

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 5-Year China Government Bond Futures

Enquiry: For technical enquiries:

- HKATS (Email: hkatssupport@hkex.com.hk; Hotline¹: 2211-6360)
- DCASS (Email: clearingpsd@hkex.com.hk; Hotline: 2979-7222)

For business enquiries:

- Mr. Zhaoping Zhou (Email: ZhouZhaoping@hkex.com.hk; Tel: 2840-2051)
- Ms. Toby Cheung (Email: TobyCheung@hkex.com.hk; Tel: 2211-6506)
- Mr. Vincent Tsang (Email: VincentTsang@hkex.com.hk; Tel: 2211-5823)

Reference is made to the circular (Ref. No. [EBF/FIC/004/24](#)) dated 27 March 2024 regarding the Updates on the Introduction of the 10-Year China Ministry of Finance Treasury Bond Futures. Following an evaluation of market demand and macro environment, Hong Kong Futures Exchange Limited (the “Exchange” or “HKFE”) is pleased to announce its intention to introduce the 5-Year China Government Bond (“CGB”) Futures Contract². The Exchange will maintain oversight of market developments and consider proceeding with the introduction of the 10-Year Futures Contract when deemed appropriate.

The trading of the 5-Year CGB Futures Contract on HKFE is targeted to commence on 3 August 2026 (“Launch Date”), subject to regulatory approval and market readiness.

¹ 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

² The previously suspended Five-Year Ministry of Finance Treasury Bond Futures (Ref. No. [MKD/FIC/13/17](#)) will be delisted upon the introduction of the new contract.

The CGB futures contract introduces an offshore interest rate risk management tool in the RMB fixed income space based on a benchmark of onshore CGBs. Being the sole Exchange which provides the platform of trading and clearing CGB futures contract in the offshore market, it aims to provide solution for managing interest rate risk and meeting the trading demand from offshore investors.

Draft Contract Specifications (subject to regulatory approval)

Draft specifications of the 5-Year CGB Futures Contract are set forth in Attachment I. Relevant rule amendments will be announced via separate circular in due course.

Bond Basket and Pricing Methodology (subject to regulatory approval)

With reference to the draft contract specifications, the Bond Basket is used to determine the Final Settlement Price of the CGB Futures Contract. The Bond Basket of the relevant contract will be confirmed 20 Trading Days before the Last Trading Day of such contract.

HKFE plans to appoint ChinaBond Pricing Center Co., Ltd. (“CBPC”), a wholly owned subsidiary of China Central Depository & Clearing Co. Ltd. to determine the Bond Universe, Bond Basket and calculate the Final Settlement Price for each contract in accordance with the procedures and methodologies provided by HKFE.

Further details of the Bond Basket and pricing methodology are set forth in Attachment II.

Trading Arrangements

Pre-Launch Arrangements

In order to facilitate market participants in trading and clearing of the 5-Year CGB Futures Contract, the following pre-launch arrangements will be made available one Business Day before the Launch Date:

- a. Trading code will be displayed on HKATS, but the 5- Year CGB Futures Contract will not be tradable on that day; and
- b. Information related to the 5-Year CGB Futures Contract will be generated in the Risk Parameter Files (“RPF”) and the clearing and open interest reports.

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 (“HKEX”) 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 5-Year CGB Futures Contract is a Holiday Trading Exchange Contract³. 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 5-Year CGB 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 III);
- f. The error trade price parameter is 2% from the notation price (see details in Attachment III);
- g. The large-scale error trade price parameter is 4% from the notation price (see details in Attachment III);
- h. Volatility Control Mechanism, and Dynamic Price Banding will not be applied 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.

Clearing and Settlement Arrangements

³ [List of Holiday Trading Exchange Contracts](#)

In order to be eligible to clear the 5-Year CGB 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 Bank⁴ for settling their RMB payment obligations during Trading Days which are not normal Business Days⁵.

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 5-Year CGB Futures Contract. Non-Clearing Participants should contact their General Clearing Participants to ascertain their eligibility for clearing the 5-Year CGB Futures Contract.

Risk Management Arrangements (subject to regulatory approval)

Margin levels and update of PC-SPAN Organisation Master File for the 5-Year CGB Futures Contract 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 5-Year CGB 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 5-Year CGB Futures Contract will be announced or provided to EPs in due course.

Participants’ Readiness

⁴ [List of Holiday Trading Settlement Banks](#)

⁵ [Trading Calendar and Holiday Schedule](#)

EPs are required to notify their staff and all interested clients of the details of the 5-Year CGB 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 5-Year CGB Futures Contract and when advising their clients.

