

Detailed Clearing Rules of China Financial Futures Exchange

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Chapter I General Provisions

Article 1 These Detailed Rules are formulated in accordance with the Trading Rules of China Financial Futures Exchange for the purpose of regulating the clearing and settlement of futures transactions, protecting the legitimate rights and interests of futures trading participants as well as the interests of the public, avoiding and mitigating risks in the futures market, and ensuring proper clearing of futures transactions on China Financial Futures Exchange (hereinafter referred to as the Exchange).

Article 2 Clearing refers to the process whereby the Exchange calculates and transfers trading margin, profits and losses, transaction fees and other relevant funds of both parties to the transaction in accordance with the

transaction results, the published settlement price and the relevant regulations of the Exchange.

Article 3 The Exchange adopts a margin system, a mark-to-market system, a settlement guarantee fund system and a risk reserve system for clearing and settlement of futures transactions.

Article 4 The Exchange adopts a multi-tiered membership clearing system, under which the Exchange carries out settlement with clearing members; clearing members carry out settlement with their clients as well as the trading members that have appointed them for clearing; and trading members carry out settlements with their clients.

Article 5 The Exchange, members, clients and futures margin depository banks shall comply with these Detailed Rules.

Chapter II Clearing Institutions

Article 6 Clearing institutions include the clearing department within the Exchange and the clearing departments of members. The clearing department of the Exchange is responsible for the unified clearing of futures transaction on the Exchange, the management of margin and settlement guarantee fund, and the prevention of clearing risks.

Article 7 The main duties and responsibilities of the clearing department of the Exchange are:

- (1) to prepare clearing statements for clearing members;
- (2) to process the transfer of funds;
- (3) to keep statistics on, carry out registration of, and make report on the clearing of transactions;
- (4) to resolve funds disputes among members with respect to futures transactions;
- (5) to carry out clearing and delivery;
- (6) to manage margins and the settlement guarantee fund;
- (7) to control settlement risks;
- (8) to supervise futures clearing business between the futures margin depository bank and the Exchange; and
- (9) other duties and responsibilities as provided by laws, administrative regulations, rules and the Exchange's regulations.

Article 8 All contracts executed on the Exchange must be cleared and settled on a unified basis through the clearing department of the Exchange.

Article 9 The Exchange adopts a multi-tiered membership clearing system, under which the clearing department of the Exchange is responsible for clearing and settlement between the Exchange and clearing members.

Article 10 Members must establish their own clearing departments. The clearing department of a clearing member is responsible for clearing and settlement between the clearing member and the Exchange, clients and trading members; and the clearing department of a trading member is responsible for clearing and settlement between the trading member and the clearing member and clients.

Article 11 The Exchange shall be entitled to inspect clearing documents, financial statements as well as relevant credentials and accounting books of members.

Article 12 The clearing departments of members shall properly keep their clearing documents, financial statements as well as relevant credentials and accounting books for inquiry and verification.

Article 13 Settlement clerks are the persons authorized by clearing members to conduct clearing and delivery business on behalf of members. Each clearing member shall appoint two or more settlement clerks.

A settlement clerk shall meet the qualification requirements for futures practitioners set forth by China Securities Regulatory Commission (hereinafter referred to as the CSRC), obtain the settlement clerk training certificate issued by the Exchange after completing training courses organized by the Exchange, and, with the authorization of the member with which the settlement clerk serves, obtain the Certificate of China Financial Futures Exchange for Settlement Clerks (hereinafter referred to as the Certificate for Settlement Clerks).

Article 14 The settlement clerks shall perform the following duties and responsibilities:

- (1) to handle the deposit and withdrawal of funds for members;
- (2) to process any marketable securities deposited as margin;
- (3) to obtain clearing data provided by the Exchange and verify the data in a timely manner; and
- (4) to conduct other clearing and delivery business.

Article 15 Settlement clerks must present their Certificate for Settlement Clerks when conducting clearing and delivery business at the Exchange.

Article 16 The Certificate for Settlement Clerks can only be used by the certificate owner and any forging, alteration or borrowing thereof is

prohibited. In case of change of the settlement clerk of a member, the member shall complete relevant procedures with the Exchange in a timely manner.

Article 17 Clearing members shall strengthen management of their settlement clerks and set strict standards for their operations.

Article 18 Clearing institutions and their staff shall keep the business secrets of the Exchange, clearing members and clients.

