HKEX
香港交易所

編號 Ref. No.:	MKD/CMD/005/17
日期 Date:	27/09/2017

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: Introduction of the TSI Iron Ore Fines 62% Fe CFR China Futures, Registration for Participant Briefing Sessions, and Application for Incentives & Joint Promotional Programs

Enquiry: Ms. Christine Cheung (ChristineCheung@hkex.com.hk; +852 2211 6815)
Ms. Cynthia Wu (CynthiaWu@hkex.com.hk; +852 2840 3349)

Hong Kong Futures Exchange Limited ("Exchange") is planning to introduce the cash-settled **TSI Iron Ore Fines 62% Fe CFR China Futures** ("Iron Ore Futures") tentatively in November 2017, subject to market readiness.

Further to the Exchange's existing product offerings in precious metals and base metals, the Iron Ore Futures will be introduced as the first ferrous metal commodity product in the Exchange, which can provide an additional investment and risk management tool to address the trading, hedging and asset allocation needs of the market.

A. Contract Features

Key features of the Iron Ore Futures are as follows:

Contracts	Monthly Contracts	Quarterly Contracts
Underlying	TSI Iron Ore Fines 62% Fe CFR China Index[1]	
Contract Size	100 tonnes	
Trading Currency	U.S. dollars	
Price Quotation	U.S. dollars and cents per tonne	
Contract Months	Spot Month and the next 23 calendar months	Spot Quarter and the next seven calendar quarters (i.e. calendar quarters are January to March, April to June, July to September and October to December)
Minimum Fluctuation	USD 0.01 per tonne	
Maximum Fluctuation	Nil	
Trading Hours (Hong Kong Time)	9:00 a.m. to 4:30 p.m. (day trading session) and 5:15 p.m. to 1:00 a.m. (after-hours trading session)	
Final Settlement Price	Arithmetic average of all TSI Iron Ore Fines 62% Fe CFR China Index values published in that Contract Month, rounded to 2 decimal places	Arithmetic average of the Final Settlement Prices of the three corresponding Monthly Contracts in that Contract Quarter, rounded to 2 decimal places
Last Trading Day	The last Hong Kong Business Day of a calendar month that is not a Singapore public holiday	The Last Trading Day of the last Monthly Contract in the calendar quarter
Settlement Method	Cash settled contract of difference	
Position Limits	30,000 net long or short in all Contract Months combined, per Exchange Participant for the Exchange Participant's own behalf; and 30,000 net long or short in all Contract Months combined, per Client	
Large Open Positions	500 open contracts, in any one Contract Month, per Exchange Participant for the Exchange Participant's own behalf; and 500 open contracts, in any one Contract Month, per Client	
Block Trade Minimum Volume Threshold	50 contracts	

[1] S&P Global Platts, the provider of the TSI Iron Ore FE 62% Fe, CFR Tianjin Index (the "TSI-62% Index"), will revise the specifications and calculation methodology of the TSI-62% Index effective 2 January 2018. For further information, please refer to S&P Global Platts' announcement at: https://www.platts.com/subscriber-notes-details/26767247.

B. Participant Briefing Sessions

To allow Exchange Participants ("EPs") and Clearing Participants ("CPs") (collectively "Participants") to have a better understanding of the Iron Ore Futures and prepare for the product launch, 3 briefing sessions will be held in October 2017 and Participants are cordially invited to attend:

Briefing Sessions	Cantonese *register now*	English *register now*	Mandarin *register now*
Date	4 October 2017 (Wednesday) 12:00 – 14:00	16 October 2017 (Monday) 16:30 – 18:00	17 October 2017 (Tuesday) 16:30 – 18:00
Venue	The Exchange Auditorium, The Exchange Exhibition Hall, 1/F, One and Two Exchange Square, Central	Board Room, The Exchange Exhibition Hall, 1/F, One and Two Exchange Square, Central	

Participants should submit the online registration form by clicking on the "register now" button above to register for the briefing sessions **by at least two business days prior to the respective session**. A maximum of four seats will be reserved for each Participant, and acceptance will be on a first-come, first-served basis as seats are limited.

C. Participants' Readiness

EPs are required to have USD settlement capability in order to be granted the trading access to the Iron Ore Futures. To be eligible for clearing and settlement of the Iron Ore Futures, CPs are required to have USD settlement capability by setting up a USD account with any one of the Settlement Banks appointed by HKFE Clearing Corporation Limited. Details of the contract specifications, rule amendments, trading, clearing and risk management arrangements will be announced via separate circulars in due course.

