

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 Equity Derivative Products in April 2023

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Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the following incentive programs for equity derivative products in April 2023.

1. Liquidity Provider (“LP”) Program and Active Trader (“AT”) Program for MSCI China A 50 Connect (USD) Index Futures (“MSCI China A 50 Futures”)

With reference to the circular (ref: [MKS/EQD/15/22](#)) dated 24 November 2022, the existing LP Program and AT Program for MSCI China A 50 Futures will expire on 31 March 2023. The Exchange will introduce the next term of the LP Program and AT Program for MSCI China A 50 Futures for the period from 3 April 2023 to 29 December 2023¹.

There is no change to the 50% market-wide trading fee discount for MSCI China A 50 Futures until further notice. Please refer to the following table for details:

Market-wide Trading Fee Discount

Contract	All Accounts
MSCI China A 50 Futures	USD 0.50

¹ The period for LP and AT to be entitled discounted trading fee is between 31 March 2023 (T+1 Session) to 29 December 2023 (T Session), both dates inclusive

2. LP Program and AT Program for MSCI Taiwan (USD) Index Futures

With reference to the circular (ref: [MKS/EQD/15/22](#)) dated 24 November 2022, the existing LP Program and AT Program for MSCI Taiwan (USD) Index Futures will expire on 31 March 2023. The Exchange will introduce the next term of the LP Program and AT Program for MSCI Taiwan (USD) Index Futures for the period from 3 April 2023 to 29 March 2024².

Please refer to Attachment I for details of LP Program and AT Program.

3. LP Program for a basket of 15 MSCI Asia and Emerging Market Index Futures

With reference to the circular (ref: [MKS/EQD/15/22](#)) dated 24 November 2022, the existing LP Program for MSCI Asia and Emerging Market Futures will expire on 31 March 2023. The Exchange will introduce the next term of the LP Program for MSCI Suite for the period from 3 April 2023 to 29 March 2024³.

Please refer to Attachment II for details of LP Program.

Interested parties for the abovementioned LP Program and AT Program should contact Mr. Alan Shum (AlanShum@hkex.com.hk), Ms. Emily Huang (EmilyHuang@hkex.com.hk), Ms. Kate Lin (KateLin@hkex.com.hk) and Ms. Mercy Liu (MercyLiu@hkex.com.hk) for application details. Applicants who wish to participate in the Incentive programs starting from 3 April 2023 are required to submit their application on or before **21 March 2023**.

Brian Roberts
Equities Product Development Department
Equities Division

This circular has been prepared in English with a Chinese translation. If there is any inconsistencies between the two versions, the English version shall prevail.

² The period for LP and AT to be entitled discounted trading fee is between 31 March 2023 (T+1 Session) to 29 March 2024 (T Session), both dates inclusive

³ The period for LP to be entitled discounted trading fee is between 31 March 2023 (T+1 Session) to 29 March 2024 (T Session), both dates inclusive

Attachment I

LP Program for MSCI Taiwan (USD) Index Futures

1. The program consists of multiple LPs to provide Continuous Bid/Ask Quotes (“CQ”) for the MSCI Taiwan (USD) Index Futures in T or T+1 session.