Chapter III Futures Margin Depository Bank

Article 19 The futures margin depository bank is the bank that has entered into an agreement with the Exchange to assist the Exchange in effecting settlement of futures transactions.

Article 20 The futures margin depository bank have the following rights:

- (1) to open the special clearing account for the Exchange and futures margin accounts for members;
- (2) to deposit margin and relevant funds for futures transactions;
- (3) to check the credit status of members at the Exchange; and

(4) other rights as provided by laws, administrative regulations, rules and the Exchange.

Article 21 The futures margin depository bank shall fulfill the following obligations:

(1) giving priority to the fund transfer of clearing members in accordance with the bills or instructions provided by the Exchange;

(2) notifying the Exchange timely of any malpractice and risks of members with respect to fund settlement;

(3) keeping the business secrets of the Exchange, members and clients;

(4) assisting the Exchange in mitigating significant risks that arise on the part of the Exchange;

(5) providing the Exchange with the fund information on margin accounts of members;

(6) assisting the Exchange in checking the source and destination of the funds of members as required by the Exchange;

(7) adopting necessary supervisory measures over the funds in the margin accounts of members as required by the CSRC or the Exchange; and

(8) other obligations as provided by laws, administrative regulations, rules and the Exchange.

Chapter IV Daily Clearing

Article 22 The Exchange shall open a special clearing account at the futures margin depository bank for depositing the margin and relevant funds of clearing members.

Article 23 A clearing member shall open a futures margin account at the futures margin depository bank for depositing margin and relevant funds.

Article 24 The futures margin account opened by a clearing member at the futures margin depository bank at the place where the Exchange is domiciled is called the special fund account.

Fund transfers between the Exchange and a clearing member with respect to futures business shall be conducted through the special clearing account of the Exchange and the special fund account of the clearing member.

Article 25 A clearing member shall present the special notice issued by the Exchange when it opens, renames, replaces or closes the special fund account at the futures margin depository bank.

Article 26 The Exchange and clearing members shall enter into a futures margin depository agreement with the futures margin depository bank respectively in accordance with relevant regulations.

The Exchange is entitled to collect various receivables from the special fund account of clearing members through the futures margin depository bank without notice to the clearing members, and is also entitled to enquire on the status of funds in such account at any time.

Article 27 The Exchange shall separately manage the margin deposited by each clearing member in the special clearing account of the Exchange by establishing a subsidiary account for each clearing member to record and calculate in daily order the deposit and withdrawal, profits and losses, trading margin, transaction fee, etc. of each clearing member.

Article 28 A clearing member shall separately manage the margin deposited by each client or trading member in the margin account of the clearing member by establishing a subsidiary account for each client or trading member to record and verify in daily order the deposit and withdrawal, profits and losses, trading margin, transaction fee, etc. of the client or trading member.

Article 29 A trading member can only appoint one special clearing member or full-clearing member to carry out clearing on its behalf.

Article 30 The Exchange adopts a settlement guarantee fund system. The settlement guarantee fund refers to the common guarantee fund contributed by clearing members as required by the Exchange for the purpose of addressing the default risks of the clearing members.

Article 31 The Exchange shall establish a special account for the settlement guarantee fund to separately manage the settlement guarantee fund contributed by clearing members.

A clearing member shall establish a special account for the settlement guarantee fund at the bank designated by the Exchange for fund transfers with respect to the contribution to and adjustment of the settlement guarantee fund between itself and the Exchange's special account for the settlement guarantee fund. The contribution and adjustment standards for the settlement guarantee fund shall be governed by the Measures of China Financial Futures Exchange on Risk Management and other relevant regulations.

Article 32 The Exchange shall establish a subsidiary account under its special account for the settlement guarantee fund for each clearing member and shall manage the subsidiary account in accordance with the relevant regulations of the CSRC and the Exchange. After deducting necessary expenses and taxes, the Exchange will return the earnings to clearing members in accordance with relevant regulations. The Exchange

will calculate the settlement guarantee fund for each clearing member on a quarterly basis.

Article 33 A clearing member shall present the special notice issued by the Exchange when it opens, renames, replaces or closes the special account for the settlement guarantee fund at the designated bank.

Article 34 The Exchange adopts a margin system. Margin is classified into settlement reserve and trading margin.

Article 35 The settlement reserve is deposited in advance by a clearing member in the special clearing account of the Exchange and is not taken up as trading margin by the contract.