To ensure that adequate preparation has been undertaken to support the trading and clearing of the Iron Ore Futures, Participants are strongly advised to review their systems and operations procedures, including but not limited to the following:

1. OMnet Application Programming Interface (OAPI);
2. Trading, clearing and settlement systems;
3. Other front-end and back-office systems and operations as appropriate; and
4. Other operational systems and related processes/arrangements as appropriate.

To further enhance market transparency and support Participants' product promotional efforts, a list of Participants who offer trading services for the Iron Ore Futures will be published on the HKEX's product website and will be updated from time to time.

Participants should complete and return the attached questionnaire set forth in **Attachment I** to HKEXcommodities@hkex.com.hk on or before **31 October 2017** to confirm their readiness for the trading of the Iron Ore Futures and provide consent for publishing their company names and contact details on the HKEX's product website. For further information, please contact Ms. Iris Hui (Irishui@hkex.com.hk).

D. Bundled Liquidity Providing Incentives Program

Reference is made to circulars dated 6 June 2017 and 30 August 2017 respectively regarding the Bundled Incentives Program (MKD/CMD/001/17) and its subsequent enhancements (MKD/CMD/004/17) (collectively the "Incentives Program") for the physically settled USD and CNH Gold Futures. With the introduction of the Iron Ore Futures, amendments will be made to the Incentives Program as follows:

Eligible Products

The Iron Ore Futures will be added to the scope of the Incentives Program as an Eligible Product for Liquidity Providers ("LPs") and an Eligible Product Basket for Proprietary Traders ("PTs").

Incentives for LPs /PTs

Upon fulfilment of their respective obligations, LPs/PTs will be offered rebates in cross-product trading fees, market data fees and hosting services fees as well as waivers for OAPI license fees up to a maximum amount per month as specified below:

Category	Maximum Incentives per month (in HK$)				
	Combinations of:				Max. total per month
	Trading Fee Rebate	Market Data Fee Rebate	Hosting Services Fee Rebate	OAPI Sub-license Fee Waiver[2]	
Incentives for LPs					
Type 1 LP	Up to $89,600 in total			Up to $10,400 (i.e. up to 4 OAPIs)	$100,000
Type 2 LP	Up to $44,800 in total			Up to $5,200 (i.e. up to 2 OAPIs)	$50,000
Type 3 LP	Up to $100,000 subtracted by the actual OAPI sub-license fee waiver			Up to $41,600 (i.e. up to 16 OAPIs)	$100,000
Type 4 LP	Up to $50,000 subtracted by the actual OAPI sub-license fee waiver			Up to $20,800 (i.e. up to 8 OAPIs)	$50,000
Incentives for PTs					
Type 1 PT	Up to $100,000 in total			N/A	$100,000
Type 2 PT	Up to $50,000 in total				$50,000
Type 3 PT	Up to $25,000 in total				$25,000
Type 4 PT	Up to $10,000 in total				$10,000

Details of cross-product trading fee rebates are as follows:

Products	HSI Futures*	HHI Futures*	USD/ CNH Futures**
Trading Fee Rebate Per Contract	HK$6.50 (i.e. 65% rebate)	HK$2.50 (i.e. 71% rebate)	RMB 3.00[3] (i.e. 37% rebate)

**Note: Clearing volumes of HSI Futures and HHI Futures which have been claimed for trading fee discount by options market makers (MMs) are not entitled for further trading fee rebate.*
***Note: Clearing volumes of USD/CNH Futures which have been claimed for trading fee rebate by USD/CNH Futures Active Traders are not entitled to further trading fee rebate.*

[2] Currently HK$2,600 per month is required for 1 OMnet Application Programming Interface (OAPI) connection with 5 transactions per second (TPS)
[3] The fee rebate for CNH Futures will be converted to HK dollars based on the foreign exchange rate at the time of the payment calculation.

