

Measures of China Financial Futures Exchange on Membership Management

(Adopted on June 27, 2007; first amended on February 20, 2010; second amended on August 30, 2013)

Chapter I General Provisions

Article 1 These Measures are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* for the purposes of strengthening the management of members, protecting their legitimate rights and interests, and regulating their business activities on China Financial Futures Exchange (the “Exchange”).

Article 2 “Member” refers to an enterprise legal person or other economic organization that, upon the approval of the Exchange, may conduct trading or clearing activities on the Exchange subject to applicable laws, administrative regulations and ministry-level rules.

Article 3 Members of the Exchange are classified into Trading Clearing Members, General Clearing Members, Special Clearing Members and Trading Members.

Article 4 Members undertaking business activities on the Exchange shall comply with laws, administrative regulations, ministry-level rules, as well as the Trading Rules and detailed implementation rules of the Exchange; act with integrity and in good faith; operate in a compliant manner; and receive the supervision of the Exchange.

Article 5 The directors, supervisors, executives, and employees of members shall comply with laws, administrative regulations, ministry-level rules, as well as the Trading Rules and detailed implementation rules of the Exchange; perform their duties faithfully and diligently; and accept the market self-regulatory measures of the Exchange.

Chapter II Trading Members

Article 6 Trading Members may engage in futures trading on the Exchange and are not qualified to clear trades with the Exchange directly.

Article 7 An applicant for Trading Membership of the Exchange shall meet the following requirements:

- (1) be an enterprise legal person or other economic organization registered in the mainland of the People’s Republic of China;
- (2) acknowledge and comply with the Trading Rules and detailed implementation rules of the Exchange;
- (3) have sound reputation and good track record; not be under formal investigation by administrative or judicial authorities for any suspected violations; and, in the past

three years, have no record of poor business conduct, serious violation of the law, or revocation of membership by any futures exchange or stock exchange;

- (4) have had no significant risk incidents in futures trading and clearing in the past three years;
- (5) have a robust organizational structure and financial management system as well as robust futures business, internal control, and risk management systems;
- (6) have the necessary professional personnel;
- (7) have the necessary premises and equipment;
- (8) comply with the regulations of China Securities Regulatory Commission (“CSRC”) on the monitoring of safe deposit of futures margin;
- (9) have the infrastructures for futures business that meet the requirements of the Exchange; and
- (10) meet other requirements prescribed by the Exchange.

Article 8 Any futures company applying for Trading Membership shall, in addition to meeting the requirements of Article 7 hereof, be licensed to engage in financial futures brokerage activities and rated Class C or above in the latest rating of futures companies.

Article 9 Any non-futures company applying for Trading Membership shall be an approved and registered financial institution that meets the requirements of Article 7 hereof as well as other requirements prescribed by the relevant competent authorities and the Exchange.

Article 10 An applicant for Trading Membership shall submit the following documents to the Exchange:

- (1) the Trading Membership application form signed by its legal representative;
- (2) the membership registration form;
- (3) the clearing agreement between the applicant and the Clearing Member that clears trades on the applicant’s behalf;
- (4) (if the applicant is a futures company) photocopy of the financial futures brokerage permit issued by CSRC affixed with its common seal;
- (5) a photocopy of its Business License and Organization Code Certificate, each affixed with its common seal;
- (6) its articles of association, list of major shareholders and their respective shareholding;
- (7) proof of its right to use the domicile (business premises);
- (8) the Examination Form for the Member’s Futures Business Systems and relevant documentation;

- (9) overview of its risk management framework, internal controls, business processes and relevant business protocols;
- (10) (if engaging in brokerage activities) its monthly risk-based regulatory statements for the two months before the date of application, and a written statement that its risk-based regulatory indicators had met the prescribed standards on an ongoing basis in those two months;
- (11) the Executive Information Form, Staff Deployment Form, Business Representative Application Form, and Business Liaison Application Form;
- (12) its financial report of the previous year audited by an accounting firm qualified to provide services in the securities and futures industry;
- (13) written guarantee to comply with the requirements under items (3) and (4) of Article 7 hereof; and
- (14) other documents or materials required by the Exchange.

Article 11 Within 30 business days of receiving the required application materials, the Exchange will provide a review opinion and, for an approved application, notify the applicant to complete the subsequent procedures.

Article 12 An applicant that is approved for Trading Membership shall enter into the *Trading Member Agreement of China Financial Futures Exchange* with the Exchange and complete relevant procedures within 30 days of the issuance of the membership approval notice, or be deemed as forfeiture of the membership.

Article 13 An applicant will acquire Trading Membership upon completing the relevant procedures, upon which the Exchange will issue a membership certificate and file a report with the CSRC.

