

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 10-year China Ministry of Finance Treasury Bond Futures

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Hong Kong Futures Exchange Limited (the “Exchange” or “HKFE”) is pleased to announce the plan to introduce the 10-year China Ministry of Finance Treasury Bond (“MOF T-Bond”) Futures Contract. The trading of the MOF T-Bond Futures Contract on HKFE is targeted to commence in Q1 of 2024 (“Launch Date”), subject to regulatory approval and market readiness. The actual launch date will be announced via a separate market circular in due course.

The MOF T-Bond Futures Contract introduces an offshore interest rate risk management tool in the RMB fixed income space based on a benchmark of onshore Chinese Government Bonds. Being the sole Chinese government bond futures contract in the offshore market, it aims to address the growing interest rate risk management and trading demand from offshore investors.

<sup>1</sup> All calls to the HKATS hotline would be recorded. Please refer to the following link for HKEX privacy policy statement: [http://www.hkex.com.hk/eng/global/privacy\\_policy.htm](http://www.hkex.com.hk/eng/global/privacy_policy.htm)

**Draft Contract Specifications (subject to regulatory approval)**

Draft specifications of the MOF T-Bond Futures Contract are set forth in Attachment I. Relevant rule amendments will be announced via separate circular in due course.

**Bond Basket and Pricing Determination (subject to regulatory approval)**

With reference to the draft contract specifications, the bond basket is used to determine the final settlement price of the MOF T-Bond Futures Contract. The bond basket of the relevant contract will be confirmed one month before the Last Trading Day of such contract.

HKFE will be appointing a data and calculation service provider to determine the bond universe, bond basket and calculate the daily reference price<sup>2</sup> of each bond basket for each contract in accordance with the procedures and methodologies provided by HKFE. The daily reference price<sup>2</sup> of a contract will be calculated and provided to HKFE by the appointed service provider on each of their business day from the day the contract is introduced for trading until its Last Trading Day.

Further details of the bond basket and pricing methodology will be announced in a separate market circular in due course.

**Trading Arrangements**

**Pre-Launch Arrangements**

In order to facilitate market participants in the trading and clearing of the MOF T-Bond Futures Contract, the following pre-launch arrangements will be made available on the Business Day prior to the Launch Date:

- a. Trading code will be displayed on HKATS, but the MOF T-Bond Futures Contract will not be tradable on that day; and
- b. Information related to the MOF T-Bond Futures Contract will be generated in the Risk Parameter Files (“RPF”) and the clearing and open interest reports.

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<sup>2</sup> For the avoidance of doubt, the daily reference price is for reference only. It is not, and shall not be treated as, the Final Settlement Price as defined under the Rules, Regulations and Procedures of HKFE, the Closing Quotation as determined by HKFE Clearing Corporation Limited (“HKCC”) in accordance with the Rules and Procedures of HKCC or any other reference price as may be published by the Exchange or HKCC. HKCC will determine the Closing Quotation of the MOF T-Bond Futures contract pursuant to Rule 412 of the HKCC Rules.

The purpose of the generation of RPF one Business Day before the Launch Date is to assist market participants to estimate the margin requirements for trading on the Launch Date.

Please note that the margin requirements estimated using the RPF available on the Business Day before the Launch Date may not be the same as the actual amounts required on the Launch Date. Hong Kong Exchanges and Clearing Limited and its subsidiaries accept no liability whatsoever for any loss or damage arising from or in connection with the use of the information contained in such RPF. Market participants who wish to use such RPF are reminded to update the PC-SPAN Organisation Master File.