Obligations of LPs/PTs

The LP obligations for the Iron Ore Futures are set out as follows:

	LP Obligations for Iron Ore Futures	
Quoting Period[4]	**T session**	**T+1 session**
Quote	Continuous quotes	
Contract Months	**Monthly Contracts:** any 4 of the Monthly Contracts for the Spot Month, next 3 contract months, next January, May and September; and **Quarterly Contracts:** any 2 of the Quarterly Contracts for the Spot Quarter and next 2 contract quarters	
Maximum Bid /Offer Spread	**Monthly Contracts:** 20-30 ticks **Quarterly Contracts:** 30-40 ticks	**Monthly Contracts:** 30-40 ticks **Quarterly Contracts:** 40-50 ticks
Minimum Quote Size (both sides)	**Monthly Contracts:** 5 lots **Quarterly Contracts:** 15 lots	
Minimum % of Trading Hours Coverage	**Type 1 or Type 3:** 60% **Type 2 or Type 4:** 45%	**Type 1 or Type 3:** 45% **Type 2 or Type 4:** 30%

The PT obligations for the Iron Ore Futures are set out as follows:

Type of PT	**Volume Obligations for Iron Ore Futures** *(Based on Clearing Volume per month)*
Type 1	4,000 contracts
Type 2	2,000 contracts
Type 3	1,000 contracts
Type 4	500 contracts

The above are the minimum LP/PT obligations required, and the final obligations will be subject to the bidding results from the assessment of all LP/PT proposals received.

[4] Each LP (regardless of type) who is able to provide quotes for both the T session and the T+1 session will be eligible for double the incentives applicable to an LP of that category. E.g, Type 1 LP who is able to provide quotes in both sessions will be counted as taking up 2 slots in the quota for Type 1 LPs.

Interested parties should contact Ms. Rina Ku (RinaKu@HKEX.COM.HK), or Ms. Iris Hui (IrisHui@HKEX.COM.HK) on or before **16 October 2017** for application procedures and further information.

E. Promotional Support

Promotional Materials

The Exchange can provide promotional items, such as printed promotional materials and electronic banners, to support Participants in promoting the Iron Ore Futures contract business. Participants who are interested in promoting the new product should contact Ms. Catherine Zhang (CatherineZhang@HKEX.COM.HK), Ms. Cynthia Wu (CynthiaWu@HKEX.COM.HK) or Mr. Steven Chou (StevenChou@HKEX.COM.HK).

Joint Promotional Program

The Exchange will launch a Joint Promotion Program ("JPP") on the Iron Ore Futures from product launch to 30 June 2018 (the "Program Period") with the objective of enhancing investors' knowledge of the Iron Ore Futures through a series of joint marketing and educational activities, including but not limited to promotional events, investor education seminars, advertisements etc.

Eligible applicants include EPs, information vendors, financial industry associations and other relevant platforms. A maximum of 10 eligible applicants will be selected for the JPP, and each of them will receive the following support from the Exchange:

- Sponsorship – a maximum amount of HK$50,000 will be sponsored for each selected applicant to cover the cost of the promotional and educational activities as outlined in a marketing proposal that must be submitted by the applicant;
- Promotional materials – Free copies of promotional materials will be provided for distribution during public seminar(s) and marketing event(s); and
- Speaker – The Exchange will provide speaker(s) for the public seminar(s) and/or in-house training organised by the selected applicant(s).

The criteria for granting the cost sponsorship are as follows:

- Applicants must submit a detailed marketing proposal for review, including the target number of attendees, venue and date;
- The Iron Ore Futures must be the primary theme in any marketing activity;
- The marketing activities must be organized during the Program Period;
- The cost sponsorship will be granted in accordance with actual expenses in each item outlined in the marketing proposal and declared by the responsible officer of participating EPs;
- Priority will be given to applicants with events that are scheduled closer to the initial period of product launch; and
- The number of attendees / participants in the marketing activity must be reasonable for its respective format (e.g. at least 50 participants for public seminars).

Interested applicants should complete and return the application form as set forth in **Attachment II** by noon on **1 June 2018**. The approval of applications will be subject to the evaluation of each proposal. Please note that the JPP sponsorship arrangement and the selection of applicants are subject to the final decision of the Exchange; and the Exchange reserves the right to make necessary modifications to the program in order to achieve the desired results in promoting the Iron Ore Futures to the market. The Program is now open for application. Interested parties should contact Ms. Catherine Zhang (CatherineZhang@HKEX.COM.HK), Ms. Cynthia Wu (CynthiaWu@HKEX.COM.HK) or Mr. Steven Chou (StevenChou@HKEX.COM.HK) for further information.

Dennis Zhang
Head of Commodities Development
Market Development
Att.

This circular has been issued in the English language with a separate Chinese language translation. If there is any conflict in the circulars between the meaning of Chinese words or terms in the Chinese language version and English words in the English language version, the meaning of the English words shall prevail.