Article 36 The minimum balance of the settlement reserve of a clearing member is RMB 2 million and shall be paid by the clearing member out of its own funds. The Exchange may in its discretion adjust the level of the minimal balance of the settlement reserve of clearing members depending on market conditions.

Article 37 In the last ten days of March, June, September and December of each year, the Exchange will transfer the interest on the daily balance of settlement reserve of each member, calculated at an interest rate not less than the current deposit rate for the same period published by the People's Bank of China, to the settlement reserve of the clearing member.

The specific interest rate will be determined, adjusted and published by the Exchange.

Article 38 The trading margin refers to the funds deposited by a clearing member into the special clearing account of the Exchange to ensure the performance of the clearing member's obligations under contracts that have been executed; it is the portion of the clearing member's margin tied to its existing transactions. Once a contract is executed, the Exchange shall collect a trading margin from both parties to the transaction of an amount equal to the value of the open positions multiplied by a set margin rate or as otherwise provided for by the Exchange.

The Exchange will collect a trading margin on the open positions resulting from selling transactions and a trading margin on the open positions resulting from buying transactions. The Exchange may collect trading margin solely from the side for which a larger amount of trading margin is required under any of the following circumstances:

(1) long and short positions, either in the same product or in different products, are being held under the same client code with the same member (excluding those physically-delivered contracts held after the close of the market on the trading day immediately preceding the delivery month);

(2) any other circumstance that warrants such a collection scheme as determined by the Exchange.

The specific products for which the above-mentioned inter-product margin collection scheme is applicable will be published in Exchange Notices.

Article 39 The level of trading margin is set forth in the relevant regulations of the Exchange.

Article 40 The trading margin collected by a clearing member from a client or trading member shall not be lower than that charged by the Exchange from the clearing member. The trading margin collected by a trading member from its clients shall not be lower than that charged by the clearing member from the trading member.

Article 41 The Exchange adopts a mark-to-market system.

After the close of the market each day, the Exchange will clear the profits and losses, trading margin, transaction fees and taxes for all contracts of each clearing member at the daily settlement price, then make a one-off transfer of the net receivables and payables, and make additions to or deductions from the settlement reserve accordingly.

After the Exchange completes settlement, a clearing member will carry out settlement for its clients and trading members on the principle as stated in the preceding paragraph, and a trading member will carry out settlement for its clients based the same principle.

Article 42 Based on the contracts executed on the current day, the Exchange will collect transaction fees from clearing members in accordance with the prescribed fee rate.

The Exchange may in its discretion adjust the transaction fee rate.

Article 43 Unless otherwise stipulated by the Exchange, the daily settlement price of a specific contract refers to the trading-volume-weighted average of the execution prices of such contract being centrally traded during a certain period of time on a trading day.

If trading is interrupted during this period due to a triggered circuit breaker, a call auction or a trading halt, a corresponding segment of trading time preceding such interruption shall be factored in the calculation of settlement price such that the overall length of this period is not abridged.

In the absence of any transaction in the period of time, the trading-volume-weighted average price of the execution prices during a previous corresponding period of time will be taken as the settlement

price for that day. In case no transaction is available in this corresponding period of time, the period of time preceding the previous one will be considered as the corresponding period of time, and so on and so forth. In case that the last transaction is executed less than the corresponding period of time after market opening, the trading-volume-weighted average price during the whole day will be taken as the settlement price for that day.

In the absence of any transaction during the whole day, the settlement price for that day shall be calculated as follows: settlement price = settlement price of the preceding trading day for the particular contract + same day settlement price for the benchmark contract – settlement price of the previous trading day for the benchmark contract, where the benchmark contract is the contract which is executed on the same day and is the closest to the delivery month. In the case of a newly listed contract, the quoted basis price for the contract will be taken as the settlement price of the preceding trading day. In case that the benchmark contract is delivered on the same day, the final settlement price will be taken as the same day settlement price for the benchmark contract. In case the settlement price for that day as calculated according to the abovementioned formula exceeds the daily price limit on the contract, the limit price will be taken as the settlement price for that day.

In case that the settlement price for that day still cannot be determined using the abovementioned method, or the settlement price so calculated is obviously unreasonable, the Exchange shall be entitled to determine the settlement price for that day.

Article 44 The settlement price for a contract is used as the basis for calculating the profits or losses of the same day. The specific calculation formula shall be separately provided by the Exchange.