Chapter III Clearing Members

Article 14 Clearing Members may engage in clearing business and are qualified to clear trades with the Exchange. Clearing Members are classified by scope of business into Trading Clearing Members, General Clearing Members and Special Clearing Members.

Trading Clearing Members may only conduct clearing and delivery for themselves and for their clients.

General Clearing Members may conduct clearing and delivery for themselves, for their clients, and for Trading Members with whom they have entered into a clearing agreement.

Special Clearing Members may only conduct clearing and delivery for Trading Members with whom they have entered into a clearing agreement.

Article 15 An applicant for Clearing Membership or General Clearing Membership shall meet the requirements of Article 7 hereof and other requirements prescribed by the Exchange.

Article 16 An applicant for Trading Clearing Membership or General Clearing Membership shall submit the application materials required by the Exchange.

Article 17 Within 30 business days of receiving the required application materials, the Exchange will provide a review opinion and, for an approved application, notify the applicant to complete the subsequent procedures.

Article 18 An applicant shall complete the following procedures within 30 business days from the date of issuance of the membership approval notice:

- (1) enter into the Clearing Member Agreement of China Financial Futures Exchange;
- (2) open a Dedicated Margin Account and the Dedicated Guarantee Fund Account as required by the Exchange;
- (3) pay the required contribution to the Guarantee Fund;
- (4) complete the authorization procedures for relevant individuals; and
- (5) complete other procedures required by the Exchange.

Failure to do so before the time limit shall be deemed as forfeiture of the membership.

Article 19 An applicant will acquire Clearing Membership upon completing the relevant procedures, upon which the Exchange will issue a membership certificate and file a report with the CSRC.

Chapter IV Change and Termination of Membership

Article 20 Members may not transfer their membership but may apply for change or termination thereof. Any change or termination of membership is reported by the Exchange to the CSRC.

Article 21 Change of membership refers to the conversion from Clearing Membership, Trading Clearing Membership, or General Clearing Membership to another one of these three membership types.

Article 22 A member applying for membership change shall meet the requirements prescribed in these Measures and shall submit an application for change of membership signed by its legal representative along with other materials required by these Measures.

Article 23 Within 30 business days of receiving the required application materials, the Exchange will provide a review opinion and, for an approved application, notify the member to complete the subsequent procedures.

The member shall complete the following procedures within 30 business days from the date that the Exchange issues the approval notice for membership change:

- (1) any Clearing Member intending to convert to a Trading Member shall complete the relevant procedures in accordance with Article 12 hereof; settle all claims and debts

with the Exchange; return all certificates issued by the Exchange; close its Dedicated Margin Account and Dedicated Guarantee Fund Account; and complete such other procedures as required by the Exchange.

- (2) any Trading Member intending to convert to a Clearing Member shall complete the relevant procedures in accordance with Article 18 hereof;
- (3) when converting between Trading Clearing Membership and General Clearing Membership, contributions to the Guarantee Fund shall be made as per the standards for the membership type that the applicant will convert to.

Where the change of membership involves a change of clearing relationship, the relevant procedures under the *Detailed Clearing Rules of China Financial Futures Exchange* shall be completed.

Failure to complete the aforementioned procedures before the time limit shall be deemed as forfeiture of the application.

Article 24 Any member that no longer satisfies the membership requirements prescribed by the Exchange or by the regulations of the CSRC shall apply for change or termination of its membership as required by the Exchange.

Article 25 A member applying for termination of membership shall submit a membership termination application signed by its legal representative along with other materials required by the Exchange.

Article 26 Within 30 business days of receiving the required application materials, the Exchange will provide a review opinion and, for an approved application, notify the member to complete the subsequent procedures.

The member shall complete the following procedures within 30 business days from the date that the Exchange issues the approval notice for membership termination:

- (1) close out all positions;
- (2) settle all claims and debts with the Exchange;
- (3) return all certificates issued by the Exchange;
- (4) close the Dedicated Margin Account;
- (5) close the Dedicated Guarantee Fund Account; and
- (6) complete any other procedures required by the Exchange.

Article 27 Upon approving a termination of membership, the Exchange will cancel the membership, file a report with the CSRC, and issue a public announcement.

In the case that a member fails to apply for membership change or termination in accordance with Article 24 hereof, the Exchange may adjust or cancel its membership with a written notification to the member.

A membership certificate shall be null and void upon its cancellation.

Article 28 The Exchange may reject an application for change or termination of membership if the member concerned:

- (1) is subject to a formal investigation or proceeding of relevant government authorities for any economic disputes, violations of the law, or crime;
- (2) is under formal investigation by the Exchange for a suspected violation;
- (3) in the last three months, has committed a breach or violation and been subject to sanctions of the Exchange including reprimand or suspension of futures trading or clearing business, among others;
- (4) has unresolved debt disputes with the Exchange; or
- (5) is under other circumstances prescribed by the Exchange.

