

通告 CIRCULAR

Subject: Incentive Programs for Equity Derivative Products in April 2024
Enquiry: Mr William Y Li (Tel: 2840-2107 E-mail: WilliamYLi@hkex.com.hk)
Mr Dick Fung (Tel: 2211-6320 Email: DickFung@hkex.com.hk)

Hong Kong Futures Exchange Limited (the “Exchange”) is pleased to announce the following incentive programs for equity derivative products to commence in April 2024.

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: [EQD/11/23](#)) dated 4 December 2023, the existing LP Program and AT Program for MSCI China A 50 Futures will expire on 29 March 2024. The Exchange will re-introduce the LP Program and AT Program for MSCI China A 50 Futures for the period from 1 April 2024 to 31 March 2025.

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

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

With reference to the circular (ref: [EQD/04/23](#)) dated 10 March 2023, the existing LP Program and AT Program for MSCI Taiwan Futures will expire on 29 March 2024. The Exchange will re-introduce the LP Program and AT Program for MSCI Taiwan Futures for the period from 1 April 2024 to 31 March 2025¹.

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

3. LP Program and AT Program for MSCI India (USD) Index Futures (“MSCI India Futures”)

With reference to the circular (ref: [EQD/11/23](#)) dated 4 December 2023, the existing LP Program and AT Program for MSCI India Futures will expire on 29 March 2024. The Exchange will re-introduce the LP Program and AT Program for MSCI India Futures for the period from 1 April 2024 to 31 March 2025.

4. LP Program for Selected MSCI Net Total Return (“NTR”) Index Futures and Other Index Futures (“MSCI Suite”)

With reference to the circular (ref: [EQD/04/23](#)) dated 10 March 2023, the existing LP Program for the MSCI Suite will expire on 29 March 2024. The Exchange will re-introduce the LP Program for the MSCI Suite for the period from 1 April 2024 to 31 March 2025².

Please refer to Attachment II for details of the LP Program for the MSCI Suite.

¹ LPs will be entitled to discounted trading fee between 29 March 2024 (T+1 Session) to 31 March 2025 (T Session), both dates inclusive

² LPs for MSCI Taiwan 25/50 (USD) Index Futures will be entitled to discounted trading fee between 29 March 2024 (T+1 Session) to 31 March 2025 (T Session), both dates inclusive

5. Block Trade Participant (“BTP”) Program for a basket of 26 specified MSCI NTR Index Futures

With reference to the circular (ref: [EQD/11/23](#)) dated 4 December 2023, the existing BTP Program for a basket of 26 specified MSCI NTR Index Futures will expire on 29 March 2024. The Exchange will re-introduce the BTP Program for 26 specified MSCI NTR Index Futures for the period from 1 April 2024 to 31 March 2025.

Please refer to Attachment III for details of BTP Program.

Interested parties for the abovementioned LP, AT and BTP Programs should contact Mr. Narendra Hegde (NarendraHegde@hkex.com.hk), Ms. Anagha Ganti (AnaghaGanti@hkex.com.hk), Ms. Emily Huang (EmilyHuang@hkex.com.hk), Ms. Kate Lin (KateLin@hkex.com.hk), Ms. Mercy Liu (MercyLiu@hkex.com.hk) and Ms. Tracy Zhang (TracyYTZhang@hkex.com.hk) for application details. Applicants who wish to participate in the incentive programs starting from 1 April 2024 are required to submit their application on or before **15 March 2024**.