**Other Trading Arrangements (subject to regulatory approval)**

- a. Contracts with the two nearest quarter months (where quarter months are March, June, September and December) will be made available for trading from the Launch Date;
- b. The MOF T-Bond Futures Contract is a Holiday Trading Exchange Contract<sup>3</sup>. Exchange Participants (“EPs”) are required to enroll as Holiday Trading Exchange Participants and declare their operational readiness in order to gain trading access;
- c. There is no T+1 Session for the MOF T-Bond Futures Contract;
- d. The block trade minimum volume threshold is 50 contracts;
- e. The block trade permissible price range is 2% (see details in Attachment II);
- f. The error trade price parameter is 2% from the notation price (see details in Attachment II);
- g. The large-scale error trade price parameter is 4% from the notation price (see details in Attachment II);
- h. Volatility Control Mechanism, and Dynamic Price Banding will not be applied during the T Session and no Maximum Fluctuation will be specified; and
- i. The maximum HKATS order size limit is 1,000 contracts. EPs are required to submit their request to HKFE for setting up their own order size limits based on their business needs and risk management requirements.

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<sup>3</sup> [List of Holiday Trading Exchange Contracts](#)

### **Clearing and Settlement Arrangements**

In order to be eligible to clear the MOF T-Bond Futures Contracts, Clearing Participants (“CPs”) of HKFE Clearing Corporation Limited (“HKCC”) are required to enroll as Holiday Trading Clearing Participants, declare their operational readiness and appoint a Holiday Trading Settlement Bank<sup>4</sup> for settling their RMB payment obligations during Trading Days which are not normal Business Days<sup>5</sup>.

CPs are also required to maintain relevant mandates in such form as prescribed by HKCC from time to time and ensure that their bank account(s) is in an active status and ready for satisfying any payment obligation that may be imposed by HKCC relating to the MOF T-Bond Futures Contract. Non-Clearing Participants should contact their General Clearing Participants to ascertain their eligibility for clearing the MOF T-Bond Futures Contract.

### **Risk Management Arrangements (subject to regulatory approval)**

Margin levels and update of PC-SPAN Organisation Master File will be made available in due course. More details of the risk management arrangements will be provided in a separate HKCC circular in due course.

### **Trading Information**

The access codes of information vendors of the MOF T-Bond Futures Contract will be available on HKEX’s website (<http://www.hkex.com.hk>) in due course.

### **SFC Commission Levy Exemption (subject to regulatory approval)**

The Commission Levy will be exempted for the first six months of trading. EPs are advised to inform their clients of the Commission Levy exemption accordingly.

### **Liquidity Provider and Other Incentive Programs (subject to regulatory approval)**

Details of any liquidity provider and other incentive programs relating to the MOF T-Bond Futures Contract will be announced or provided to EPs in due course.

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<sup>4</sup> [List of Holiday Trading Settlement Banks](#)

<sup>5</sup> [Trading Calendar and Holiday Schedule](#)

**Participants' Readiness**

EPs are required to notify their staff and all interested clients of the details of the MOF T-Bond Futures Contract. Please ensure that all trading, clearing, and back office systems, including OAPI and other operational arrangements are ready in order to ensure a smooth operation upon the introduction. In addition, EPs should ensure that their staff are fully aware of the above and will exercise caution when dealing in the MOF T-Bond Futures Contract and when advising their clients.

**OAPI Testing Environment**

To facilitate EPs' verification of their OAPI readiness, the contract specifications of the MOF T-Bond Futures Contract will be made available in the HKATS testing environment for EPs to conduct testing in due course.

**Jacky Mak**  
**Head of FIC Product Development**  
**Emerging Business and FIC Division**

*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 or terms in the English language version, the meaning of the English words and terms shall prevail.*

