

Products & Services

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Market Making Arrangements of Leveraged and Inverse Products

Tools



Updated: 05/02/2016

Eligibility requirements for Securities Market Makers (SMMs) of L&I Products

To be eligible, an Exchange Participant (EP) must possess at least 1 year prior L&I Products official market making experience, specifically:

- The EP must have at least 1 trading person in Hong Kong who has participated in market making of L&I Products in Hong Kong and/or overseas markets; or
- Where a group entity will provide technical assistance to the EP, the relevant group entity has at least 1 trading person who has participated in market making of L&I Products in Hong Kong and/or overseas markets.

A SMM for ETFs in Hong Kong may also be eligible to make markets for L&I Products after it has become a Participating Dealer for L&I Products in Hong Kong for at least 1 year.

Each SMM must be endorsed by the particular L&I Product provider prior to applying for SMM permit for the L&I Product from HKEX.

For enquiries, please consult with HKEX.

Ongoing requirements for SMMs of L&I Products

At least 1 SMM is mandatory at the commencement of trading and for continuous trading of the L&I Products.

Termination of L&I Products due to lack of SMM

The L&I Product must be terminated in the event of resignations of all SMMs. The termination should take place at about the same time as the resignation of the last SMM becomes effective. The L&I Product provider and SMM should provide a sufficiently long resignation notice period to allow for an orderly unwinding and termination of the L&I Product.

In addition, advance notices of termination must be issued to investors pursuant to the requirements under the [Code on Unit Trusts and Mutual Funds](#).

SMM obligations for L&I Products

Obligations for SMMs of L&I Products are the same as ETFs and contained in the [Fourteenth Schedule of the Rules of the Exchange](#). HKEX will consult the individual L&I Product provider and SMM before setting the market making obligations for the individual L&I Product. Please refer to the Fourteenth Schedule of the Rules of the Exchange for details.

SMM performance for L&I Products

SMM performance will be monitored by HKEX on an ongoing basis. Those who fail to meet the obligations for a continuous period of 2 months may have their SMM permits revoked and/or banned from applying for SMM permits for other L&I Products for 1 year.

SMM incentives for L&I Products

Incentives for SMMs of L&I Products will be the same as those for ETFs such as exemptions from trading fees and transaction levy. The incentives will be reviewed by HKEX periodically and any change will be subject to the SFC's approval.