Detailed Trading Rules of China Financial Futures Exchange

(Adopted on June 27, 2007; first amended on February 20, 2010; second amended on August 30, 2013; third amended on January 26, 2015; fourth amended on January 1, 2016; fifth amended on March 31, 2017; sixth amended on December 28, 2018)

Chapter I General Provisions

Article 1 These Detailed Rules are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* for the purposes of regulating futures trading activities, protecting the legitimate rights and interests of futures trading participants, and ensuring smooth trading of futures on China Financial Futures Exchange (the "Exchange").

Article 2 The Exchange, members, and clients shall comply with these Detailed Rules.

Chapter II Products and Contracts

Article 3 The Exchange lists contracts based on stock indices, China government bonds ("CGB") and other financial products and indices, as well as such other products as the China Securities Regulatory Commission ("CSRC") may approve.

Article 4 The main terms of an equity index futures contract shall include the underlying, contract multiplier, quotation unit, tick size, contract months, trading hours, limit up/limit down, minimum trading margin, last trading day, delivery date, settlement method, product code, and the listing exchange.

Article 5 The main terms of a CGB futures contract shall include the underlying, deliverable CGBs, quotation mode, tick size, contract months, trading hours, limit up/limit down, minimum trading margin, last trading day, last delivery date, settlement method, product code, and the listing exchange.

Chapter III Trading Seat Management

Article 6 Trading seat is the basic unit through which members participate in trading; obtain and exercise relevant trading rights; and receive supervision, services, and related business administration of the Exchange. A member may apply to the Exchange for one or more seats based on its needs.

Article 7 A member that applies for a trading seat shall meet the following requirements:

(1) having sound business operations and no record of material violations of laws or regulations;

(2) having the telecommunications and funds transfer capabilities as required by the Exchange;

(3) having the infrastructures and relevant professionals as required by the Exchange;

(4) having established a complete set of internal measures, and trading-related measures; and

(5) the building and management of its infrastructures comply with the relevant technical specifications of the State, the industry, and the Exchange.

Article 8 A member that applies for a trading seat shall submit the following materials:

(1) an overview of its futures trading in the preceding two years;

(2) a report containing such information as the reasons, conditions, and feasibility analysis for applying for the trading seat;

(3) information about the organization and personnel as well as the name, resume, professional background, and other basic information about the key individuals to be responsible for trading management;

(4) its trading management protocols (including data security rules);

(5) a configuration list covering its computer systems, telecommunications systems (including telecommunications lines), system software, application software, and other pertinent information; and

(6) other materials required by the Exchange.

Article 9 The Exchange shall give a written response with respect to a duly completed application within 15 business days of its receipt.

Article 10 A member shall enter into an agreement with the Exchange on the use of the trading seat within five business days of receiving the application approval from the Exchange. Any unjustifiable delay shall be deemed as forfeiture of the approved trading seat.

Article 11 The trading seat fee is collected on a yearly basis according to the fee schedule established by the relevant rules of the Exchange. When a trading seat is cancelled, any trading seat fee that has been paid shall not be refundable.

Article 12 The trading facilities of a member can only be put into operation when, following installation and debugging, they meet the standards set forth by the Exchange and the relevant operating criteria.

Article 13 Members shall strengthen the management of trading seats and maintenance of trading infrastructures, and shall obtain the approval of the Exchange before replacing or making technical adjustments to major facilities. Relocating a trading seat from the originally registered location shall be subject to the approval of the Exchange. The Exchange shall have the right to supervise and inspect the use of trading seats.

Article 14 A member’s trading seat shall be cancelled if:

(1) the member applies for the cancellation which is then approved by the Exchange;

(2) the trading seat is sub-contracted, sub-leased, or transferred without approval;

(3) the member is fraught with mismanagement, commits a serious violation of rules or regulations, or no longer meets the conditions for operating a trading seat;

(4) the member uses the trading seat to steal information or sabotage the Exchange's system;

(5) the member's membership has been terminated by the Exchange; or

(6) the Exchange considers the member to be unfit to hold the trading seat.

Article 15 In the event that 10% or more of the membership are unable to trade as normal due to a malfunction of trading systems, telecommunications systems, or other trading facilities, the Exchange shall suspend trading until the issue is resolved. Upon resumption of trading, the Exchange may first organize a call auction and then switch to continuous trading.

