Detailed Delivery Rules of China Financial Futures Exchange for Treasury Bond Futures Contract

(Adopted on July 1, 2015; amended for the first time on January 4, 2017; amended for the second time on August 6, 2018; amended for the third time on December 28, 2018)

Chapter I General Provisions

Article 1 These Detailed Delivery Rules are formulated in accordance with the Trading Rules of China Financial Future Exchange and related implementation rules thereof for the purpose of regulating the delivery of treasury bond futures contracts on China Financial Futures Exchange (hereinafter the “Exchange”).

Article 2 Treasury bond futures contract (hereinafter a “Contract”) is settled by physical delivery.

Article 3 The Exchange, members, clients and other futures market participants shall abide by these Detailed Delivery Rules.

Article 4 Custody services for treasury bonds involved in delivery shall be provided by treasury bond custodian institutions (each hereinafter a “custodian institution”) in accordance with its rules and policies.

The aforementioned Custodian Institutions refer to China Central Depository & Clearing Co., Ltd. (hereinafter the "CCDC") or China Securities Depository and Clearing Co., Ltd. (hereinafter the "CSDC").

Chapter II Deliverable Treasury Bonds

Article 5 The deliverable treasury bonds of the Contract shall:

1. be book-entry treasury bonds issued onshore by the Ministry of Finance of the People's Republic of China;

2. be simultaneously listed for trading on the national inter-bank bond market, Shanghai Stock Exchange and Shenzhen Stock Exchange;

3. have a fixed interest rate with regular interest payments;

4. have a residual maturity upon the first day of the Contract's expiring month in accordance with relevant provisions of the Contract;

5. be in compliance with the rules on the transfer of custody for treasury bonds; and

6. satisfy any other conditions as required by the Exchange.

Article 6 The delivery unit of 2-year treasury bond futures contracts is treasury bonds with a face value of RMB 2 million, that of 5-year and 10-year treasury bond futures contracts is treasury bonds with a face value of

RMB 1 million. Each delivery unit shall only include the same treasury bonds under the custody of the same custodian institution. CSDC Shanghai Branch and CSDC Shenzhen Branch shall be treated as separate custodian institutions in considering the treasury bonds under custody.

Article 7 The deliverable treasury bonds for a Contract and the numerical value of the conversion factors thereof shall be determined and released by the Exchange.

Chapter III Verification of Treasury Bond Custody Account

Article 8 Any client involved in delivery shall report, in advance, its treasury bond custody account (each hereinafter a "custody account") to the Exchange through its carrying member. Any single client that has opened custody accounts with more than one member shall submit separate reports with respect to each of such accounts. Any client and member shall ensure that the custody account so reported is authentic, valid and owned by the said client.

Any client that has opened its custody accounts with CCDC may report only one such account. Any client that has opened its custody accounts with CSDC shall report its accounts at both the CSDC Shanghai Branch and the CSDC Shenzhen Branch but only one from each branch.

Article 9 Any member that reports, on behalf of its client, the custody account of the said client shall submit the following materials affixed with its official stamp to the Exchange:

1. report form for the custody account of the client;

2. documents certifying the status of the client's custody account;

3. documents verifying the identity of the client; and

4. any other materials required by the Exchange.

The member shall review the reporting materials with due diligence and ensure that the information provided therein is authentic, accurate and complete.

Article 10 Members may report to the Exchange their clients' custody accounts between 9:15 and 14:00 on each trading day. The Exchange shall review the report and issue a response thereto within three trading days after the report is officially accepted. During the reviewing process, the Exchange may require the member to provide supplementary materials, the time consumed by which shall be excluded from the aforementioned review and response time.

Article 11 If a client's custody account is yet unverified up to two trading days before the delivery month of the Contract, the client shall ensure that it holds zero position in the said Contract during the period starting from the trading day preceding the delivery month till the last trading day of the delivery month.

Starting from the trading day preceding the delivery month, the Exchange shall force liquidate any position in any delivery month Contract held by any client with an unverified custody account in accordance with the Measures of China Financial Futures Exchange on Risk Management.

Article 12 Each client shall promptly report to the Exchange any change to its custody account information through its carrying member.

Chapter IV Delivery Process

Article 13 The seller to a given Contract shall voluntarily tender for delivery between the first trading day and the last trading day of the delivery month of the Contract, upon which the Exchange shall arrange matching counterparties to complete the delivery process within a prescribed timeframe. Any open position not liquidated by the market close on the last trading day shall automatically enter the delivery process in accordance with rules of the Exchange.

Any client involved in the delivery process shall be deemed to have authorized the Exchange to delegate relevant custodian institutions to transfer the corresponding treasury bonds held under such custody account of the client as specified in the delivery tender.

Article 14 With respect to any delivery month Contract under the same trading code, after market close on each trading day between the second trading day (inclusive) preceding the delivery month and the trading day (inclusive) preceding the last trading day, long and short positions in said Contract under the each client number shall be mutually offset at the Contract's previous settlement price. The results of such offset are excluded from the calculation of the settlement price of said Contract on that day.