Article 45 The profits or losses for a particular trading day will be transferred at the time of settlement on the same day. Profits will be transferred to the settlement reserve of clearing members, while losses will be deducted from the settlement reserve of clearing members.

At the time of settlement, if the trading margin exceeds the trading margin available at the time of settlement on the previous trading day, the difference will be deducted from the settlement reserve; if the trading margin is less than the trading margin of the previous trading day, the difference will be transferred to the settlement reserve.

Transaction fees and taxes will be deducted from the settlement reserve.

Article 46 The balance of the settlement reserve is calculated as follows:

Current day's settlement reserve balance = balance of settlement reserve of the previous trading day + trading margin of the previous trading day + current day's actual usable amount of margin paid with marketable securities – previous trading day's actual usable amount of margin paid with marketable securities – trading margin of the current day + profit or loss of the current day + fund deposit – fund withdrawal – fees and charges.

The specific formula used to calculate collateral haircuts of the marketable securities deposited as margin shall be governed by relevant provisions under Chapter V of this Detailed Rules.

Article 47 If, after the completion of settlement, the balance of the settlement reserve of a clearing member is lower than the minimum balance threshold, the clearing result shall be deemed as the Exchange's margin call to the clearing member, with the gap between the two being the additional margin that must be deposited by the clearing member.

After the margin call is issued, the Exchange can deduct the additional margin from the special fund account of the clearing member through the futures margin depository bank. In case that the additional margin is not fully deducted, the clearing member must replenish funds up to the minimum balance threshold before the opening of the market on the following trading day. If the clearing member fails to meet margin call

requirements and the balance of the settlement reserve is lower than the minimum balance threshold, new positions shall not be opened. If the balance of the settlement reserve is less than zero, disciplinary actions shall be imposed in accordance with the Measures of China Financial Futures Exchange on Risk Management.

Article 48 In the course of trading, the Exchange may issue a margin call to a risky clearing member depending on market risk conditions and may also make deductions from the special fund account of the clearing member through the futures margin depository bank. In case that the additional margin is not fully deducted, the clearing member must replenish funds within the specified time limit as required by the Exchange. If the clearing member fails to meet margin call requirements before the deadline, the Exchange shall be entitled to take risk control measures such as restricting opening of new positions and forcing liquidation.

Article 49 The Exchange shall process fund deposits and withdrawal for its members on the principles of safety, accuracy and promptness.

Fund deposit refers to transfer of funds from the special fund account of the clearing member into the special clearing account of the Exchange, while fund withdrawal refers to transfer of funds out of the special

clearing account of the Exchange to the special fund account of the clearing member.

1. Fund deposit

(1) Bill payment. Clearing members can deposit funds by check, promissory note or credit voucher issued from the special fund account of the clearing member. After the futures margin depository bank confirms the payment, the Exchange will increase the clearing member's settlement reserve at the Exchange.

(2) Bank transfer. A clearing member may file a written or electronic fund transfer application with the Exchange before the end of trading on each trading day. After the futures margin depository bank confirms the payment, the Exchange will increase the clearing member's settlement reserve at the Exchange.

2. Fund withdrawal

A clearing member may file a written or electronic fund transfer application with the Exchange before the close of the market on each trading day. After examination, the Exchange will notify the futures margin depository bank to effect transfers between the special fund account of the clearing member and the special clearing account of the Exchange after the close of the market on the same day.

Article 50 Any clearing member must comply with the relevant rules of the Exchange when withdrawing funds. The amount that a clearing member is allowed to withdraw is calculated as follows:

If the clearing member's actual usable amount of margin paid with marketable securities is:

(1) equal to or greater than 80% of its trading margin: the amount available for withdrawal = current cash balance – trading margin × 20% – minimum balance of settlement reserve.

(2) less than 80% of its trading margin: the amount available for withdrawal = current cash balance – (trading margin – actual usable amount of margin paid with marketable securities) – minimum balance of settlement reserve.

The Exchange may adjust the level of amount allowed to be withdrawn by a clearing member depending on current market risk conditions.

Article 51 The Exchange may restrict withdrawal of funds by a clearing member if any of the following applies:

(1) the clearing member or the client is suspected of serious breaches of rules and regulations and the Exchange has initiated an investigation into the breaches;

(2) the clearing member or the client is under an investigation initiated by the judicial organ or other relevant authority;

(3) significant risk has arisen in the market as determined by the Exchange; or

(4) other circumstances as recognized by the Exchange.