Chapter IV Price

Article 16 The Exchange shall timely publish the opening prices, closing prices, high prices, low prices, last prices, price changes, best bid prices, best ask prices, bid quantities, ask quantities, settlement prices, trading volumes, open interests, and other trading-related information.

Article 17 "Opening price" of a particular contract refers to the execution price established by an opening auction or, if none is established thusly, the first execution price immediately after the opening auction.

Article 18 "Closing price" of a particular contract refers to its last execution price on a given trading day.

Article 19 "High price" of a particular contract refers to its highest execution price during a certain time period.

Article 20 "Low price" of a particular contract refers to its lowest execution price during a certain time period.

Article 21 "Last price" of a particular contract refers to its real-time execution price during trading on a given trading day.

Article 22 "Price change" of a particular contract refers to the difference between its last price on a given trading day and its settlement price of the preceding trading day.

Article 23 "Best bid price" of a particular contract refers to the highest bid price currently available from buyers on a given trading day.

Article 24 "Best ask price" of a particular contract refers to the lowest ask price currently available from sellers on a given trading day.

Article 25 "Bid quantity" of a particular contract refers to the quantity of unexecuted buy orders in the Exchange's trading system quoted at the highest bid price on a given trading day.

Article 26 “Ask quantity” of a particular contract refers to the quantity of unexecuted sell orders in the Exchange’s trading system quoted at the lowest ask price on a given trading day.

Article 27 “Settlement price” of a particular contract refers to its volume weighted average price (VWAP) during a certain time period on a given trading day. The settlement price is the basis for calculating profits and losses on outstanding contracts on that trading day and for calculating price limits for the next trading day.

Article 28 “Trading volume” of a particular contract refers to the total number of contracts traded (single-counted) on a given trading day.

Article 29 “Open interest” of a particular contract refers to the total number of contracts outstanding (single-counted) in the market.

Chapter V Orders and Execution

Article 30 Trading orders include market orders, limit orders, and such other orders as the Exchange may prescribe.

Article 31 Limit order is an order to execute a trade at a specified price or better.

A limit order to buy shall be executed at or below the specified price while a limit order to sell shall be executed at or above the specified price. A limit order is valid on the day of submission and any unexecuted portion may be cancelled.

A limit order can be additionally designated as “fill-or-kill” (FOK) or “fill-and-kill” (FAK).

FOK refers to the instruction that the order shall be executed completely and at the same instant or be automatically cancelled.

FAK refers to the instruction that any portion of the order that cannot be executed immediately shall be automatically cancelled.

FAK can be given a minimum execution quantity, upon reaching or exceeding which any unexecuted portion of the order will be automatically cancelled. An FAK order is cancelled automatically and in full if the quantity available for execution is less than the specified minimum execution quantity.

Article 32 Market order is an order to buy and sell at executable current market price or prices without a set price constraint. Market orders can only be matched with limit orders.

The Exchange accepts the following types of market orders:

(1) FAK at the best price;

(2) Market to Limit at the best price;

(3) FAK at the five best prices; and

(4) Market to Limit at the five best prices.

“FAK at the best price” is an unpriced order that is to be executed at the best current price offered by the counterparties, with any unexecuted portion automatically cancelled.

“Market to Limit at the best price” is an unpriced order that is to be executed at the best current price offered by the counterparties, with any unexecuted portion automatically converted into a limit order at the latest execution price.

“FAK at the five best prices” is an unpriced order that is to be executed at the five best current prices offered by the counterparties starting from the best current price, with any unexecuted portion automatically cancelled.

“Market to Limit at the five best prices” is an unpriced order that is to be executed at the five best current prices offered by the counterparties starting from the best current price, with any unexecuted portion automatically converted into a limit order at the latest execution price.

In the event that the contract concerned is not traded on the current day, the unexecuted portion of a “Market to Limit at the best price” or “Market to Limit at the five best prices” order shall be automatically converted into a limit order at the settlement price of the preceding trading day.

A limit order that is converted from the unexecuted portion of a market order will not be additionally designated as “FOK” or “FAK”.

Article 33 A trading order shall be priced within the price limits of the contract or be deemed invalid.

