

2018Q1 TAIFEX Currency Futures and Options Institutional Liquidity Provider Incentive Program¹

1. Program Purpose

TAIFEX provides incentives to encourage institutional investors to actively participate in TAIFEX currency futures and options during regular trading session (8:45-16:15) and provide liquidity.

2. Program Term

Effective from January 1, 2018 to March 30, 2018. Program may be evaluated and updated on a quarterly basis.

3. Eligible Participants

- Approved TAIFEX market makers
- Institutional investors: Fill out the application form and E-mail to TAIFEX

4. Eligible Contracts²

- USD/CNT FX Futures (RTF)
- USD/CNH FX Futures (RHF)
- USD/CNT FX Options (RTO)
- USD/CNH FX Options (RHO)
- EUR/USD FX Futures (XEF)
- USD/JPY FX Futures (XJF)
- GBP/USD FX Futures (XBF)
- AUD/USD FX Futures (XAF)

5. Programs

Part I: RMB currency products: USD/CNT FX Futures(RTF), USD/CNH FX Futures(RHF), USD/CNT FX Options(RTO), and USD/CNH FX Options(RHO)

A. USD/CNH FX Futures (RHF) and USD/CNT FX Futures (RTF)

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¹ This translated English document is for information purpose only. In the event of discrepancies between the English version and the Chinese version, the Chinese version shall prevail.

² Approved TAIFEX market makers shall utilize Double-sided Quote Orders to provide bid-ask quotes. Institutional investors shall utilize the combination of regular orders to provide bid-ask quotes.

I. Obligations : provide continuous quotes for both RHF and RTF and meet the following obligations:

- i. Quote for all contract months of RHF and RTF and daily average quote time (bid and ask order coexisting time) for each product not less than 4 hours.

- ii. Maximum quote bid and ask spread is as below:

| Contracts | Bid-ask spread |
|--|----------------|
| Front, Second, First quarter, Second quarter | 30 ticks |
| Third quarter, Fourth quarter | 40 ticks |

- iii. Each quote order size for RHF not less than 5 lots, for RTF not less than 25 lots.
- iv. Daily average trading volume for RHF and RTF together exceeds 50 lots.

II. Measurement of Performance:

- i. Performance will be evaluated according to the length of quote time, bid-ask spread and quote order size. Rewards will be given according to the ranking of performance scores.
- ii. Performance scores= $\sum \{ \text{Quote time (in seconds) for the all contract months of RHF and RTF} * \text{bid-ask spread weights of RHF and RTF}^3 * \text{quote order size weights of RHF and RTF}^4 \}$

³RMB futures bid-ask spread (A)=(ask price – bid price)/0.0001 , bid-ask spread weights are as below:

| Bid-ask spread | | weights |
|--|--|---------|
| Front, Second, First quarter, Second quarter | Third quarter and Fourth quarter | |
| $A \leq 8 \text{ ticks}$ | $A \leq 12 \text{ ticks}$ | 6 |
| $8 \text{ ticks} < A \leq 15 \text{ ticks}$ | $12 \text{ ticks} < A \leq 20 \text{ ticks}$ | 4 |
| $15 \text{ ticks} < A \leq 22 \text{ ticks}$ | $20 \text{ ticks} < A \leq 30 \text{ ticks}$ | 2 |
| $22 \text{ ticks} < A \leq 30 \text{ ticks}$ | $30 \text{ ticks} < A \leq 40 \text{ ticks}$ | 1 |

⁴RMB futures quote order size weights are as below:

| Quote order size | | weights |
|------------------|--------------|---------|
| RHF | RTF | |
| Over 16 lots | Over 51 lots | 4 |