Chapter V Member's Contact Person

Article 29 The Exchange implements a member contact person system. Each member shall appoint one business representative to organize and coordinate all business affairs between the member and the Exchange.

The member shall facilitate the performance of duties by the business representative. Directors, supervisors, executives and all relevant personnel of the member shall cooperate with the business representative in the performance of duties.

The business representative of a futures-company member shall be one of the member's executives.

Article 30 A member shall appoint several business liaisons to assist the business representative in the performance of duties under the member's authorization.

The business liaisons of a futures-company member shall obtain the qualification to engage in futures business.

Article 31 To recommend a business representative and business liaisons, a member shall submit the following documents to the Exchange:

- (1) member's recommendation;
- (2) contact details of the recommended individuals; and
- (3) relevant qualification certificates.

Article 32 The Exchange shall provide a review opinion within five business days upon receiving the required application materials.

Article 33 The business representative shall perform the following duties:

- (1) to organize trading, clearing, delivery, and other operations;
- (2) to handle affairs relating to Exchange membership and trading seat;
- (3) to submit the corporate documents required by the Exchange;
- (4) to organize the relevant employees of the member to participate in the training programs held by the Exchange;
- (5) to organize internal training relating to Exchange operations;
- (6) to work with the Exchange in retrofitting and testing its trading systems and related systems;
- (7) to log into the Exchange's system on a daily basis, so as to timely receive the notices and other business documents issued by the Exchange and to coordinate the implementation thereof;
- (8) to provide the information on any changes to the member's head office and branch offices as well as other relevant information to the Exchange in a timely manner;
- (9) to supervise the member to perform reporting obligations in a timely manner;
- (10) to supervise the member to pay various fees in a timely manner;
- (11) to coordinate and organize the activities of business liaisons; and
- (12) to perform other duties required by the Exchange.

Article 34 A member shall promptly replace its business representative or business liaisons with a written report to the Exchange if:

- (1) the person's employment is terminated or the person is re-assigned;
- (2) the person no longer meets relevant qualification requirements;
- (3) the person is unable to perform the duties required by the Exchange;
- (4) the person has made a major mistake with severe consequences when performing duties; or
- (5) there is any other circumstance as determined by the Exchange which renders the person unsuitable for the position.

The Exchange may require the replacement of any business representative or business liaison not voluntarily replaced by the member upon the occurrence of any of the circumstances set forth in the preceding paragraph.

Article 35 A member that intends to replace its business representative or business liaisons shall submit an application for replacement to the Exchange along with all the documents prescribed in Article 31 hereof.

Article 36 During the vacancy of the office of the business representative, the legal representative of a futures-company member and the relevant business manager authorized by a non-futures-company member shall perform the duties of the business representative until a replacement is recommended by the member and approved by the Exchange.

Chapter VI Member Reporting

Article 37 The information and materials submitted by members to the Exchange shall be truthful, accurate and complete.

Article 38 A futures-company member shall perform the following periodic reporting obligations to the Exchange:

- (1) submitting the statistical report and the risk-based regulatory statement of the preceding month within the first seven business days of each month;
- (2) submitting the audited financial report for the preceding year and the annual report required by the Exchange prior to April 30 of each year; and
- (3) other reporting obligations prescribed by the Exchange.

Article 39 A non-futures-company member shall perform the periodic reporting obligations required by the Exchange.

Article 40 A member shall submit a written report to the Exchange within ten business days upon any of the following occurrences:

- (1) change of its legal representative;
- (2) any change in its registered capital or equity structure;
- (3) any change in its name, domicile, scope of business, or contact details;
- (4) any change in the executives of a futures-company member or any change in the relevant managers of a non-futures-company member;
- (5) the net capital or any other risk control indicators of a futures-company member fails to meet the standards set by the CSRC;
- (6) merger, division and establishment or closure of branches;
- (7) involvement in any major litigations or economic disputes;

- (8) obtainment of membership of any other exchange;
- (9) being subject to any investigation or regulatory measures by competent authorities for a suspected violation or subject to any criminal or administrative penalties or self-regulatory measures;
- (10) change of accounting firm;
- (11) the lawful cancellation or invalidation of any resolution of the shareholders' general meeting, the shareholders' meeting, or the board of directors; or
- (12) any other circumstance determined by the Exchange.

Article 41 A member shall promptly report to the Exchange and provide ongoing updates upon the occurrence of:

- (1) a material business risk;
- (2) a major technical malfunction;
- (3) force majeure or unexpected event that may impact the normal trading of clients; or
- (4) any other circumstance prescribed by the Exchange.

Article 42 The Exchange may, based on the principles of prudent management, require members to conduct self-inspections of their futures trading, internal controls, risk management, technical systems, and other pertinent aspects and to submit special self-inspection reports to the Exchange.