Article 15 If any client tenders for delivery on a particular Contract before its last trading day, the Exchange shall, during settlement on the tendering day, determine the client's valid delivery quantity by taking the lesser of the client's total tendered amount and its open position with the same member. All of the valid seller-tendered delivery quantity shall enter the delivery process.

The Exchange shall determine the specific long positions in the given Contract to enter the delivery process by giving priority to those that have been voluntarily tendered for delivery and those that have been held for a longer term. If two or more positions have been held for the same duration, the quantity to enter the delivery process shall be divided among such positions in proportion to their respective size. If the combined valid delivery quantity tendered on the long side is greater than that on the short side, priority shall be given to those long positions that have been tendered for delivery earlier. Positions tendered for delivery but not matched in the aforementioned process shall not enter the delivery process.

Any positions entering the delivery process, either on the long side or the short side, shall be deducted from the relevant clients' open positions in the Contract of the delivery month.

Article 16 Any client that tenders for delivery on a Contract before its last trading day shall submit the tender through a member. Such member shall report the client's delivery intent to the Exchange by 15:15 on that day. A clearing member may authorize and delegate a trading member to report clients' delivery intents.

A seller shall specify in its delivery tender such information as the name and quantity of its deliverable treasury bonds and the custody account for delivering the treasury bonds.

A buyer shall specify in its delivery tender such information as the delivery quantity and the custody account for receiving the treasury bonds. Any buyer that wishes to receive the treasury bonds with its CSDC account shall also provide information on its custody accounts at both the CSDC Shanghai Branch and the CSDC Shenzhen Branch.

The member shall ensure that any client requesting delivery has the capacity to perform its delivery obligations.

Article 17 Where any buyer position not tendered for delivery before the last trading day of the Contract is nevertheless identified by the Exchange to enter the delivery process, the Exchange shall designate a custody account previously reported by the buyer as the one for receiving the treasury bonds, with preference given to the account opened at the same custodian institution as the seller.

Article 18 After market close on the last trading day of a given Contract, long and short positions under the each client number shall be mutually offset at the Contract's previous settlement price; the net positions resulting therefrom shall then enter the delivery process. The results of such offset are excluded from the calculation of the final settlement price.

Article 19 If any position is tendered for delivery on the last trading day of a Contract, the carrying member of the buyer or seller owning such position shall submit, as applicable, the following information to the Exchange before 15:15 on that day: the buyer's custody account information, the name and quantity of the seller's deliverable treasury bonds, and the seller's custody account information. Any buyer that wishes to receive the treasury bonds with its CSDC account shall also provide information on its custody accounts at both the CSDC Shanghai Branch and the CSDC Shenzhen Branch.

If any position is tendered for delivery on the last trading day of a Contract and the carrying member of the buyer owning such position fails to submit delivery information for the buyer within the specified time limit, the

Exchange shall designate a custody account previously reported by the buyer as the one for receiving the treasury bonds, with preference given to the account opened at the same custodian institution as the seller. If the carrying member of the seller fails to submit delivery information for the seller within the specified time limit, the seller shall be deemed to have failed to handover the deliverable treasury bonds in full and on-time.

Article 20 During settlement on the day of delivery, the Exchange shall preferentially match the positions held by buyers and sellers who hold custody accounts at the same custodian institution in such a manner as to minimize the number of buyer-seller pairs, and notify relevant members of the matching results and the amount of delivery payment.

Article 21 Delivery may be conducted in the ordinary mode or the delivery-versus-payment (DVP) mode.

The following conditions shall be satisfied for DVP mode delivery:

(1) both parties are participating in the delivery with their CCDC custody account;

(2) such custody accounts are different from one another; and

(3) other conditions required by the Exchange.

Article 22 Delivery shall be completed within the first three trading days after delivery matching. The three trading days are called, in sequence, the first delivery day, the second delivery day, and the third delivery day.

1. First delivery day

The first delivery day is for the handover of treasury bonds if delivery is carried out in the ordinary mode. A seller shall ensure that there is a sufficient amount of eligible deliverable treasury bonds in its custody account and shall be deemed to have completed the handover of treasury bonds upon the successful transfer thereof from its custody account to the Exchange's custody account.

2. Second delivery day.

(1) The second delivery day is for delivery payments if delivery is carried out in the ordinary mode. During settlement on that day, the Exchange shall transfer delivery payments from the settlement reserve of each buyer's clearing member to the settlement reserve of the corresponding seller's clearing member, and simultaneously release the margins for the positions that have entered the delivery process.

(2) The second delivery day is for the exchange of treasury bonds and delivery payments if delivery is carried out in the DVP mode. Sellers and buyers shall perform the exchange in accordance with the delivery matching results and with the applicable rules of CCDC.

3. Third delivery day.

1. If delivery is carried out in the ordinary mode, the third delivery day is for receiving treasury bonds where the Exchange shall transfer the

deliverable treasury bonds into the buyers' custody accounts specified in their delivery tenders.

2. If delivery is carried out in the DVP mode, the Exchange shall, during settlement on that day, release the margins for the positions that have entered the delivery process.

Article 23 The Exchange shall have the right to adjust the delivery process if delivery is interrupted due to abnormal market conditions or for other reasons.

