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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: Enhancement of Incentive Programs for Commodity Derivatives Products in 2022

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Reference is made to the circular dated 8 December 2021 (Ref: [MKS/GCMD/003/21](#)). Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce enhancements to its existing Bundled Liquidity Providing Incentive Program for the Gold Futures contracts (“Enhanced Bundled Incentive Program”). The Bundled Liquidity Providing Incentive Program for the Silver Futures and London Metal Mini Futures contracts, details of which were specified in the circular dated 8 December 2021, remains unchanged and is included in this circular for completeness only.

1. Enhanced Bundled Incentive Program

The Enhanced Bundled Incentive Program will take effect from 4 July 2022 (T session) to 30 December 2022 (T session) (both dates inclusive) and the key enhancements are summarised as follows:

- a. Obligations of Type 1 (Option A) and Type 3 Liquidity Provider (“LP”) for **Gold Futures** will be changed; and
- b. Type 4 LP will be removed for **Gold Futures**.

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 Enhanced Bundled Incentive Program with 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: 4 July 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.

¹ Or other account as assigned by the Exchange.

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-licence 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 aggregated incentives to which an LP / PT is entitled will be subject to an overall cap as set out in the table above.

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.

Quota

The maximum quota for this Enhanced Bundled Incentive 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 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 Enhanced Bundled Incentive Program is now open for application. The deadline for application is **Tuesday, 21 June 2022**.

Unless otherwise specified, all existing appointments of Type 1 (Option A), Type 3 and Type 4 Gold Futures LPs will be terminated on 30 June 2022 (T session). All interested parties that wish to participate in the Enhanced Bundled Incentive Program as a Type 1 (Option A) or Type 3 LP for Gold Futures are required to submit an application.

Interested parties that wish to participate in the Enhanced Bundled Incentive Program (as any type of LP or PT) may submit an application after 21 June 2022, which the Exchange may consider if there is still quota available. The deadline for such applications shall be the 20th of each calendar month. Successful applicants will be admitted to the Enhanced Bundled Incentive Program from the next calendar month.

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

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.

2. Trading Fee Rebates and Wavier for Commodity Derivatives Products

New Trading Fee Rebates for LPs/PTs of Gold Futures and Silver Futures:

Subject to fulfilment of respective obligations, all LPs and PTs of the USD Gold Futures and USD Silver Futures contracts will be entitled 100% Exchange trading fee rebates for the trading from 4 July 2022 (T Session) to 30 December 2022 (T Session), both dates inclusive.

Details of trading fee waivers for Iron Ore Futures (for the whole market) and trading fee rebates for LPs/PTs of London Metal Mini Futures specified in the circular dated 8 December 2021 remain unchanged and are included in the following summary table for completeness only.

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
4 July 2022 (T Session) to 30 December 2022 (T Session)	LPs	100% Rebate [^]	100% Rebate [^]	N/A
	PTs	100% Rebate [^]	100% Rebate [^]	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

Enhanced Bundled 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
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 (~6 basis points) ¹ Other months: 2 ticks (~3 basis points) ¹	M: 4 ticks (~6 basis points) ¹ M+1: 3 ticks (~5 basis points) ¹	M: 4 ticks (~6 basis points) ¹ Other months: 3 ticks (~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)

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 (~9 basis points) ² M+1: 14 ticks (~9 basis points) ²	M: 15 ticks (~9 basis points) ² M+1: 14 ticks (~9 basis points) ² Other months: 16 ticks (~10 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 (~4 basis points) ³	4 ticks (~5 basis points) ³
	Other Months		
	8 ticks (~4 basis points) ³	4 ticks (~6 basis points) ³	4 ticks (~5 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 21 March 2022 Contract.
2. Basis points are calculated and rounded based on HKEX USD Silver Futures Final Settlement Price of 21 March 2022 Contract.
3. Basis points are calculated and rounded based on LME Official Settlement Price on 31 March 2022.
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.