A trading order becomes valid upon the confirmation of the Exchange.

Article 34 The trading unit of contracts is “lot”; futures trading shall be conducted in integer multiples of the trading unit.

Article 35 The minimum size of each trading order shall be one lot; the maximum size shall be separately specified by the Exchange.

Article 36 Where a member or client intends to use or a member intends to supply a client with trading software that, through computer programs, offers such functions as automated batch trading or high-speed trading, the member shall file for record with the Exchange in advance.

Where a member or client places trading orders in a manner that would adversely impact the Exchange’s system or orderly trading, the Exchange may take actions accordingly.

Article 37 Futures trading shall be conducted by call auction, continuous trading, and such other methods as approved by the CSRC. “Call auction” refers to the trading mode where buy and sell orders accepted within a specified period are centrally and simultaneously matched. “Continuous trading” refers to the trading mode where buy and sell orders are matched on a continuous and order-by-order basis.

Article 38 Call auction hours are divided into the order submission period and the order matching period.

No market order or limit order designated as FOK or FAK shall be accepted during the order submission period.

No order of any type shall be accepted during the order matching period.

Article 39 During continuous trading, orders shall be matched and executed in accordance with the principle of price-time priority. For orders placed at the prevailing limit up/limit down, priority shall be given to close-out orders and orders that are submitted earlier.

Article 40 The call auction aims to maximize trading volume by locating a suitable execution price. All higher-priced buy orders and all lower-priced sell orders are executed; buy orders and sell orders priced at the execution price are executed according to the lesser of the buy quantity and the sell quantity.

Article 41 Orders not executed during the opening auction automatically enter continuous trading.

Article 42 During continuous trading, the Exchange's system shall sort limit orders to buy and to sell in accordance with the principle of price-time priority. A buy order and a sell order are automatically matched and executed when the former is priced higher than or equal to the latter. The execution price is equal to the middle price among the bid price (bp), the ask price (sp), and the previous execution price (cp), namely:

if $bp \geq sp \geq cp$, the execution price = sp;

if $bp \geq cp \geq sp$, the execution price = cp;

if $cp \geq bp \geq sp$, the execution price = bp.

In case no execution price is established by the call auction, the closing price of the preceding trading day shall be treated as the previous execution price to determine the first execution price according to the foregoing method.

Article 43 The listing benchmark price of a newly listed contract is determined by the Exchange and announced in advance, and shall be the basis for determining the limit up/limit down of the new contract on its first trading day.

Chapter VI Exchange of Futures for Physicals

Article 44 Exchange of futures for physicals (EFP) refers to the transaction wherein, upon the mutual agreement of the parties thereto, one party is the buyer of an Exchange futures contract ("futures leg") and the seller of corresponding securities or related contracts ("physical leg"), and the other party is the corresponding seller of the Exchange futures contract and the buyer of corresponding securities or related contracts.

Article 45 Clients who intend to engage in EFP transactions shall meet the criteria prescribed by the Exchange and register as required. The specific requirements will be separately prescribed by the Exchange.

Article 46 EFP transactions at the Exchange shall be conducted through Clearing Members who meet the requirements of and are registered with the Exchange for EFP services. A member who intends to provide EFP services shall meet the following requirements:

(1) having the professional personnel necessary to facilitating EFP transactions;

(2) having the technical systems necessary to facilitating EFP transactions;

(3) having sound EFP management systems; and

(4) meeting other requirements prescribed by the Exchange.

Clients shall engage in EFP transactions through members who meet the foregoing requirements.

Article 47 A member who wishes to register with the Exchange for EFP services shall submit the following documents:

(1) registration application;

(2) statement on preparedness; and

(3) other documents or materials as required by the Exchange.

Article 48 A member who no longer meets the requirements of the Exchange for facilitating EFP transactions shall apply for deregistration as required by the Exchange.

A member who applies for deregistration shall submit a deregistration statement to the Exchange.

Article 49 The Exchange will complete the registration or deregistration of EFP services within five trading days of receipt of a duly completed application and notify the member of the same.

Article 50 In EFP transactions, the scope of permissible securities or other related contracts as well as the execution price of the futures contracts shall be in line with the applicable regulations of the Exchange.