Chapter VII Supervision

Article 43 In the course of supervision of members, the Exchange may take the following measures against a member that breaches or may potentially breach the requirements of the Exchange:

- (1) issuing a verbal warning;
- (2) issuing a written admonishment;
- (3) requiring the attendance at a cautionary interview;
- (4) require an explanatory statement on the situation within a time limit;
- (5) requiring rectifications;
- (6) requiring participation in training;
- (7) requiring periodic reporting;
- (8) requiring enhanced internal compliance inspections;

- (9) launching a special investigation;
- (10) requiring relevant individuals to be sanctioned;
- (11) restricting or suspending relevant business; and
- (12) referring the case to the CSRC or its regional offices for further actions.

Article 44 The Exchange shall have the right to restrict or suspend the business of a member, or adjust or revoke its membership, if:

- (1) the competent State authority cancels the member's industrial and commercial registration or dissolves the member;
- (2) the competent State authority revokes the business license of the member;
- (3) the member is declared bankrupt by the ruling of a court;
- (4) the member fails to complete rectification within the prescribed time period as required by the Exchange; or
- (5) the member is under any other circumstance prescribed by the Exchange.

Article 45 Members are prohibited from accepting the authorization of the following entities and individuals to conduct futures trading on their behalf:

- (1) State organs and public institutions;
- (2) staff members of the CSRC, futures exchanges, China Futures Market Monitoring Center, China Futures Association, and futures companies and their spouses;
- (3) entities and individuals barred from securities or futures markets;
- (4) entities or individuals who fail to provide account opening documentations;
- (5) individuals with limited or no capacity for civil conduct;
- (6) other entities or individuals that are prohibited from futures trading prescribed by the CSRC or the Exchange.

Article 46 Members shall properly retain client files and their business records, financial statements, and related documentations and account books for future inquiry and verification.

Client record with respect to the opening, change, and closure of accounts shall be retained for a minimum of 20 years from the termination of the futures brokerage contract. Records of trading orders, trading and clearing information, erroneous trades, and client complaints as well as other business records shall be retained for the longer of 20 years or the period needed for any related dispute over futures trading to be resolved.

Article 47 A member engaging in brokerage business shall timely display at its premises the real-time market data, announcements and other market information released by the Exchange.

Without the approval of the Exchange, no member shall provide the aforementioned information to any third party for business use or to any entity or individual other than its clients at any place other than its premises.

Article 48 Members shall timely and accurately transmit clients' trading orders and timely notify them of relevant information. Members are prohibited from conducting futures trading on behalf of their clients without their authorization and instruction, or concealing material matters, or utilizing other improper means to induce their clients into placing trading orders.

Article 49 The margin paid by clients to members remains the property of clients and shall not be misappropriated or diverted by any entity or individual.

No member shall use client margin for its own business activities or for settling its own debts, nor permit others to use the margin without client authorization, nor use the margin to provide guarantee for a third party.

Article 50 Each Clearing Member shall perform the contractual obligations arising from futures transactions of its clients and Trading Members that have authorized it to clear trades on their behalf. When a client or Trading Member is unable to perform its obligations, the Clearing Member shall do so on its behalf and, in so doing, obtain the right of recourse against the client or Trading Member.

Article 51 When a member force-liquidates a client's positions to control trading risks, it shall observe such standards and conditions and notify the client in such manner as prescribed in the agreement between them.

Article 52 Members shall supervise their clients to comply with applicable futures trading laws, administrative regulations, ministry-level rules, as well as the rules of the Exchange; promote the clients' risk awareness on an ongoing basis; and strengthen the management of legal and regulatory compliance of their clients' trading activities.

Article 53 Members shall safeguard the reputation of the Exchange and assist the Exchange in handling various emergencies and abnormal situations. In the event of an emergency or abnormal situation, members shall provide adequate explanations to their clients.

Article 54 The Exchange inspects members on their compliance with the Trading Rules and detailed implementation rules of the Exchange on a regular or *ad hoc* basis each year. Members shall actively cooperate with the inspections as required by the Exchange.

Article 55 Any employee of a member who conducts futures business on the Exchange shall be authorized by the member. The member shall be fully liable for all business activities conducted by its employees on the Exchange. An individual may only be employed by one member at a time and may not hold concurrent posts at other members.

In case that a member terminates or cancels the futures business authorization of any of its employees, it shall timely notify the Exchange and shall be fully liable for any business activities conducted by such employee before the Exchange receives the notification.

Article 56 Upon the termination of membership, a member's authorization to its employees shall automatically become null and void.

Chapter VIII Ancillary Provisions

Article 57 Any violation of these Measures shall be handled by the Exchange in accordance with these Measures and the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Article 58 The Exchange reserves the right to interpret these Measures.

Article 59 These Measures shall come into effect on August 30, 2013.