for all commodity derivatives products as specified below.

1. The Bundled Liquidity Providing Incentive Program

The program is designed for market participants to support the liquidity development of commodity derivatives through participation as either a Liquidity Provider (“LP”) or as a Proprietary Trader (“PT”). LP and PT are defined as follows:

- LP – the person who performs 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
- PT – an EP who trades through its House Account or any entity or individual represented by an EP trading through an Individual Client Account¹ and commits to meeting the minimum monthly clearing volume in the Eligible Products (see below) assigned by the Exchange.

LP / PT applicants may apply to participate in the Bundled Liquidity Providing Incentive Program with

¹ Or other account as assigned by the Exchange.

respect to one or more of the following products:

	<u>Eligible Products for LPs</u>	<u>Eligible Products for PTs</u>	<u>Effective Dates</u> (both dates inclusive)
Gold Futures	- USD Gold Futures	Any combination of: - USD Gold Futures - USD Silver Futures	For LPs and PTs: 3 January 2022 (T Session) to 30 December 2022 (T Session)
Silver Futures	- USD Silver Futures		
London Metal Mini Futures	- USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures	Any combination of: - USD London Aluminium Mini Futures - USD London Zinc Mini Futures - USD London Copper Mini Futures	

Details of LP's and PT's obligations are set forth in **Attachment I**.

Incentives

Upon fulfilment of its obligations (see **Attachment I**), each LP / PT will be offered rebates (up to a maximum amount per month) in the following items:

- Cross-product trading fees in Hang Seng Index ("HSI") Futures and Hang Seng China Enterprises Index ("HSCEI") Futures;
- Market data (securities/derivatives) fee; and
- Hosting services fee.

Details of cross-product trading fee rebate are as follows:

Product	HSI Futures*	HSCEI Futures*
Trading Fee Rebate Per Contract	HK\$6.50 (i.e. 65% rebate)	HK\$2.50 (i.e. 71% rebate)

Note: * HSI / HSCEI Futures contracts that have been used by HSI / HSCEI Options market makers in claiming trading fee discount are not entitled to further trading fee rebate.

In addition, each Type 1, 2, 3 and 4 LP and Type 1, 2, 3, 4 and 5 PT will be granted a waiver for OMnet Application Programming Interface ("OAPI") sub-license fees for up to a maximum amount per month.

Category	Maximum Incentives per month per trading session (in HKD)			
	Combinations of:			
	HSI Futures/ HSCEI Futures Trading Fee Rebate	Market Data Fee Rebate ² (Derivatives/ Securities)	Hosting Services Fee Rebate	OAPI Sub-licence Fee Waiver ³
LPs:				
Type 1 LP (Option A or B)	\$40,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 15,600 (i.e. 6 OAPIs)	
Type 2 LP	\$30,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 26,000 (i.e. 10 OAPIs)	
Type 3 LP	\$20,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 13,000 (i.e. 5 OAPIs)	
Type 4 LP	\$12,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 10,400 (i.e. 4 OAPIs)	
PTs:				
Type 1 PT	\$120,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 26,000 (i.e. 10 OAPIs)	
Type 2 PT	\$100,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 26,000 (i.e. 10 OAPIs)	
Type 3 PT	\$80,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 10,400 (i.e. 4 OAPIs)	
Type 4 PT	\$50,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 10,400 (i.e. 4 OAPIs)	
Type 5 PT	\$20,000 per month subtracted by the actual OAPI sub-licence fee waiver for the month		Up to \$ 5,200 (i.e. 2 OAPIs)	
Type 6 PT	Up to \$10,000 in total		N/A	
Type 7 PT	Up to \$5,000 in total		N/A	

An LP / PT can apply to participate in one or more Eligible Products, but the aggregate incentives to which an LP / PT is entitled will be subject to an overall cap as set out in the table above.

Quota

The maximum quota for this program is eight Type 1 LPs and three Type 1 PTs in total⁴. As the quota is limited, 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. If

² Market data fee rebate includes relevant licence fees, connection fees and usage fees.

³ Currently HK\$2,600 per month for each OAPI with 5 transactions per second.

⁴ Or a combination of different categories of LPs/PTs whereby the aggregate maximum incentives per month are equivalent to that for eight Type 1 LPs and three Type 1 PTs.

the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicant's past performance, and has the sole discretion to determine the selection of an LP or PT applicant for this program.

Application Procedure and Existing LPs and PTs Arrangement

The Bundled Liquidity Providing Incentive Program is now open for application. The deadline for application is **Monday, 20 December 2021**.

If there is quota available after 3 January 2022, interested parties are allowed to send the application at a later date. The deadline for applications to participate in the program shall be the 20th of each calendar month. Successful applicants will be admitted to the Bundled Liquidity Providing Incentive Program from the next calendar month.

Interested parties should contact Mr. Alan Feng (Email: AlanFeng@hkex.com.hk), Ms. Lucky Yang (Email: LuckyYang@hkex.com.hk) or Ms. Flora Poon (Email: FloraPoon@hkex.com.hk) for application details.

All existing appointments of LPs and PTs will be terminated after 31 December 2021. Existing LPs and PTs who are interested to join the program in 2022 are required to submit a new application.

2. Trading Fee Rebates and Wavier for Commodity Derivatives Products

Trading Fee Rebates for LPs/PTs of London Metal Mini Futures:

Subject to fulfilment of respective obligations, all LPs and PTs of the London Metal Mini Futures contracts will be entitled to 100% trading fee rebates, for LPs and PTs starting from 3 January 2022 (T session) to 30 December 2022 (T session) (both dates inclusive).