Average daily performance scores=Performance
scores/trading days

III. Monthly Rewards:

i. Quote Rewards : Average daily performance scores ranking

1st: NTD 200,000 (ADV 300 lots required⁵), trader credit 5
points

2nd: NTD 180,000 (ADV 250 lots required), trader credit 4
points

3rd: NTD 120,000 (ADV 200 lots required), trader credit 3
points

4th: NTD 100,000 (ADV 150 lots required), trader credit 2
points

5th: NTD 80,000 (ADV 50 lots required), trader credit 1
point

ii. Volume Rewards: Average daily volume ranking for RHF and
RTF

1st: NTD 200,000 (5 hours required⁶), trader credit 6 points

2nd: NTD 150,000 (4.5 hours required), trader credit 4.5 points

3rd: NTD 100,000 (4 hours required), trader credit 3 points

4th: NTD 50,000 (4 hours required), trader credit 1.5 points

iii. Trader Rewards : Ranking of aggregation of trader credit points
of Quote Rewards and Volume Rewards

1st: NTD 50,000

2nd: NTD 40,000

3rd: NTD 30,000

| | | |
|------------|------------|---|
| 11-15 lots | 31-50 lots | 2 |
| 6-10 lots | 26-30 lots | 1 |

⁵ Minimum average daily volume required to receive 1st place Quote Reward for RHF and RTF. For example, a participant ranked 1st but only with ADV of 280 lots, the participant can only receive NTD 180,000.

⁶ Minimum average daily quote hours required to receive 1st place Volume Reward for RHF and RTF. For example, a participant ranked 1st but only with average daily quote hour of 4.8 hrs, the participant can only receive NTD 150,000.

4th: NTD 20,000

- iv. Consolation Rewards: Those who don't receive the Quote Rewards and Volume Rewards but fulfill the quote obligations

1st: NTD 30,000

2nd: NTD 30,000

- v. Participation Rewards: Those who don't fulfill the quote obligations could get exchange fee rebate as below:

| Tiers | Average daily volume for RHF and RTF | Reduction rate of exchange fee |
|-------|--------------------------------------|--------------------------------|
| 1 | 10-24 lots | 40% |
| 2 | 25-49 lots | 50% |
| 3 | 50-99 lots | 60% |
| 4 | 100-149 lots | 70% |
| 5 | Over 150 lots | 80% |

B. USD/CNH FX Options (RHO) and USD/CNT FX Options (RTO)

© Competition Rewards

- I. Obligations: provide continuous quotes for both RHO and RTO and meet the following obligations:

- i. Provide continuous quotes to at least 48 series of the 72 series (call and put, at the money+1~-5) for all contract months. Daily average quote time for each not less than 4 hours.
- ii. Each quote order size for RHO not less than 5 lots, for RTO not less than 25 lots.

- iii. Maximum quote bid-ask spread is as below:

| Contracts | Bid-ask spread |
|--------------------------------|--|
| Front, Second, First quarter | Max($30\% \times \text{Bid price}$, 0.005) |
| Second quarter, Third quarter, | Max($10\% \times \text{Bid price}$, 0.005) |

| Contracts | Bid-ask spread |
|----------------|----------------|
| Fourth quarter | |

- iv. Daily average trading volume for RHO and RTO together exceeds 20 lots.

II. Measurement of Performance :

- i. Performance will be evaluated according to the length of quote time, quote bid-ask spread and quote order size. Rewards will be given according to the ranking of performance scores.
- ii. Performance scores= $\Sigma\{\text{Quote time (in seconds) for the all contract months of RHO and RTO} \times \text{bid-ask spread weights of RHO and RTO}^7 \times \text{quote order size weights of RHO and RTO}^8\}$
Average daily performance scores=Performance scores/trading days

III. Monthly Rewards

- i. Quote Rewards: Average daily performance scores ranking

⁷RMB options bid-ask spread(**B**)=ask price—bid price , Bid-ask spread weights is as below :