	Outright		Calendar Spread																					
	T Session	T+1 Session	T Session																					
Program Period	3 April 2023 to 29 March 2024																							
LP Quota	5	3	4																					
Eligible Participants	Exchange Participants (“EPs”) or direct clients of EPs																							
LP Obligations	<ul style="list-style-type: none"> • Provide CQ for 70% of trading hours; • Quote spread and size are pre-determined in a tiered structure below: <table border="1"> <thead> <tr> <th>Tier</th> <th>Max. Bid/Ask Spread (% of bid)</th> <th>Min. Quote Size</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>0.045%</td> <td>2 lots</td> </tr> <tr> <td>B</td> <td>0.060%</td> <td>2 lots</td> </tr> <tr> <td>C</td> <td>0.090%</td> <td>2 lots</td> </tr> </tbody> </table>	Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size	A	0.045%	2 lots	B	0.060%	2 lots	C	0.090%	2 lots	<ul style="list-style-type: none"> • Provide CQ for 50% of trading hours • Quote spread and size are pre-determined in a tiered structure below: <table border="1"> <thead> <tr> <th>Tier</th> <th>Max. Bid/Ask Spread (% of bid)</th> <th>Min. Quote Size</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>0.060%</td> <td>1 lot</td> </tr> <tr> <td>B</td> <td>0.080%</td> <td>1 lot</td> </tr> </tbody> </table>	Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size	A	0.060%	1 lot	B	0.080%	1 lot	<ul style="list-style-type: none"> • Provide CQ for 70% of trading hours • Max. Bid/Ask Spread: 2 ticks • Quote size will be determined through bidding process
Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size																						
A	0.045%	2 lots																						
B	0.060%	2 lots																						
C	0.090%	2 lots																						
Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size																						
A	0.060%	1 lot																						
B	0.080%	1 lot																						
<u>LP Incentives:</u>																								
Trading Fee Discount	LP (market maker account only) will pay a discounted trading fee [#] of USD 0.30 per contract.																							
Cash Incentives	Tier A: HKD 150,000 Tier B: HKD 100,000 Tier C: HKD 50,000	Tier A: HKD 75,000 Tier B: HKD 25,000	HKD 50,000																					

[#] The period for LP to be entitled discounted trading fee is between 31 March 2023 (T+1 Session) to 29 March 2024 (T Session), both dates inclusive

2. LP performance in respect of each trading session will be evaluated at the end of each calendar month. If the LP fails to meet its obligations of an assigned contract in respect of a trading session in a month, it will not be entitled to the incentives in respect of that trading session for the contract for that month. If the LP fails to meet its commitment for two consecutive months, its appointment may be subject to early termination by HKEX.
3. The LP obligations will be pro-rated if there are days when the MSCI Taiwan (USD) Index Futures contract at the Exchange is open for trading but Taiwan cash market is closed. For example, if

there are 20 trading days in the MSCI Taiwan (USD) Index Futures contract in a calendar month and 2 of which are Taiwan market holiday, the required obligations of that calendar month will be 63% of trading hours in T session (18/20 trading days x 70% obligation) and 45% of trading hours in T+1 session (18/20 trading days x 50% obligation).

AT Program for MSCI Taiwan (USD) Index Futures

4. The AT program is designed to support liquidity development. Upon meeting the minimum monthly clearing volume of 500 contracts (excluding block trade volume) in the MSCI Taiwan (USD) Index Futures during the specified period, ATs will be entitled to bundled fee rebates up to a maximum amount of HKD 400,000 in each calendar month and 70% of trading fee rebates⁴ on MSCI Taiwan (USD) Index Futures.
5. An AT will receive a bundled incentive of HKD 5 per cleared contract, based on their aggregated monthly clearing volume of MSCI Taiwan (USD) Index Futures.
6. The bundled fee rebate will be calculated on a calendar month basis and may comprises any or all of the following items in order:
 - HKD 6.50 (i.e. 65% of standard trading fee) rebate on HSI Futures; and
 - HKD 2.50 (i.e. 71% of standard trading fee) rebate on HSCEI Futures.
7. Upon meeting the Minimum Monthly Clearing Volume Threshold (excluding block trade volume), the AT will be entitled to a trading fee rebate of 70% (i.e. USD 0.70) on MSCI Taiwan (USD) Index Futures transacted provided that the AT is not as a liquidity provider under the relevant program of the Exchange simultaneously entitled to any trading fee discount on MSCI Taiwan (USD) Index Futures.
8. If AT does not meet the monthly minimum clearing volume consistently for two consecutive months, the Exchange reserves the right to terminate the AT.
9. The AT Program period is between 3 April 2023 to 29 March 2024, both dates inclusive.
10. For the avoidance of doubt, ATs who are eligible to receive a reduction in trading fees for HSI Futures or HSCEI Futures pursuant to another incentive scheme (e.g. as market maker for standard/mini HSI Options / HSCEI Options, or as Proprietary Traders in other bundled incentive programs) will not be able to include these already discounted HSI Futures and HSCEI Futures contracts in the 1:1 volume calculation under this incentive scheme for further fee rebates.