Article 52 After the completion of clearing on each trading day, the clearing member shall obtain the related clearing data via the system of the Exchange.

Article 53 In case that the Exchange is unable to provide clearing data on time under special conditions, the Exchange will notify the clearing member of the time and method for provision of the clearing data.

Article 54 A clearing member shall obtain the clearing data provided by the Exchange in time each day, verify the data carefully, and keep the data properly.

Article 55 If a clearing member disagrees with the clearing data, it shall notify the Exchange in writing no later than 30 minutes prior to the opening of the market on the next trading day. Under special circumstances, the clearing member may notify the Exchange in writing within two hours following the market opening on the next trading day.

If the clearing member does not raise any objection to the clearing data within the period as specified in the preceding paragraph, it is deemed that the clearing member has acknowledged the correctness of the clearing data.

Article 56 The Exchange will, on the first trading day of each month, provide clearing members with the Fund Settlement Statement of China Financial Futures Exchange of the previous month and, on the first trading day of each quarter, provide clearing members with the Settlement Guarantee Fund Statement of China Financial Futures Exchange as the evidence for verification by clearing members.

Chapter V Marketable Securities Deposited as Margin

Article 57 The Exchange accepts the following marketable securities as margin:

- (1) on-shore book-entry treasury bonds issued by the Ministry of Finance of the People's Republic of China; or
- (2) other marketable securities acceptable to the Exchange.

The specifics of marketable securities that can be deposited as margin shall be determined and announced to the market by the Exchange.

Article 58 Any losses, fees and levies, payments and taxes incurred in connection with futures trading shall be paid with cash.

Article 59 Any client or such client's carrying trading member that has provided marketable securities as margin is deemed to consent to its carrying clearing member forwarding the marketable securities to the Exchange to be deposited as margin. Any client of a trading member that has provided marketable securities as margin is deemed to consent to the trading member forwarding the marketable securities to its clearing member to be deposited as margin, and consent to the clearing member forwarding the marketable securities to the Exchange to be deposited as margin.

Any client or member that has provided marketable securities as margin is deemed to have authorized the relevant custodian institution as designated by the Exchange to carry out transfers of the corresponding marketable securities deposited into such client's or member's account opened with such custodian institution and assigned for such deposit, or register the marketable securities as collateral. The transfer, collateral registration and administration of such marketable securities shall be governed by the relevant rules of the custodian institution.

Article 60 A client shall provide treasury bonds with a combined face value of no less than RMB 1 million each time the client wishes to use

treasury bonds as margin.

Article 61 To use marketable securities as margin, the following procedures shall be followed:

(1) Request: any client wishing to use marketable securities as margin shall carry out the requisite procedures through its carrying member, whereupon the member shall report the client's request, along with such other information as the name and quantity of the marketable securities and the client's custody account, to the Exchange by 14:00 on the same day.

(2) Verification: the client shall ensure that there is sufficient amount of marketable securities free of title defect within its custody account. The Exchange will request the custodian institution with which the client has opened its custody account to transfer the marketable securities or register them as collateral using the information provided by the member. The process is deemed complete after the custodian institution has successfully transferred the marketable securities or registered them as collateral.

Article 62 The benchmark value for any treasury bond deposited as margin shall be the lower of the estimates provided by the custodian institutions. At the time of settlement on each trading day, the Exchange shall determine the market value of a treasury bond based on the net price

of its benchmark value on the previous trading day. The Exchange may adjust the benchmark value of any treasury bond.

Article 63 The collateral haircuts of a marketable security shall be calculated as follows:

(1) A discount is applied to the market value of a marketable security to derive a discounted value; a discount rate of 80% (“discount rate”) is applied to the market value of treasury bonds when they are deposited as margin;

(2) The maximum amount of margin that can be paid with marketable securities by a clearing member is equal to four times (“multiplier”) the current cash balance held by the clearing member in the special clearing account of the Exchange (“multiplier-based cap”).

At the time of settlement on each trading day, a clearing member’s actual usable amount of margin paid with marketable securities is the lower of the discounted value of the clearing member’s marketable securities or the multiplier-based cap. The Exchange may adjust the discount rate and multiplier based on market risks.