Article 51 Upon agreement on an EFP transaction, the parties thereto shall report the transaction to the Exchange in accordance with applicable rules.

Article 52 An EFP transaction shall take effect upon being confirmed by the Exchange and the parties thereto shall acknowledge the transaction result and perform their obligations.

Upon confirming an EFP transaction, the Exchange will send the execution confirmation to the parties in accordance with the relevant rules.

An EFP transaction is invalid without confirmation by the Exchange, in which case the transacting parties shall properly resolve the physical leg involving securities and related contracts.

Article 53 The prices of the futures leg of an EFP transaction shall be excluded from the daily settlement prices, final settlement prices, high prices, low prices, opening prices, last prices, closing prices, and any other prices of the futures contract. However, the trading volume, notional value, and open interest of the futures leg of an EFP transaction, after the transaction takes effect upon being confirmed by the Exchange, shall be included in the total trading volume, notional value, and open interest of the futures contract.

Article 54 In an EFP transaction, the exposures of the physical leg involving securities or related contracts shall match that of the futures leg involving futures contracts.

Article 55 The Exchange has the right to supervise EFP transactions and examine the corresponding transactions of securities or related contracts.

Members shall review the materials relating to EFP transactions and properly retain relevant documentations including records of the transactions, trading records of the securities or related contracts, and ownership transfer certificates, among others, to prevent the divulgation or misuse of EFP transactions data. Such documentations and records shall be kept for a minimum of 20 years for potential future inspection by the Exchange.

Article 56 A client or member that commits any of the following acts in EFP transactions shall be required to make rectifications and, depending on the severity of the violation, may be subject to such measures as verbal reminder, written admonishment, reprimand, public censure, suspension from opening of new positions, forced liquidation, suspension or restriction of business activities, or adjustment or revocation of membership:

(1) adversely impacting the market by engaging in a non-bona fide EFP transactions;

(2) violating relevant laws or regulations such as illegal transfer of benefits; or

(3) other acts identified by the Exchange.

Article 57 Any dispute arising from the trading of market securities or other related contracts in an EFP transaction shall be solely resolved by the parties thereto themselves.

Chapter VII Trading Code

Article 58 The trading code is a dedicated code for futures trading by a client or a proprietary-trading member. It contains 12 digits, with the first 4 representing the member number and the last 8 representing the client number.

Article 59 Members and clients that meet the requirements of the CSRC and the Exchange may acquire trading codes.

Any member or client applying for hedging or arbitrage quota shall acquire a separate hedging trading code or arbitrage trading code in accordance with the rules of the Exchange.

Article 60 Unless otherwise provided by the Exchange, any client holding accounts with multiple members shall ensure the same type of trading codes have identical client numbers.

Article 61 Members shall review clients' account opening materials for their truthfulness, accuracy, and completeness and shall record client information and complete relevant procedures in accordance with the regulations governing account opening in the futures market.

Article 62 Securities companies, fund management companies, trust companies, banks and other financial institutions, as well as social security funds, Qualified Foreign Institutional Investors (QFIIs) and other Special Institutional Clients that are required by laws, administrative regulations, or ministry-level rules to manage assets in a separate account may apply to the Exchange for trading codes in respect of such separately managed assets.

Article 63 Members and clients that apply for trading codes shall pay relevant fees in accordance with the rules of the Exchange.

Article 64 Members shall establish account opening dossiers for clients and shall preserve such dossiers for at least 20 years after the termination of the futures brokerage contract with the clients.

Article 65 The Exchange may cancel a client's trading code if:

(1) the client information on file at the Exchange is false;

(2) the client is barred from the market;

(3) the client has applied for its cancellation; or

(4) there is any other circumstance recognized by the Exchange.

Article 66 When a client opens an account using false information, either by itself or with the assistance of a member, the Exchange shall have the right to require the member to close out positions within a prescribed time period and, following its completion, cancel the client's trading code, and handle the situation in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Chapter VIII Ancillary Provisions

Article 67 Any violation of these Detailed Rules shall be handled by the Exchange in accordance with these Detailed Rules and the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Article 68 The Exchange reserves the right to interpret these Detailed Rules.

Article 69 These Detailed Rules shall come into effect on January 2, 2019.