⁴ If LPs have already been entitled the trading fee discount on MSCI Taiwan (USD) Index Futures, they cannot further enjoy the trading fee rebate on AT Program for MSCI Taiwan (USD) Index Futures.

Attachment II

LP Program for MSCI Asia and Emerging Market Futures

1. One LP to provide two-way CQ in a basket of 15 selected MSCI Index Futures contracts in T or / and T+1 session(s):

No.	Futures Contract	Outright		Calendar
		T	T+1	T
1	MSCI Japan Net Total Return (USD) Index	Y	Y	Y
2	MSCI Taiwan Net Total Return (USD) Index	Y	Y	Y
3	MSCI Thailand Net Total Return (USD) Index	Y		Y
4	MSCI Asia ex Japan Net Total Return (USD) Index	Y	Y	Y
5	MSCI Indonesia Net Total Return (USD) Index	Y		Y
6	MSCI India Net Total Return (USD) Index	Y	Y	Y
7	MSCI Malaysia Net Total Return (USD) Index	Y		
8	MSCI EM Asia Net Total Return (USD) Index	Y	Y	Y
9	MSCI Emerging Markets Net Total Return (USD) Index	Y	Y	Y
10	MSCI Philippines Net Total Return (USD)	Y		
11	MSCI Hong Kong Net Total Return (USD)	Y		
12	MSCI China NTR (USD) Index	Y	Y	Y
13	MSCI Taiwan 25/50 (USD) Index	Y		Y
14	MSCI Singapore Free (SGD) Index	Y		
15	MSCI China (USD) Index	Y		
	No. of Permits	15	7	10

2. Below are the program details:

	Outright		Calendar Spread
Tier 1 MSCI LP	T Session	T+1 Session	T session
Program Period	3 April 2023 to 29 March 2024		
LP Quota	1		
Eligible Participants	EPs or direct clients of EPs		
LP Obligations	Provide CQ for 70% of trading hours in each contract;	Provide CQ for 50% of trading hours in each contract;	Provide CQ for 70% of trading hours each contract;
	Other obligation details (including quote size and spread) will be determined through bidding process*		
<u>LP Incentives:</u>			
Trading Fee Discount	LP (market making account only) will pay a discounted trading fee# as follows: <ul style="list-style-type: none"> • USD 0.30 for USD contracts • SGD 0.42 for SGD contracts 		
Cash Incentives	HKD 27,000 per contract per month		HKD 15,000 per contract per quarter^

*Applicant with the highest total number of contracts with the best bid will be selected and its indicated obligations will be taken as the final obligation.

The period for LP to be entitled discounted trading fee is from 31 March 2023 (T+1 Session) to 29 March 2024 (T Session), both dates inclusive.

^HKD 15,000 per month for Taiwan 25/50 (USD) Index Futures.

Trading Hours requirements

	Trading hours requirements
Outright (T Session)	70% each calendar month
Outright (T+1 Session)	50% each calendar month
Calendar Spread (T session)	70% each calendar month <ul style="list-style-type: none"> - For MSCI Taiwan 25/50 (USD) Index Futures: from 15th calendar day to the trading day prior to Last Trading Day ("LTD") of the spot month - For other contracts: from 10 trading days prior to LTD of the nearest quarter month to the day prior to the LTD of the nearest quarter month

3. LP performance in respect of each trading session will be evaluated at the end of each calendar month. If the LP fails to meet its obligations of an assigned contract in respect of a trading session in a month, it will not be entitled to the incentives in respect of that trading session for the contract for that month. If the LP fails to meet its commitment for two consecutive months, its appointment may be subject to early termination by HKEX.

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