OAPI Testing Environment

To facilitate EPs' and CPs' verification of their OAPI readiness, the 5-Year CGB Futures Contract will be available in the HKATS and DCASS testing environment for EPs and CPs to conduct testing in due course.

Kevin Fan

Head of FIC Product Development

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

Draft Contract Specifications for Five-Year China Government Bond (“CGB”) Futures	
Underlying Bond	Onshore Five-Year China Government Bonds with 3% coupon rate and 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 Five-Year CGB 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)	9:30 a.m. - 4:30 p.m. (day trading session)
Trading Hours on Last Trading Day (Hong Kong time)	9:30 a.m. - 4:30 p.m. (day trading session)
Trading Method	The Exchange’s Automated Trading System (HKATS)
Position Limits	22,000 net contracts in all Contract Months combined, per Exchange Participant for the Exchange Participant’s own behalf; and 22,000 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

Draft Contract Specifications for Five-Year China Government Bond (“CGB”) Futures	
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
Final Settlement Price	The Final Settlement Price for Five-Year CGB 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 Five-Year CGB basket reference price provided by ChinaBond Pricing Center Co., Ltd. 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 RMB5.00 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

I. Bond Basket Determination for the 5-Year CGB Futures Contract

Bond Universe

The Bond Universe forms the basis in selecting the composition bonds for the Bond Basket. The bonds in the Bond Universe shall fulfil the following criteria:

- 1) Publicly issued by the China Ministry of Finance and denominated in RMB;
- 2) Tradable in the China Interbank Bond Market (“CIBM”);
- 3) Book-entry treasury bonds with fixed coupon rates (annual coupon payment); and
- 4) With original term to maturity of no more than 7 years, and remaining term to maturity greater than 4 years and less than 5.25 years as of the Last Trading Day of the futures contract

Bond Basket

The Bond Basket is used to price the futures contract, it will be constructed by the two most liquid bonds in the Bond Universe with the highest average daily trading notional in the observation period. The observation period shall exclude the bond’s first CIBM trading day, and be measured by the immediately preceding 10 CIBM trading days from the Bond Basket Confirmation Day. Bonds with an observation period of less than 10 CIBM trading days will not be considered as a Bond Basket constituent.

Bond Basket Confirmation

The Bond Basket will be confirmed and published on HKEX’s website by day-end on the Bond Basket Confirmation Day (a day which is 20 HKFE trading days prior to the Last Trading Day of such contract). If such a day is not also a CIBM trading day, the Bond Basket Confirmation Day will be the preceding HKFE trading day which is also a CIBM trading day.

Once confirmed, the Bond Basket for a futures contract shall remain unchanged until contract expiry.

II. Final Settlement Price Calculations for the 5-Year CGB Futures Contract

Following the formulas specified by the HKFE, CBPC would need to provide the futures contract’s Final Settlement Price to HKFE on the Last Trading Day. It is expected that the price will be provided to HKFE by 6:00 p.m and no later than 7:00 p.m. and HKFE shall publish it accordingly.

The Final Settlement Price for each futures contract shall be the Bond Basket daily reference price provided by CBPC on the Last Trading Day (follow the formula of a hypothetical standardized 5-Year bond with face value of 100, 3% coupon rate and annual coupon payment):

$$FSP = \sum_{i=1}^5 \frac{3\% \times 100}{(1+r)^i} + \frac{100}{(1+r)^5}$$

Where:

- r being the yield of the Bond Basket;

$$r = w_1 r_1 + w_2 r_2$$

- r_1 being the valuated yield of the most liquid bond in the Bond Basket
- r_2 being the valuated yield of the second most liquid bond in the Bond Basket
- w_1 and w_2 being the respective weightings (i.e. 2/3 and 1/3)

III. Bond Basket and Pricing Methodology Review

The Bond Basket and pricing methodology will be reviewed from time to time to ensure the Bond Basket remains suitable and representative. HKFE shall notify the market of the Bond Basket or pricing methodology changes via a market circular.

Attachment III

Block Trade Permissible Price Range for the 5-Year CGB 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 2% price range of a reference price obtained through prevailing market prices, or if necessary, determined as the theoretical values based on the prevailing underlying values.

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 5-Year CGB 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 Procedures⁶ for the Large-Scale Error Trade Notation Price determination methodology.

⁶ [Large-Scale Error Trade Handling Procedures](#)