Brian Roberts
Equities Product Development Department
Markets Division

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

Attachment I

LP Program for MSCI Taiwan Futures

1. The program requires LPs to provide Continuous Bid/Ask Quotes (“CQ”) for MSCI Taiwan Futures in T or T+1 session.

	Outright		Calendar Spread																									
	T Session	T+1 Session	T Session																									
Program Period	1 April 2024 to 31 March 2025																											
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>3 lots</td> </tr> <tr> <td>B</td> <td>0.060%</td> <td>3 lots</td> </tr> <tr> <td>C</td> <td>0.090%</td> <td>3 lots</td> </tr> </tbody> </table>	Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size	A	0.045%	3 lots	B	0.060%	3 lots	C	0.090%	3 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>2 lots</td> </tr> <tr> <td>B</td> <td>0.080%</td> <td>2 lots</td> </tr> </tbody> </table>	Tier	Max. Bid/Ask Spread (% of bid)	Min. Quote Size	A	0.060%	2 lots	B	0.080%	2 lots	<ul style="list-style-type: none"> • Provide CQ for 70% of trading hours • Quote spread and size are pre-determined below: <table border="1"> <thead> <tr> <th>Max. Bid/Ask Spread</th> <th>Min. Quote Size</th> </tr> </thead> <tbody> <tr> <td>2 ticks</td> <td>40 lots</td> </tr> </tbody> </table>	Max. Bid/Ask Spread	Min. Quote Size	2 ticks	40 lots
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LP Incentives:																												
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 29 March 2024 (T+1 Session) to 31 March 2025 (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 in respect of a trading session in a calendar month, it will not be entitled to the incentives in respect of that trading session for that month. If the LP fails to meet its commitment for two consecutive months, its appointment may be subject to early termination by the Exchange.
3. To account for the Taiwan holidays, the LP obligations will be pro-rated if there are days when the MSCI Taiwan 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 Futures contract in a calendar month and 2 of which are Taiwan holidays, the required obligations of that calendar

month will be pro-rated from 70% to 63% of trading hours in T session (18/20 trading days x 70% obligation = 63%) and will be pro-rated from 50% to 45% of trading hours in T+1 session (18/20 trading days x 50% obligation = 45%).

AT Bundled Program for MSCI Taiwan Futures

4. The AT Bundled Program period is between 1 April 2024 to 31 March 2025, both dates inclusive.
5. The AT Bundled Program is designed to support liquidity development. Upon meeting the minimum monthly clearing volume of 500 contracts (excluding block trade volume) in MSCI Taiwan 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 a trading fee rebate of 70%³ on MSCI Taiwan Futures.
6. An AT will receive a bundled incentive of HKD 5 per cleared contract, based on their aggregated monthly clearing volume of MSCI Taiwan Futures.
7. The bundled fee rebate will be calculated on a per 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 Hang Seng Index (“HSI”) Futures; and
 - HKD 2.50 (i.e. 71% of standard trading fee) rebate on Hang Seng China Enterprises Index (“HSCEI”) Futures.
8. If an AT does not meet the monthly minimum clearing volume consistently for two consecutive months, the Exchange reserves the right to terminate the AT.
9. 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 or HSCEI Options, or as Proprietary Traders in other bundled incentive programs) will not be able to include be entitled to further fee rebates for these already discounted HSI Futures and HSCEI Futures contracts.

³ If LPs are already been to trading fee discounts on MSCI Taiwan Futures, they cannot further enjoy the trading fee rebate on AT Bundled Program for MSCI Taiwan Futures.

Attachment II

LP Program for Selected MSCI NTR and Other Index Futures (“MSCI Suite”)

1. LP is required to provide two-way CQ in a basket of 13 selected MSCI contracts from MSCI Suite in T or / and T+1 Sessions as follows:

No.		Outright Quota		Calendar Spread Quota
		T	T+1	T
1	MSCI AC Asia ex Japan NTR Index Futures	1	1	1
2	MSCI China NTR (USD) Index Futures	2	1	2
3	MSCI EM Asia NTR (USD) Index Futures	2	1	1
4	MSCI Emerging Markets NTR (USD) Index Futures	1		
5	MSCI Hong Kong NTR (USD) Index Futures	2		
6	MSCI India NTR (USD) Index Futures	2	1	1
7	MSCI Indonesia NTR (USD) Index Futures	1		1
8	MSCI Japan NTR (USD) Index Futures	1		
9	MSCI Malaysia NTR (USD) Index Futures	1		
10	MSCI Philippines NTR (USD) Index Futures	1		
11	MSCI Taiwan NTR (USD) Index Futures	2	1	1
12	MSCI Thailand NTR (USD) Index Futures	1		1
13	MSCI Taiwan 25/50 (USD) Index Futures	1		1
	No. of Permits	18	5	9

2. Below are the program details:

	Outright		Calendar Spread
	T Session	T+1 Session	T session
Program Period	1 April 2024 to 31 March 2025		
LP Quota	1 in general but max 2 for selected sessions and contracts		
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*		
LP Incentives			
Trading Fee Discount	LP (market making account only) will entitled to a discounted trading fee# of USD 0.30 for USD 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.

Applicable to the Price Return Contracts (MSCI Taiwan 25/50 (USD) Index Futures) only. The period for LP to be entitled discounted trading fee is from 29 March 2024 (T+1 Session) to 31 March 2025 (T Session), both dates inclusive.