Article 24 If a seller fails to handover the deliverable treasury bonds in full within the specified time limit or a buyer fails to make the delivery payment in full within the specified time limit, the open positions may be closed out by making up the difference with cash compensation. To exercise this option, the seller's or buyer's clearing member shall file an application to the Exchange before 10:00 on the second delivery day.

Article 25 Any party that settles its delivery shortfall with compensation payment shall pay the other party such an amount as prescribed by the Exchange as follows, and shall further pay the Exchange punitive damages equaling a certain percentage of the contract value in default (0.5% for 2-year treasury bond futures, 0.8% for 5-year treasury bond futures, and 1% for 10-year treasury bond futures).

1. Payment of compensation

(1) A seller in default shall pay a certain percentage of the contract value in default as compensation (0.5% for 2-year treasury bond futures, 0.8% for 5-year treasury bond futures, and 1% for 10-year treasury bond futures). If the price of the benchmark treasury bond is greater than the product of the Contract's final settlement price multiplying the conversion factor, the seller shall further pay a differential compensation according to the following formula:

Differential compensation = number of Contracts in default × (price of benchmark treasury bond – final settlement price × conversion factor) × (Contract face value / RMB 100)

(2) A buyer in default shall pay a certain percentage of the contract value in default as compensation (0.5% for 2-year treasury bond futures, 0.8% for 5-year treasury bond futures, and 1% for 10-year treasury bond futures). If the product of the Contract's final settlement price multiplying the conversion factor is greater than the price of the benchmark treasury bond, the buyer shall further pay a differential compensation according to the following formula:

Differential compensation = number of Contract in default × (final settlement price × conversion factor – price of benchmark treasury bond) × (Contract face value / RMB 100)

After such differential compensation is paid, the Exchange shall return to the seller any treasury bonds corresponding to the amount in default that have been paid for.

2. Benchmark treasury bond

The benchmark treasury bond shall be the treasury bond tendered for delivery by the seller if such tender is made before the last trading day of the Contract; or, if the delivery process starts on the last trading day of the Contract, the treasury bond with the largest delivery quantity among those validly tendered for delivery by all sellers, except that, where there are two or more treasury bonds fitting that description, it shall be the most recently listed treasury bond among them.

The Exchange has the right to designate the benchmark treasury bond if it cannot be determined in the manner set forth above.

3. Price of benchmark treasury bond

The price of a benchmark treasury bond shall be based on its valuation as issued by an institution recognized by the Exchange.

It shall be either the valuation issued on the day the seller tenders for delivery if such tender is made before the last trading day of the Contract, or the valuation issued on the last trading day of the Contract if the delivery process starts on such last trading day.

The Exchange shall reserve the right to adjust the price of any benchmark treasury bond.

Article 26 If the seller fails to handover the deliverable treasury bonds in full and the buyer fails to make the delivery payment in full within the specified time limit, the Exchange shall charge each party a default penalty equaling a certain percentage of the corresponding contract value (1% for 2-year treasury bond futures, 1.6% for 5-year treasury bond futures, and 2% for 10-year treasury bond futures).

Chapter V Delivery Settlement

Article 27 The final settlement price of a Contract on any day before its last trading day shall be its settlement price on the day the seller tenders for delivery. The final settlement price of a Contract on its last trading day shall be the trading volume-weighted average of all execution prices of the Contract being centrally traded on that day. The final settlement price shall be rounded to three decimal places.

If no trades in the Contract is executed on its last trading day, its final settlement price shall be calculated as follows: final settlement price = daily settlement price from previous trading day + daily settlement price of benchmark contract – daily settlement price of benchmark contract from previous trading day. Here the benchmark contract is the Contract that is traded on that day and is closest to its delivery month. If the final settlement price calculated using the aforementioned formula exceeds the Contract’s daily limit up/down, the price at the limit up/down shall be the Contract’s final settlement price.

The Exchange has the right to adjust the final settlement price based on market conditions.

Article 28 The delivery payment of a Contract shall be calculated based on the final settlement price using the formula below:

Delivery payment = delivery quantity × (final settlement price × conversion factor + accrued interest) ×(Contract face value / RMB 100)

The "accrued interest" in the formula above is the interest earned on the deliverable treasury bond between its previous interest payment date and the second delivery day.

Article 29 The standard delivery fee for the Contract is RMB 5 per lot. The Exchange shall be entitled to adjust the fee standard.

Article 30 Treasury bond transfer fees and other fees related to delivery shall be subject to the applicable rules of custodian institutions. For delivery and transfer of treasury bonds between different custodian institutions, the buyer shall bear the expense for the transfer of custody.

Chapter VI Supplementary Provisions

Article 31 The contract value referred to herein is calculated as follows: contract value = final settlement price ×(Contract face value / RMB 100).

Article 32 Violations of these Detailed Delivery Rules shall be handled by the Exchange in accordance with the Measures of China Financial Futures Exchange on Dealing with Violations and Breaches.

Article 33 The right to interpret these Detailed Delivery Rules shall be vested in the Exchange.

Article 34 These Detailed Delivery Rules shall come into effect as of January 2, 2019.