

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 for trading USD London Aluminium / Zinc / Copper Mini Futures contracts in 2022

Enquiry: Ms. Lucky Yang (Email: LuckyYang@hkex.com.hk; Tel: 2840-3879)
Ms. Flora Poon (Email: FloraPoon@hkex.com.hk; Tel: 2840-3486)

With a view to enhancing market liquidity and to meet the demand of an evolving market making environment, Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the extension of the Cash Incentive Program for trading USD London Aluminium / Zinc / Copper Mini Futures contracts (collectively “USD London Metal Mini Futures” or “Contracts” and each, a “Contract”) for the period from 3 January 2022 (T session) to 30 December 2022 (T session), both dates inclusive.

The Cash Incentive Program is designed to attract Liquidity Providers (“LPs”) to the market and will allow LPs to receive a cash stipend for liquidity providing activities on eligible derivative products upon fulfilment of their obligations.

The Cash Incentive Program will exist for LPs in parallel with the Bundled Liquidity Providing Incentive Program (Ref.: [MKS/GCMD/003/21](#)). For the avoidance of doubt, the Cash Incentive Program and the Bundled Liquidity Providing Incentive Program are mutually exclusive. Therefore the LPs who participate in one of the programs will not be allowed to participate in the other program for the same products and in the same trading session.

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 meeting the quoting obligations for the minimum number of the Contracts through a Market Maker account as assigned by the Exchange.

Incentives

Upon fulfilment of its obligations, each LP will be entitled to a cash incentive of HK\$30,000 per Contract per month per trading session.

Where the appointment in respect of a Contract commences later than the first Business Day of a calendar month, the LP must still satisfy its obligations in full to be entitled to the cash incentive for that month. Neither the LP's obligations nor the cash incentive will be pro-rated.

In addition, upon an LP fulfilling the obligations of an assigned Contract, the LP will be offered a rebate of 100% of the Exchange fees on transactions effected in that assigned Contract and any other USD London Aluminium / Zinc / Copper / Nickel / Lead / Tin Mini Futures contracts traded in the LP's market making account or other account as assigned by the Exchange in the same calendar month in which the assigned Contract is traded¹.

The Exchange fee rebate for the assigned Contract and where applicable, any other contracts, shall only apply to the trades conducted by the LP on and after the Business Day in which the appointment comes into effect.

¹ For example, an LP which is assigned the USD London Aluminium Futures Contract under the Cash Incentive Program and which fulfils its liquidity providing obligations in respect of such Contract would be entitled to: (i) 100% rebate of the Exchange fees paid for trades of the LP in that Contract that month; and (ii) 100% rebate of Exchange fees paid for any proprietary trades of the LP in any other USD London Zinc / Copper / Nickel / Lead / Tin Mini Futures contract that month, regardless of whether the LP has been assigned any other Contract or fulfils its obligations in such other Contract.

Obligations

The minimum Continuous Quote obligations for each Contract are as follows:

Obligations	USD London Metal Mini Futures		
Trading Requirements	Continuous Quotes		
Contract Months	Spot Month (M) +2 and any 2 of the following contracts: M, M+1 or M+3		
Max. Bid / Offer Spread	Copper	Aluminium	Zinc
	M+2		
	6 ticks (~3 basis points) ¹	3 ticks (~5 basis points) ¹	4 ticks (~7 basis points) ¹
	Other Months		
	8 ticks (~4 basis points) ¹	4 ticks (~7 basis points) ¹	4 ticks (~7 basis points) ¹
Quote Size (contracts)	10	10	10
% of Trading Hours	70% (T or T+1)		

Note 1: Basis points calculated and rounded based on LME Official Settlement Price on 30 September 2021 are listed for reference only. LP's performance will be measured on ticks. The Exchange will continue to monitor quoting obligations in line with the basis points values.

The Exchange will take the levels of commitment made by an applicant in its application form to be the final obligations for measuring the applicant's performance.

There is no obligation to quote during bank holidays in the United Kingdom and/or London Metal Exchange's Holiday as published on its [website](#).

Quota

LP applicants may apply to provide liquidity to either one or more of the Contracts. For the selection of LPs, the Exchange will consider the applicants' past performance and their levels of commitment as set out in the application form against the criteria set out in Appendix I, although the Exchange is not bound to select an applicant with a higher score. As the LP quota for all Contracts is limited to 13² LPs on an aggregate basis, the Exchange may allocate and / or re-assign the quota depending on the Exchange's business plan at the time of selection and has the sole discretion to determine the selection of an LP applicant for the Cash Incentive Program.

² The quota is indicative and may be revised subject to the Exchange's plan or budget.

Application Procedure

The Cash Incentive Program for the Contracts is now open for application. Those who are interested to become an LP of the Contracts (including existing LPs) effective from 3 January 2022 are invited to submit their applications to the enquiry contacts mentioned above by **Tuesday, 14 December 2021**.

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.

Appendix I - Selection and Marking Criteria for LPs: Marking System

2022			
		Max. score of each criteria	Score
1	Average LP quoting performance in Year 2021 (per respective Contract per trading session)	20	
	Fulfilled obligations for more than 6 months (inclusive) per respective Contract per trading session		20
	Fulfilled obligations for 3 -5 months (inclusive) per respective Contract per trading session		15
	Fulfilled obligations for less than 3 months per respective Contract per trading session		10
2	Committed trading session(s) in Year 2021 (per respective Contract)	10	
	Has quoted both T and T+1 sessions in any month for the respective Contract		10
3	Average LP quoting performance in the latest two preceding months (per respective Contract per trading session)	20	
	Scored 80% or above		20
	Scored 70%-79%		10
4	Max. Bid-Ask Spread on M+2 (ticks)	30	
	Copper	Aluminium	Zinc
	≤3	1	≤2
	4	2	3
	Circular obligation (6)	Circular obligation (3)	Circular obligation (4)
			10
5	Quote Size (contracts) for Copper, Aluminium and Zinc	20	
	21 and above		20
	16 - 20		15
	11 - 15		10
	Circular obligation (10)		5
	Total	100	