**Attachment I**

<b>Draft Contract Specifications for Ten-Year Ministry of Finance Treasury Bond (“MOF T-Bond”) Futures</b>	
Underlying Bond	Onshore Ten-Year China Ministry of Finance Treasury Bonds with 3% coupon rate and semi-annual coupon payment
Contract Size	RMB500,000
Contract Months	The two nearest quarter months (where quarter months are March, June, September and December). The Chief Executive may, in consultation with the Commission, introduce additional Contract Months for trading from time to time as he considers appropriate
Price Quotation	As a percentage of the Contract Size, quoted to 3 decimal places
Minimum Fluctuation	0.005 percent of the Contract Size, which is equivalent to RMB25
Maximum Fluctuation	As prescribed by the Exchange from time to time
Contracted Price	The price at which the Ten-Year MOF T-Bond Futures Contract is registered by the Clearing House
Contracted Value	Contracted Price multiplied by Contract Size divided by 100 (e.g. (101.000 x RMB500,000) / 100)
Trading Hours (Hong Kong time)	9:00 a.m. - 4:30 p.m. (day trading session)
Trading Hours on Last Trading Day (Hong Kong time)	9:00 a.m. - 4:30 p.m. (day trading session)
Trading Method	The Exchange’s Automated Trading System (HKATS)
Position Limits	40,000 net contracts in all Contract Months combined, per Exchange Participant for the Exchange Participant’s own behalf; and 40,000 net contracts in all Contract Months combined per Client
Large Open Positions	2,500 open contracts in any one Contract Month, per Exchange Participant for the Exchange Participant’s own behalf; and 2,500 open contracts in any one Contract Month per Client
Settlement Method	Cash settled contract for difference
Settlement Currency	RMB
Final Settlement Day	The first Trading Day after the Last Trading Day
Last Trading Day	The second Friday of the Contract Month  If it is not a Trading Day or it falls on a Mainland China public holiday, the Last Trading Day shall be the preceding Trading Day which is also a business day in Mainland China

<b>Draft Contract Specifications for Ten-Year Ministry of Finance Treasury Bond (“MOF T-Bond”) Futures</b>	
Final Settlement Price	The Final Settlement Price for Ten-Year MOF T-Bond Futures Contracts shall be a number, rounded up to the nearest 3 decimal places if the figure in the fourth decimal place is 5 or above and rounded down to the nearest 3 decimal places if it is below 5, determined by the Clearing House and shall be the onshore Ten-Year China MOF T-Bond basket reference price provided by an HKFE appointed data and calculation service provider on the Last Trading Day
Cash Settlement Value	Final Settlement Price multiplied by Contract Size divided by 100 (e.g. Final Settlement Price x (RMB500,000) / 100)
Trading Fee (per contract per side)	Exchange Fee <span style="float: right;">RMB5.00</span>  The amount indicated above is subject to change from time to time
Levies (per contract per side)	Commission Levy and Investor Compensation Levy are payable at the rate or of the amount prescribed from time to time pursuant to the Ordinance
Commission Rate	Negotiable

**Attachment II**

**Block Trade Permissible Price Range for MOF T-Bond Futures**

With reference to the HKFE Rule 815A (5), the price at which a block trade is executed must be fair and reasonable, and the revised permissible price range for block trades is determined in the following manner:

- a. When the executed price is at or within the range of highest traded price, lowest traded price, bid and ask price of the contract; or
- b. When the executed price is within a price range to both sides of a reference price obtained through prevailing market prices, or if necessary, determined as the theoretical values based on the prevailing underlying values. Price ranges for the MOF T-Bond Futures contracts are 2%.

Any block trades that did not satisfy the above criteria may be deleted pursuant to HKFE Rule 819D.

**Error Trade Price Parameter and Procedures for the MOF T-Bond Futures contract**

The price parameters for the purposes of the error trade rule under HKFE Rule 819B are 2% from notation price.

Note: The notation price of the contract will be determined as follows:

1. The average of the prices of the previous match and the next match in that contract month occurring reasonably close to the time of error trade. If this, in the opinion of the Exchange, fails to reflect a fair price, the notation price will be determined on the basis of item (2) below.
2. The reasonable bid and offer prices available around the time of error trade. If this, in the opinion of the Exchange, fails to reflect a fair price, the notation price will be determined on the basis of item (3) below.
3. The prices obtained by the Exchange from consulting up to three independent market practitioners who have no interest in the trade in order to arrive at a valid notation price.

Notwithstanding the foregoing, the Exchange shall have absolute discretion in determining the notation price.

**Large-Scale Error Trade Parameters**

The price parameters for the purposes of the large-scale error trade rule under HKFE Rule 819BA and 819BB are 4% from the notation price.

Note: Please refer to the Large-Scale Error Trade Handling Procedures<sup>6</sup> for the Large-Scale Error Trade Notation Price determination methodology.

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<sup>6</sup> [Large-Scale Error Trade Handling Procedures](#)