Article 64 For any particular trading day, if a clearing member has completed the procedures to deposit its marketable securities as margin before the close of the market, the Exchange shall factor such marketable

securities into the calculation of the actual usable amount of margin paid with marketable securities for such clearing member at the time of settlement on the same trading day; if a clearing member completes the procedures after the close of the market, the Exchange shall factor such marketable securities into the calculation on the following trading day.

Article 65 Any interest paid on a client's treasury bond while it is deposited as margin shall belong to the client and be governed by the relevant rules of the custodian institution.

Article 66 The Exchange will no longer factor any treasury bond that is deposited as margin into the calculation of the actual usable amount of margin paid with marketable securities starting from the time of settlement on the first trading day of the month prior to the treasury bond's maturity date. The member holding such treasury bond should withdraw the treasury bond or release it from collateral before the maturity date.

Article 67 The Exchange may reject a member's marketable securities that have been, are being or will be deposited as margin under any of the following circumstances:

(1) the withdrawal and use of funds by the member involves significant risks and may threaten the legitimate rights and interests of the Exchange;

or

(2) any other circumstance that warrants such rejection as believed by the Exchange.

Article 68 Any member that wishes to withdraw its marketable securities or release them from collateral shall submit such a request to the Exchange before 14:00 on the same day and make up any shortfall in its trading margin.

Article 69 Any member that deposits marketable securities as margin shall pay a handling charge to the Exchange. The Exchange shall determine, adjust, and publish the precise amount subject to charge and rate schedule for such handling charge.

Article 70 Any member that deposits marketable securities as margin shall bear the corresponding fees charged by the custodian institution, the precise amount of which shall be governed by the relevant rules of the custodian institution.

Article 71 The Exchange may dispose of a clearing member's marketable securities if such clearing member fails to meet or cannot fully meet its trading margin requirement; the proceeds shall be first used to cover any

shortfall in the clearing member's trading margin and any indebtedness in connection with its trading activities. Any loss arising from such disposition shall be borne by the clearing member.

Chapter VI Change of Clearing Relationship

Article 72 The Exchange may process the change of clearing relationship for relevant members if any of the following applies:

- (1) the clearing agreement between the clearing member and the trading member is not renewed upon its expiration;
- (2) the clearing member and the trading member agree to terminate the clearing agreement in advance;
- (3) the full-clearing member or special clearing member is unable to carry out clearing for a trading member for some reason;
- (4) the trading member becomes a clearing member, or the clearing member becomes a trading member; or
- (5) other circumstances as recognized by the Exchange.

Article 73 Upon the occurrence of the circumstance set out in Subparagraph (1) of Article 57, the trading member and the incumbent clearing member shall submit the following documents to the Exchange

no later than 30 days prior to the expiration of the clearing agreement between the trading member and the last clearing member:

(1) the Application Form for Changing Clearing Members by Trading Members;

(2) the clearing agreement entered into by the trading member and the incumbent clearing member; and

(3) other documents as required by the Exchange.

Upon the occurrence of the circumstance set out in Subparagraph (2) or (3) of Article 57, in addition to the documents enumerated in the preceding paragraph, the trading member and the incumbent clearing members shall submit the clearing termination agreement between the trading member and the last clearing member.

Upon the occurrence of the circumstance set out in Subparagraph (4) of Article 57, relevant members shall complete membership change procedures pursuant to the relevant provisions of the Measures of China Financial Futures Exchange on Membership Management and file an application for the change of clearing relationship.

Article 74 The Exchange will review the application documents provided by members and, when approval is granted, notify relevant members of the date appointed for the change of clearing relationship.

Article 75 After settlement on the appointed date, the Exchange will process the change of clearing relationship for relevant members, transfer the positions and relevant trading margin, and provide the list of positions to the relevant members for their verification and confirmation.

The Exchange may refrain from processing the change of clearing relationship if, after settlement on the appointed date, significant risk arises in the market or any other circumstance as recognized by the Exchange occurs.

Article 76 The trading member and the clearing member shall cooperate with each other when the Exchange processes the change of clearing relationship. Before the Exchange completes the relevant procedures, the last clearing member shall fulfill the contractual obligations of clearing the positions it is responsible for.

Article 77 The Exchange will charge a processing fee based on the quantity of the positions transferred. The processing fee is RMB 10 per lot and will be deducted from the settlement reserve of the incumbent

clearing member. The Exchange may in its discretion adjust the processing fee level.