| Bid-ask spread | | | |
|---|-----|--|-----|
| Spot month, Second month,Q1 | Wei | Q2,Q3,Q4 | Wei |
| $B \leq \max(15\% \times \text{Bid price}, 0.003)$ | 4 | $B \leq \max(5\% \times \text{Bid price}, 0.003)$ | 4 |
| $\max(15\% \times \text{Bid price}, 0.003) < B \leq \max(20\% \times \text{Bid price}, 0.004)$ | 3 | $\max(5\% \times \text{Bid price}, 0.003) < B \leq \max(6\% \times \text{Bid price}, 0.004)$ | 3 |
| $\max(20\% \times \text{Bid price}, 0.004) < B \leq \max(25\% \times \text{Bid price}, 0.0045)$ | 2 | $\max(6\% \times \text{Bid price}, 0.004) < B \leq \max(8\% \times \text{Bid price}, 0.0045)$ | 2 |
| $\max(25\% \times \text{Bid price}, 0.0045) < B \leq \max(30\% \times \text{Bid price}, 0.005)$ | 1 | $\max(8\% \times \text{Bid price}, 0.0045) < B \leq \max(10\% \times \text{Bid price}, 0.005)$ | 1 |

⁸RMB options quote order lots weight is as below:

| Quote order lots | | weights |
|------------------|--------------|---------|
| RHO | RTO | |
| Over 16 lots | Over 51 lots | 4 |
| 11-15 lots | 31-50 lots | 2 |
| 6-10 lots | 26-30 lots | 1 |

1st: NTD 200,000 (ADV 50 lots required⁹), trader credit 5 points

2nd: NTD 180,000 (ADV 40 lots required), trader credit 4 points

3rd: NTD 120,000 (ADV 30 lots required), trader credit 3 points

4th: NTD 80,000 (ADV 20 lots required), trader credit 2 points

ii. Volume Rewards: Average daily volume ranking for RHO and RTO

1st: NTD 150,000 (6 hours required¹⁰), trader credit 6 points

2nd: NTD 120,000 (5 hours required), trader credit 4.5 points

3rd: NTD 80,000 (4.5 hours required), trader credit 3 points

4th: NTD 50,000 (4 hours required), trader credit 1.5 points

iii. Trader Rewards: Ranking of aggregation of trader credit points of Quote Rewards and Volume Rewards

1st: NTD 50,000

2nd: NTD 40,000

3rd: NTD 30,000

4th: NTD 20,000

iv. Consolation Rewards: Those who don't receive the Quote Rewards and Volume Rewards but fulfill the quote obligations

1st: NTD 50,000

v. Participation Rewards: Those who don't fulfill the quote obligations could get exchange fee rebate as below:

| Tiers | Average daily volume for RHO and RTO | Reduction rate of exchange fee |
|-------|--------------------------------------|--------------------------------|
|-------|--------------------------------------|--------------------------------|

⁹ Minimum average daily volume required to receive 1st place Quote Reward for RHO and RTO. For example, a participant ranked 1st but only with ADV of 55 lots, the participant can only receive NTD 200,000.

¹⁰ Minimum average daily quote hours required to receive 1st place Volume Reward for RHO and RTO. For example, a participant ranked 1st but only with average daily quote hour of 5.5 hrs, the participant can only receive NTD 150,000.

| | | |
|---|--------------|-----|
| 1 | 5-9 lots | 60% |
| 2 | Over 10 lots | 80% |

Part II: Non-RMB currency products: EUR/USD FX Futures(XEF), USD/JPY FX Futures(XJF),GBP/USD FX Futures(XBF),AUD/USD FX Futures(XAF)

C. Non-RMB currency products(XEF,XJF,XBF,XAF)

◎ Competition Rewards

I. Obligations : provide continuous quotes for XEF,XJF,XBF,XAF and meet the following obligations:

- i. Quote for the front month and second month contract of XEF, XJF,XBF,XAF and daily average quote time (bid and ask order coexisting time) for each not less than 4 hours
- ii. Each quote order size is not less than 25 lots.
- iii. Maximum quote bid and ask spread is not less than 6 ticks.