Trading Fee Waivers for Gold Futures and Silver Futures (for the whole market):

The Exchange trading fee for the USD Gold Futures and USD Silver Futures contracts will be waived from 3 January 2022 (T Session) to 30 June 2022 (T Session), both dates inclusive, for the whole market (i.e. all accounts used for trading USD Gold Futures and USD Silver Futures).

Trading Fee Waivers for Iron Ore Futures (for the whole market):

The existing Exchange trading fee waiver for the Iron Ore Futures contracts will be further extended until 30 December 2022 (T session) for the whole market (i.e. all accounts used for trading Iron Ore Futures).

Summary of Trading Fee Rebates and Waiver:

		USD London Aluminium / Zinc / Copper Mini Futures	USD Gold Futures and USD Silver Futures	Iron Ore Futures – Monthly Contracts
3 January 2022 (T Session) to 30 June 2022 (T Session)	LPs	100% Rebate [^]	100% Waiver	N/A
	PTs	100% Rebate [^]		N/A
	All Other Accounts	N/A		100% Waiver
30 June 2022 (T+1 Session) to 30 December 2022 (T Session)	LPs	100% Rebate [^]	N/A	N/A
	PTs	100% Rebate [^]	N/A	N/A
	All Other Accounts	N/A	N/A	100% Waiver

[^] subject to fulfilment of their respective obligations

The respective Settlement Fees and SFC Commission Levy for the London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts will remain unchanged.

Participants are advised to inform their clients of the trading fee rebates and/or waivers accordingly.

Catherine Zhang

Vice President, Global Commodities 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.

Attachment I

Bundled Liquidity Providing Incentive Program

Table 1 – LP Obligations

The minimum CQ obligations for each product and applicable LP types are as follows:

Obligations	USD Gold Futures			
LP Type	1 (Option A)	1 (Option B)	3	4
CQ or QR	CQ			
Contract Months	Any 2 of the followings: Spot Month (M), M+1, M+2	M and M+1	Any 1 of the following contracts: M, M+1, M+2; and any 1 of the next Jun or the next Dec contracts	
Max. Bid / Offer Spread	M: 4 ticks(T) (~7 basis points) ¹ 5 ticks(T+1) (~9 basis points) ¹ M+1: 2 ticks(T) (~4 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹ M+2: 2 ticks(T) (~4 basis points) ¹ 2 ticks(T+1) (~4 basis points) ¹	M: 4 ticks (~7 basis points) ¹ M+1: 3 ticks (~5 basis points) ¹	M: 4 ticks(T) (~7 basis points) ¹ 6 ticks(T+1) (~11 basis points) ¹ M+1: 2 ticks(T) (~4 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹ Farthest month: 3 ticks(T) (~5 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹ Other months: 2 ticks(T) (~4 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹	M: 4 ticks(T) (~7 basis points) ¹ 6 ticks(T+1) (~11 basis points) ¹ M+1: 3 ticks(T) (~5 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹ Farthest month: 3 ticks(T) (~5 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹ Other months: 3 ticks(T) (~5 basis points) ¹ 3 ticks(T+1) (~5 basis points) ¹
Quote Size (contracts)	9		6	
% of Trading Hours	70% (T or T+1)	50% (T) and 94% of LTD	50% (T or T+1)	30% (T or T+1)

Obligations	USD Silver Futures	
LP Type	3	4
CQ or QR	CQ	
Contract Months	M and M+1	Any 2 of the following contracts: M, M+1, M+2, the next Jun or the next Dec contracts
Max. Bid / Offer Spread	M: 15 ticks (~10 basis points) ² M+1: 14 ticks (~10 basis points) ²	M: 15 ticks (~10 basis points) ² M+1: 14 ticks (~10 basis points) ² Other months: 16 ticks (~11 basis points) ²
Quote Size (contracts)	15	
% of Trading Hours	40% (T) and 94% of LTD	30% (T or T+1)

Obligations	USD London Metal Mini Futures		
LP Type	2		
CQ or QR	CQ		
Contract Months	Any 3 of the following contracts: M, M+1, M+2 or M+3		
Contracts	Copper	Aluminium	Zinc
Max. Bid / Offer Spread	M+2		
	6 ticks (~3 basis points) ³	3 ticks (~5 basis points) ³	4 ticks (~7 basis points) ³
	Other Months		
	8 ticks (~4 basis points) ³	4 ticks (~7 basis points) ³	4 ticks (~7 basis points) ³
Quote Size (contracts)	10		
% of Trading Hours	70% (T or T+1)		

Note:

1. Basis points are calculated and rounded based on HKEX USD Gold Futures Final Settlement Price of 30 Sep 2021 Contract.
2. Basis points are calculated and rounded based on HKEX USD Silver Futures Final Settlement Price of 30 Sep 2021 Contract.
3. Basis points are calculated and rounded based on LME Official Settlement Price on 30 September 2021.
4. LPs for London Metal Mini Futures are not obliged to quote during bank holidays in United Kingdom and/or London Metal Exchange's Holiday as published on its [website](#).
5. All basis points are listed for reference only. LP performance will be measured on ticks.

Table 2 – PT Obligations

The minimum monthly clearing volume for each PT type is as follows:

Products	Types	Minimum Monthly Clearing Volume
Gold Futures and Silver Futures (USD Gold Futures and Silver Futures combined)	Type 1	8,000 contracts
	Type 3	4,000 contracts
	Type 5	2,000 contracts
	Type 6	1,000 contracts

Products	Types	Minimum Monthly Clearing Volume
London Metal Mini Futures (USD London Aluminium / Zinc / Copper Mini Futures combined)	Type 2	10,000 contracts
	Type 4	6,000 contracts
	Type 5	3,000 contracts
	Type 6	1,000 contracts
	Type 7	500 contracts

The Exchange will determine a PT's volume traded 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 account as assigned by the Exchange.