Chapter VII Transfer of Client Positions

Article 78 In the case that a member is no longer able to conduct futures brokerage business for some reason, or when required by the CSRC, the member shall file an application for the transfer of positions. After the application is approved by the Exchange, the Exchange may transfer the positions and related trading margin of the clients of the member.

Article 79 The application documents submitted by the member shall include the declarations by the transferring member, its clients and the receiving member on their agreement for the transfer, and a detailed list of the clients' positions to be transferred. If the receiving member or transferring member is a trading member, a similar declaration by the clearing member appointed by the trading member shall also be submitted.

Article 80 After the application for position transfer is approved, the Exchange will notify the member of the date designated for the transfer.

Article 81 The Exchange will transfer positions for the member after settlement on the designated date and provide a list of transferred positions to relevant members. The member shall verify and confirm the transfer list. If the receiving member or the transferring member is a trading member, such list must also be provided to the clearing member appointed by the trading member for confirmation.

Article 82 The Exchange may refrain from transferring positions if, after settlement on the designated date, significant risk arises in the market or any other circumstance as recognized by the Exchange occurs.

Chapter VIII Delivery and Settlement

Article 83 Contracts adopt the cash delivery method or the physical delivery method.

Where the cash delivery method is adopted, the Exchange will transfer the profits or losses for the two parties based on the final settlement price and close the open positions at maturity after the close of the market on the last trading day for the contract.

Where the physical delivery method is adopted, the two parties shall close the maturing open contracts by transferring the title of the underlying

instruments stated in the contract in accordance with the rules and procedures of the Exchange.

Article 84 The final settlement price shall be determined in accordance with the relevant regulations of the Exchange. The Exchange may in its discretion adjust the final settlement price depending on market conditions.

Article 85 The Exchange will collect a delivery fee from clearing members in accordance with the stipulated rates. The Exchange may in its discretion adjust delivery fee levels depending on market conditions.

Chapter IX Risks and Liabilities

Article 86 A tiered responsibility system is adopted for risk management. The Exchange is responsible for managing risks of clearing members, clearing members are responsible for managing risks of their clients and of the trading members that have appointed them for clearing, and trading members are responsible for managing risks of their clients.

Article 87 A clearing member has contractual obligations with respect to the contract transactions executed on the Exchange by itself, its clients and the trading members that have appointed it for clearing.

Article 88 In the case that a clearing member is unable to fulfill its contractual obligations, the Exchange may in its discretion adopt protection measures in the following order:

- (1) suspending the opening of new positions;
- (2) forcing liquidation and using the margin released from liquidation for contract fulfillment and compensation;
- (3) disposing of the clearing member's marketable securities and using the proceeds derived therefrom for contract performance and payment of damages;
- (4) using the settlement guarantee fund contributed by the defaulting clearing members;
- (5) using the settlement guarantee fund contributed by other clearing members;
- (6) using the risk reserve of the Exchange;
- (7) using the proprietary funds of the Exchange.

After fulfilling the contractual obligations on behalf of the defaulting member, the Exchange will have the right to claim compensation from the defaulting member.

Article 89 The Exchange adopts a risk reserve system. The risk reserve refers to the fund established by the Exchange to provide financial guarantee for maintaining the robust operation of the futures market and cover any losses arising from risks unforeseeable to the Exchange.

Article 90 Sources of the risk reserve include:

(1) funds extracted by the Exchange from the management expenses which are equivalent to 20% of the transaction fees; and

(2) other revenue sources in compliance with the fiscal policies of the State.

When the balance of the risk reserve reaches a sizable amount, the Exchange may make no further allocation upon the approval of the CSRC.

Article 91 The risk reserve must be accounted for separately and deposited in a special account.

Article 92 The use of the risk reserve shall be subject to the approval of the board of directors of the Exchange and it shall be used for specified purposes and in accordance with the prescribed procedures after reporting to the CSRC.

Chapter X Supplementary Provisions

Article 93 The custodian institutions referred to in these Detailed Rules are the China Central Depository & Clearing Co., Ltd. and the China Securities Depository and Clearing Co., Ltd.

Article 94 Any violations of these Detailed Rules shall be dealt with by the Exchange in accordance with these Detailed Rules and the Measures of China Financial Futures Exchange on Dealing with Violations and Breaches.

Article 95 The power to interpret these Detailed Rules shall be vested in the Exchange.

Article 96 These Detailed Rules shall come into effect as of January 2, 2019.