II. Measurement of Performance:

- i. Performance will be evaluated according to the length of quote time, bid-ask spread and quote order size. Rewards will be given according to the ranking of performance scores.
- ii. Performance scores= $\sum \{ \text{Quote time (in seconds) for the front month and second month of non-RMB currency products} * \text{bid-ask spread weights of non-RMB currency products}^{11} * \text{quote order size weights of non-RMB currency products}^{12} \}$

¹¹Non-RMB currency products: XEF,XBF,XAF bid-ask spread ticks(A)=(ask price—bid price)/0.0001,XJF bid-ask spread ticks(A)=(ask price—bid price)/0.01,bid-ask spread ticks weights is as below:

| Bid ask spread ticks | Weights |
|----------------------|---------|
| A≤2 ticks | 4 |
| 2 ticks<A≤4 ticks | 2 |
| 4 ticks<A≤6 ticks | 1 |

¹²XEF and XJF quote order lots weights is as below:

| Quote order size | Weights |
|------------------|---------|
| Over 51 lots | 4 |
| 31-49 lots | 2 |

Average daily performance scores=Performance
scores/trading days

III. Monthly Rewards:

- i. Quote Rewards : Average daily performance scores ranking
 - 1st: NTD 300,000 (ADV 300 lots required¹³)
 - 2nd: NTD 250,000 (ADV 250 lots required)
 - 3rd: NTD 200,000 (ADV 200 lots required)
 - 4th: NTD 180,000 (ADV 150 lots required)
 - 5th: NTD 150,000 (ADV 100 lots required)
 - 6th: NTD 120,000 (ADV 75 lots required)
- ii. Volume Rewards: Average daily volume ranking
 - 1st: NTD 250,000 (5 hours required¹⁴)
 - 2nd: NTD 200,000 (4.5 hours required)
 - 3rd: NTD 150,000 (4 hours required)
 - 4th: NTD 120,000 (4 hours required)
 - 5th: NTD 100,000 (4 hours required)
- iii. XEF and XJF Trader Rewards : Ranking of aggregation of
trader credit points of XEF and XJF quote performance
scores¹⁵ and volume¹⁶
 - 1st: NTD 50,000
 - 2nd: NTD 40,000
 - 3rd: NTD 30,000
 - 4th: NTD 20,000
 - 5th: NTD 10,000

| | |
|------------|---|
| 26-30 lots | 1 |
|------------|---|

¹³ Minimum average daily volume required to receive 1st place Quote Reward for XEF,XJF,XBF,and XAF. For example, a participant ranked 1st but only with ADV of 200 lots, the participant can only receive NTD 200,000.

¹⁴ Minimum average daily quote hours required to receive 1st place Volume Reward for XEF,XJF,XBF,and XAF. For example, a participant ranked 1st but only with average daily quote hour of 4.8 hrs, the participant can only receive NTD 200,000..

¹⁵ XEF and XJF quote performance scores: Trader credit points from Rank NO.1 to Rank NO.6 could get 6, 5, 4, 3, 2, 1 points.

¹⁶ XEF and XJF volume: Trader credit points from Rank NO.1 to Rank NO.5 could get 6, 5, 4, 3, 2 points.

- iv. XBF and XAF Trader Rewards : Ranking of aggregation of trader credit points of XBF and XAF quote performance scores¹⁷ and volume¹⁸

1st: NTD 50,000

2nd: NTD 40,000

3rd: NTD 30,000

4th: NTD 20,000

5th: NTD 10,000

- v. Consolation Rewards: Those who don't receive the Quote Rewards and Volume Rewards but fulfill the quote obligations

1st: NTD 40,000

2nd: NTD 40,000

- vi. Participation Rewards: Those who don't fulfill the quote obligations could get exchange fee rebate as below:

| Tiers | Average daily volume for XEF,XJF, <u>XBF, and XAF</u> | Reduction rate of exchange fee |
|-------|---|--------------------------------|
| 1 | 5-9 lots | 60% |
| 2 | Over 10 lots | 80% |

¹⁷ XBF and XAF quote performance scores: Trader credit points from Rank NO.1 to Rank NO.6 could get 6, 5, 4, 3, 2, 1 points.

¹⁸ XBF and XAF volume: Trader credit points from Rank NO.1 to Rank NO.5 could get 6, 5, 4, 3, 2 points.