Attachment I

Questionnaire on Participants' Readiness for the Iron Ore Futures

To: ***HKEX Market Development Division – Commodities Development***
Email: *HKEXcommodities@hkex.com.hk* on or before **31 October 2017**

From: _____ ***(Name of Exchange Participant)***
_____ ***(Contact Details: Email and Phone)***
_____ ***(Date)***

1. ❒ We are operationally ready to offer trading, clearing and settlement services of the Iron Ore Futures to clients

2. ❒ We acknowledge and agree for HKEX to publish out our company name and the following contact details on the HKEX's product website in relation to the list of Exchange Participants offering trading services for the Iron Ore Futures.

   Contact Number: _____

   Contact Email: _____

   Company Website: _____

Authorized Signature: _____ **Company Chop:_____**

Full Name: _____

Personal Information Collection Statement
"Personal Data" in this statement has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Cap 486 of the Laws of Hong Kong. The personal data collected on these forms will be used solely for the purpose of the enrolment and be retained for such period as may be necessary for our verification and record purposes. Please refer to the HKEX's Privacy Policy Statement which is available on the HKEX website (www.hkex.com.hk) for further details.

Attachment II

Joint Promotional Program on the Iron Ore Futures
Application Form

(To be submitted to HKEX Market Development Division – Commodities Development
on or before 1 June 2018
Contacts: Ms. Catherine Zhang (CatherineZhang@HKEX.COM.HK),
Ms. Cynthia Wu (CynthiaWu@HKEX.COM.HK) or
Mr. Steven Chou (StevenChou@HKEX.COM.HK))

Applicant's Information

Company Name :_____

Contact Person :_____

Contact details :_____

(Telephone/Email)

Date: :_____

We wish to participate in the Joint Promotional Program on the Iron Ore Futures.

❒ A proposal is attached for reference.

Authorised

Signature: _____

Full name: _____

Company

Chop: _____

Personal Information Collection Statement
"Personal Data" in this statement has the same meaning as "personal data" in the Personal Data (Privacy) Ordinance, Cap 486 of the Laws of Hong Kong. The personal data collected on these forms will be used solely for the purpose of the enrolment and be retained for such period as may be necessary for our verification and record purposes. Please refer to the HKEX's Privacy Policy Statement which is available on the HKEX website (www.hkex.com.hk) for further details.

DISCLAIMER

The TSI Iron Ore Fines 62% Fe China Imports CFR Tianjin Port ("Platts Assessment") is a product of S&P Global Platts, a division of S&P Global Inc., and has been licensed for use by Hong Kong Futures Exchange Limited (the "Exchange"). "S&P Global Platts" "Platts" and "S&P Global Platts" "Platts" "TSI" "TSI Iron Ore Fines 62% Fe China Imports CFR Tianjin Port" (the "Platts Marks") are trademarks of Platts and/or its affiliates and have been licensed for use by the Exchange. TSI Iron Ore Fines 62% Fe CFR China Futures ("Exchange Contract") is not sponsored, endorsed, sold or promoted by Platts or its affiliates or licensors. Platts, its affiliates and licensors make no representation or warranty, express or implied, regarding Exchange Contract or regarding the advisability of investing in securities or commodities generally or the ability of the Platts Assessment to track general market performance or commodity price movements, nor do they have any liability for any errors or omissions in, or interruptions of, the Platts Assessment or Exchange Contract. Platts, its affiliates' and licensors' only relationship to the Exchange with respect to the Platts Assessment is the licensing of the Platts Assessment and of certain trademarks, service marks and/or trade names of Platts, and/or its affiliates or licensors. The Platts Assessment is determined, composed and calculated by Platts without regard to the Exchange or the Exchange Contract. Platts, its affiliates and licensors have no obligation to take the needs of the Exchange or any clients or users of the Exchange Contract into consideration in determining, composing or calculating the Platts Assessment. Platts, its affiliates and licensors have no obligation or liability in connection with the creation, development, preparation, marketing, sale and/or trading of the Exchange Contract.

PLATTS, ITS AFFILIATES AND LICENSORS DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE PLATTS ASSESSMENT OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. PLATTS, ITS AFFILIATES AND LICENSORS SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. PLATTS, ITS AFFILIATES AND LICENSORS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE OR AS TO RESULTS TO BE OBTAINED BY THE EXCHANGE, CLIENTS OR USERS OF THE EXCHANGE CONTRACT, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE PLATTS ASSESSMENT OR EXCHANGE CONTRACT OR WITH RESPECT TO THE PLATTS MARKS, THE PLATTS ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL PLATTS, ITS AFFILIATES AND/OR ITS THIRD PARTY LICENSORS BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE."