

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 Liquidity Provider Incentive Program and Bundled Active Trader Program for Currency Derivative Products in January – June 2023

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Hong Kong Futures Exchange Limited (“the Exchange”) is pleased to announce the Cash Liquidity Provider Incentive (“**Cash LP**”) Program for trading USD/CNH Futures, Mini USD/CNH Futures, USD/CNH Options and INR/USD Futures contracts and the Bundled Active Trader (“**Bundled AT**”) Program for USD/CNH Futures, Mini USD/CNH Futures, USD/CNH Options, RMB Currency Futures Basket¹, INR/USD Futures and INR/CNH Futures contracts from 3 January 2023 (T session) to 30 June 2023 (T session)².

I. Cash LP Program

The Cash LP 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. 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 by the Exchange.

For the avoidance of doubt, the Cash LP Program and Market Maker Program are mutually exclusive, and the entities participating in one program, will not be allowed to participate in the other program for the same product and in the same trading session.

¹ AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures.

² There shall be no trading after 12:30 p.m. on the eves of Christmas, New Year and Lunar New Year. The trading hours on these days shall be 8:30 a.m. – 12:30 p.m.

Eligible Products

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

Incentives

LPs will be entitled to the following incentives:

1. Nil Exchange trading fee on LPs’ transactions effected in the assigned Contract(s).
The nil Exchange trading fee shall only apply to the trades conducted by the LP on and after the Trading Day in which its appointment comes into effect.
2. Upon fulfilment of its obligations, each LP will also be offered incentives set out in the table below:

Eligible Products	USD/CNH Futures or Mini USD/CNH Futures	USD/CNH Options	INR/USD Futures
Cash incentive, per month and per trading session (where applicable) ³	Tier A: HKD 100,000 Tier B: HKD 60,000 Tier C: HKD 50,000 Tier D: HKD 25,000	Tier A: HKD 100,000	Tier A: USD 10,000 Tier B: USD 3,000
Maximum number of OMnet Application Programming Interface (“OAPI”) sub-licence fee waivers ⁴	Up to HKD 13,000 (i.e. 5 OAPIs) when the performance score is at least 10%	Nil	Nil

Where the appointment in respect of the Contract(s) commences later than the first Trading 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 Trading Days in which the appointment is in effect over the total number of Trading Days in that month.

In addition, the LPs of USD/CNH Futures and Mini USD/CNH Futures will be granted a waiver for OAPI sub-licence fee for up to a maximum amount per month.

The Exchange has the absolute discretion to change the overall cap and quota allocation between the products.

³ For INR/USD Futures per month for both T and T+1 sessions.

⁴ Currently HK\$2,600 per month for each OAPI with 5 transactions per second (TPS).

Quota

Applicants may apply to provide liquidity to one or a combination of Contracts. However, as the LP 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 commitment.

II. Bundled AT Program

The Bundled AT Program is designed for market participants to support the liquidity development of currency derivatives through participation as a AT, who is defined as an EP trading through its House Account or any entity or individual represented by an EP trading through an Individual Client Account⁶ and commits to meeting the minimum monthly clearing volume in the Eligible Products assigned.

AT applicants may apply to participate in the Bundled AT 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;
- USD/CNH Options; and
- INR/USD and INR/CNH Futures.

Obligations

The number of contracts of the monthly clearing volume commitments for each product and applicable AT types are set out as follows:

AT Type	RMB Currency Futures Basket ⁷	USD/CNH Futures	Mini USD/CNH Futures	USD/CNH Options	INR Currency Futures ⁸
Period	From 3 January 2023 (T session) to 30 June 2023 (T session)				
Type 1	N/A	50,000	250,000	N/A	N/A
Type 2	N/A	28,000	115,000	N/A	N/A
Type 3	N/A	20,000	60,000	N/A	6,000
Type 4	5,000	14,000	50,000	2,000	3,500
Type 5	2,500	8,000	40,000	1,000	2,000

⁵ The quota is subject to the Exchange's plan or budget.

⁶ Or other accounts as assigned by the Exchange.

⁷ Aggregate volume of AUD/CNH, JPY/CNH, EUR/CNH and CNH/USD Futures contracts.

⁸ Aggregate volume of INR/USD and INR/CNH Futures contracts.

Type 6	1,250	6,000	20,000	500	1,000
Type 7	500	3,000	10,000	200	500
Type 8	250	2,000	1,000	100	250

The Exchange will determine an AT'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 ATs should be excluded from the monthly clearing volume commitment.

Incentives

Upon fulfilment of the obligations set forth in the above section, ATs will be entitled to the following fee rebates:

- 100% of Exchange trading fee on AT's transactions effected in the assigned Eligible Products in the calendar month in which those Eligible Products are traded.
- Exchange trading fees in Hang Seng Index Futures ("HSIF") and Hang Seng China Enterprises Index Futures ("HSCEIF");
- Market data (derivatives/securities) fee; and
- Hosting services fee.

Category	Maximum incentives per month, HK\$		
	Combination of:		
	HSIF/HSCEIF Exchange Trading Fee Rebate	Market Data Fee Rebate⁹ (Derivatives/Securities)	Hosting Services Fee Rebate
Type 1	Up to \$250,000 in total (including up to 10 OAPIs or \$26,000)		
Type 2	Up to \$140,000 in total (including up to 10 OAPIs or \$26,000)		
Type 3	Up to \$100,000 in total		
Type 4	Up to \$70,000 in total		
Type 5	Up to \$40,000 in total		
Type 6	Up to \$20,000 in total		
Type 7	Up to \$10,000 in total		
Type 8	Up to \$5,000 in total		

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)

⁹ Market data fee rebate includes relevant license fees, connection fees and usage fees.

* 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 AT can become eligible for incentives corresponding to the immediate next Type with a higher incentive amount, should AT meet a higher trading clearing volume threshold. For instance, an AT enrolled in Type 5 of USD/CNH Futures, but traded 25,000 contracts during a month, is eligible to the incentives corresponding to Type 4, which is the immediate lower Type to the enrolled Type 5. An AT can apply to participate in one or combination of the Eligible Products or different categories of AT Types, but the aggregate incentives to which an AT 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 the AT quota is limited¹⁰, 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 the same level of commitment is indicated by more than one applicant, the Exchange will consider the applicants' past performance.

Application Procedure

The Cash LP and Bundled AT Programs are now open for application and applicants, who wish to participate in either or both programs starting from the first day (i.e. 3 January 2023), are required to submit their applications on or before 10 December 2022 for Cash LP Program and 19 December 2022 for Bundled AT Program. 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. Narendra Hegde (NarendraHegde@hkex.com.hk) for application and enquiry.

Kenneth Wong

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.

¹⁰ The quota is subject to the Exchange's plan or budget.