6. Miscellaneous

- Any self-match volume will not be aggregated once found. Participants will be disqualified if not abide by relevant rules or regulations.
- Payments will be distributed by way of remittance. TAIFEX will deduct 0.4% Stamp tax for all rewards and 10% withholding income tax for institutions or for individual winning rewards more than NTD 20,000. Winners must claim rewards within 1 month of TAIFEX notice, those who fail to claim by the deadline will be considered as giving up their rewards.
- TAIFEX reserves the rights to explain and amend the terms of the Program should there any matters not mentioned herein.
- TAIFEX reserves the rights in its absolute discretion to cancel, terminate, amend or suspend the Program. Such news will be announced on TAIFEX website. No individual notice will be given.
- Institutional participants may request TAIFEX to send Trader Rewards winned by their traders to their belonging institutions.
- Should any discrepancy between the Chinese version and the English Translation exist, the Chinese version shall prevail.
- TAIFEX reserves the rights to approve and reject the qualification of applying institutions.
- Participants shall provide their trading accounts (non-omnibus accounts) information by filling in the application form. For those who want to participate through an omnibus account, only when there is just one subaccount under the omnibus account then such omnibus account may be used. If there are multiple subaccounts under an omnibus account, such omnibus account shall not be used for this program.
- For more information, please refer to TAIFEX website(www.taifex.com.tw)
- For any question, please contact Trading Department:
 - Ms. Meg Chiu (megchiu@taifex.com.tw)
 - Mr. Joseph Fang (josephfang@taifex.com.tw)
 - Mr. Sean Chuang (sean@taifex.com.tw)

Taiwan Futures Exchange

Application Form - Currency Futures and Options (Regular Trading Session) Institutional Liquidity Provider Incentive Program (Non-Omnibus Accounts)

| | |
|----------------------------|--|
| Company Name | |
| FINI ID | |
| Trading Account | FCM ID - - - - - Account- - - - - |
| Contact Information | Name : |
| | TEL : |
| | E-mail : |
| Authorized Trader | Signature : |
| | Date : |

TAIFEX email : megchiu@taifex.com.tw;

josephfang@taifex.com.tw; sean@taifex.com.tw

Taiwan Futures Exchange

Application Form - Currency Futures and Options (Regular Trading Session) Institutional Liquidity Provider Incentive Program (Omnibus Accounts)

| | | |
|---|------------------------|---|
| Omnibus Account | Company Name | |
| | FINI ID | |
| | Trading Account | FCM ID _ _ _ _ _ Account _____ |
| Sub-Account (Institutional Investor) | Company Name | |
| | FINI ID | |
| Contact Information | Name : | |
| | TEL : | |
| | E-mail : | |
| Authorized Trader | Signature : | |
| | Date : | |

TAIFEX email : megchiu@taifex.com.tw;

josephfang@taifex.com.tw; sean@taifex.com.tw

For those who want to participate through an omnibus account, only when there is just one subaccount under the omnibus account then such omnibus account may be used. If there are multiple subaccounts under an omnibus account, such omnibus shall not be used for this program.

**Agreement of Personal Information Usage for Registration of
Currency Futures and Options (Regular Trading Session)
Institutional Liquidity Provider Incentive Program**

I agree that Taiwan Futures Exchange Co., Ltd is authorized to collect, process, and use my personal information after receiving my company's above application form regarding Institutional Liquidity Provider Incentive Program.

I agree that Taiwan Futures Exchange Co., Ltd is authorized to collect my personal information but the collection is limited to the name, telephone number, and e-mail address. The time period is limited from whenever I provide the information to 5 years after the end of the incentive program.

I understand that according to the regulation of Article 3 of the Personal Information Protection Act, I have the right to request Taiwan Futures Exchange Co., Ltd for review, duplication, and supplement or correction of my personal information. I also have the right to request Taiwan Future Exchange Co., Ltd to discontinue collection and possessing or usage of my personal information and delete my personal information 5 years after the end of the incentive program.

To: Taiwan Futures Exchange Co., Ltd

Client: _____(Signature)