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

Trading Hours requirements

	Trading hours requirements
Outright (T Session)	70% of trading hours in each calendar month
Outright (T+1 Session)	50% of trading hours in each calendar month
Calendar Spread (T session)	<ul style="list-style-type: none"> - 70% of trading hours in each calendar month for MSCI Taiwan 25/50 (USD) Index Futures: from 15th to the trading day prior to the Last Trading Day ("LTD") of the spot month - 70% of trading hours in each quarter month for MSCI NTR Futures: from 10th trading day prior to LTD of the nearest quarter month to the trading 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 in respect of a trading session in that calendar month, it will not be entitled to the incentives in respect of that trading session for that month. If the LP fails to meet its commitment for two consecutive months, its appointment may be subject to early termination by the Exchange.

Attachment III

BTP Program

The BTP Program is designed to incentivize participants who can facilitate the matching of buyers and sellers of large blocks.

	BTP program
Eligibility	<ul style="list-style-type: none"> All EPs can apply for the program. Only EPs with a track record of reporting block trades on any one of the HKFE flagship products (including HSI futures, HSI options, HSCEI futures, HSCEI options and/or MSCI Suite) via the Block Trade Facility in HKATS in the past 12 months will be eligible to sign up to the program.
Requirements	<ul style="list-style-type: none"> EPs will have to submit an application form to the Exchange and participate in facilitating block trades between two counterparties or for a single counterparty via the Block Trade Facility for the assigned MSCI NTR Futures. For monitoring purposes, EPs will be required to provide a description of their clearing arrangement, the number of DCASS accounts they have and the function of each account.
Trades Captured	Trades reported via Block Trade Facility function in HKATS
Minimum Volume Requirement	Each qualified participant will have to execute at least 2,000 contracts (i.e. buy and sell sides) block trades in assigned MSCI NTR Futures ^{Note} each quarter.
Cash Incentives (per quarter)	Upon meeting the volume requirement in any given quarter, BTPs will be entitled to cash incentives of USD 0.50 per contract (i.e. buy and sell sides) of valid block trade contracts executed in the assigned MSCI NTR Futures in such quarter.
Notes	The Exchange reserves the right to require all qualified BTPs to submit a month-end trade report detailing every block trade conducted in the market. In this report, BTPs will have to provide details of every block trade (underlying instruments, the structure, size and price), the give-up account details, indicate the client type of buyer or seller if applicable (hedge funds, asset managers, broker dealers, proprietary traders or house principal desks) and indicate if the buyer and seller are two different beneficial owners. Where circumstances warrant, BTPs would also be requested to provide documentary evidence to demonstrate the block trades should qualify.
Program period	1 April 2024 to 31 March 2025

Note: Eligible Contracts in the MSCI NTR Futures:

1. MSCI AC Asia ex Japan Net Total Return Index Futures
2. MSCI Australia Net Total Return (USD) Index Futures
3. MSCI China Net Total Return (USD) Index Futures
4. MSCI EM Asia ex China Net Total Return (USD) Index Futures
5. MSCI EM Asia ex Korea Net Total Return (USD) Index Futures
6. MSCI EM Asia Net Total Return (USD) Index Futures
7. MSCI EM EMEA Net Total Return (USD) Index Futures
8. MSCI EM ex China Net Total Return (USD) Index Futures
9. MSCI EM ex Korea Net Total Return (USD) Index Futures
10. MSCI EM LatAm Net Total Return (USD) Index Futures
11. MSCI Emerging Markets Net Total Return (USD) Index Futures
12. MSCI Hong Kong Net Total Return (USD) Index Futures
13. MSCI India Net Total Return (USD) Index Futures
14. MSCI Indonesia Net Total Return (USD) Index Futures
15. MSCI Japan Net Total Return (USD) Index Futures
16. MSCI Malaysia Net Total Return (USD) Index Futures
17. MSCI New Zealand Net Total Return (USD) Index Futures
18. MSCI Pacific ex Japan Net Total Return (USD) Index Futures
19. MSCI Pacific Net Total Return (USD) Index Futures
20. MSCI Philippines Net Total Return (USD) Index Futures
21. MSCI Singapore Free Net Total Return (USD) Index Futures
22. MSCI Singapore Net Total Return (USD) Index Futures
23. MSCI Taiwan Net Total Return (USD) Index Futures
24. MSCI Taiwan 25/50 Net Total Return (USD) Index Futures
25. MSCI Thailand Net Total Return (USD) Index Futures
26. MSCI Vietnam Net Total Return (USD) Index Futures

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