

# **Detailed Rules of China Financial Futures Exchange for Exchange of Futures for Physicals on Treasury Bond Futures Contract**

## **Chapter I General Provisions**

**Article 1** These *Detailed Rules* are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* and their applicable implementing rules to regulate exchange of futures for physicals (EFP) on the Treasury bond futures contracts of China Financial Futures Exchange (the “Exchange”).

**Article 2** Matters not covered herein shall be governed by the relevant rules of the Exchange.

## **Chapter II Participants of an EFP Transaction**

**Article 3** To enter into an EFP, a client shall meet the following requirements:

(1) Must be a securities company, fund management company, trust company, bank or other financial institution, social security company, qualified foreign institutional investor, or any other special entity client which is required under laws, administrative regulations, and ministry-

level rules to segregate its clients' assets from its proprietary assets;

(2) Must be permitted to participate in the trading of Treasury bond futures contracts on the Exchange;

(3) Must have opened a bond account at China Central Depository & Clearing Co., Ltd. or a securities account at China Securities Depository and Clearing Co., Ltd; and

(4) Must meet other requirements prescribed by the Exchange.

**Article 4** If a client who meets the requirements of the Exchange intends to enter into EFP transactions on a treasury bond futures contract, the client (the custodian institution in case of qualified foreign institutional investors) shall register with the Exchange through the client's carrying member. The following materials shall be provided in connection with such application:

(1) A registration application;

(2) The member's letter of undertaking for providing EFP services to the client or brokerage contract with the client containing an undertaking for providing EFP services; and

(3) Other documents or materials required by the Exchange.

The registration materials for EFP transactions required in the preceding

paragraph shall be submitted to the Exchange through the client's carrying member who shall conduct a due diligence review of such materials to ensure their truthfulness, accuracy and completeness.

**Article 5** The Exchange will, within 5 trading days upon receipt of the required application materials, complete such registration and notify the member of the same.

### **Chapter III EFP Transactions**

**Article 6** An EFP report shall include information on:

- (1) When the EFP transaction is agreed upon, including time, date;
- (2) The parties to the EFP transaction, including the seller and the buyer, and the respective carrying members and traders of the two parties;
- (3) The transaction of the Exchange leg, including contract code, execution price, trading direction and quantity; and
- (4) The transaction of the physical leg, including trading venue, execution number, name and symbol of the corresponding securities or related contracts, execution date, trading direction, notional transaction value, net execution price and settlement date of the related contracts.

**Article 7** Eligible corresponding securities or related contracts for EFP transactions on Treasury bond futures include:

(1) book-entry Treasury bonds with a fixed interest rate issued by the Ministry of Finance;

(2) local government bonds with a fixed interest rate issued by local governments;

(3) financial bonds with a fixed interest rate issued by China Development Bank, Export-Import Bank of China, or Agricultural Development Bank of China;

(4) bond forward contracts with underlying assets of the aforesaid bonds; and

(5) other securities or related contracts prescribed by the Exchange.

**Article 8** If Treasury bond futures are exchanged for corresponding bond forward contracts in an EFP transaction, the settlement date of such bond forward contracts shall be no later than the last trading day of the Treasury bond futures contract.

**Article 9** An EFP transaction on Treasury bond futures may incorporate one or multiple transactions of the physical leg.

**Article 10** In an EFP transaction on Treasury bond futures, the execution price of the Exchange leg shall be determined upon mutual agreement of the parties thereto, provided that such price shall be within the price limit of the futures on the day the EFP transaction is accepted by the Exchange and shall not unreasonably deviate from the market price of the Exchange traded futures upon the time of mutual agreement of the parties thereto.

**Article 11** In an EFP transaction on Treasury bond futures, the absolute basis point value of the corresponding securities or related contracts shall be equivalent to that of the Treasury bond futures contracts.

Where in an EFP transaction, Treasury bond futures are exchanged for deliverable treasury bonds, and the par value of the deliverable treasury bonds equals to that of the futures contract, such EFP may be exempted from the basis point value requirement set forth in the preceding paragraph.

**Article 12** Non-corporate clients such as asset management programs of securities companies and fund management companies, and private investment funds registered with the Asset Management Association of China shall not enter into any EFP transactions directly with each other.

## **Chapter IV Reporting and Acceptance of EFP Transactions**

**Article 13** Upon agreement, the parties thereto shall timely report the EFP transaction to the Exchange via their carrying members. An EFP transaction shall be initiated, recorded and submitted by the seller of the futures contract and then confirmed by the buyer of the futures contract. After examining and reviewing such EFP transaction, their members shall submit an EFP report to the Exchange. The EFP report is only valid on the day of the submission.

**Article 14** The hours for the sellers of Treasury bond futures EFP transactions to submit EFP reports and for the buyers thereto to confirm such EFPs shall be from 9:15 a.m. to 3:15 p.m. on a trading day of the Treasury bond futures.

The business hours for the Exchange to accept EFPs in Treasury bond futures shall be from 9:15 to 11:30 a.m. and 1:00 to 3:15 p.m. on a trading day of Treasury bond futures.

The seller of the futures contract shall report the EFP no later than 10:15 a.m. on the trading day immediately following the transaction date of the physical leg. Neither the seller's reporting of the EFP transaction or the buyer's confirmation thereof is permitted on the last trading day of the

futures contract.

The buyer of the futures contract shall complete its confirmation within 60 minutes upon the seller's reporting of the EFP. If the deadline for the buyer to confirm falls outside the Exchange's business hour of accepting EFP transactions, it shall be postponed.

The reporting time of the seller and the confirmation time of the buyer shall be subject to the time recorded in the Exchange's system.

**Article 15** An EFP transaction shall be reported to the Exchange upon being examined and reviewed by the carrying members of the relevant parties of the transaction. The EFP transaction shall become effective upon being accepted by the Exchange which shall publish information on such EFP transaction to the market.

## **Chapter V Publication of Information**

**Article 16** Any changes in the trading volume, notional value and open interest of a futures contract resulting from an EFP transaction shall be published, together with the real-time market data of the futures contract, upon Exchange's acceptance of the EFP transaction.

**Article 17** Information on each EFP transaction, including contract code,

date and time of Exchange acceptance, and trading volume, shall be disclosed on the official website of the Exchange.

## **Chapter VI Supplementary Provisions**

**Article 18** Violations of these *Detailed Rules* will be handled in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

**Article 19** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 20** These *Detailed Rules* shall come into effect as of January 2, 2019.