

# Measures of China Financial Futures Exchange on Membership Management

## 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** A member’s directors, supervisors, executives, and personnel engaging in futures business shall comply with relevant 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.

Non-futures-company Trading Members are prohibited from accepting the authorization of any client to conduct futures trading on the Exchange.

**Article 7** An applicant for Trading Membership of the Exchange shall:

- (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 major violations; and, in the

past three years, have no record of serious violation of the law, or revocation of membership by any futures exchange, stock exchange or any other trading platforms;

- (4) have had no significant risk incidents in futures trading and clearing in the past three years;
- (5) have the necessary personnel engaging in futures business;
- (6) have the necessary premises and equipment;
- (7) have a robust organizational structure and financial management system as well as robust systems for futures business, internal control, risk management and management of personnel engaging in futures business;
- (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 being licensed to engage in financial futures brokerage activities, meet the requirements of Article 7 hereof and other requirements prescribed by the Exchange.

**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 regulatory authorities and the Exchange.

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

- (1) the membership application form;
- (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) a photocopy of its Business License;
- (5) its articles of association, list of major shareholders and their respective shareholding;
- (6) the information form for personnel engaging in futures business as required by the Exchange;
- (7) proof of its right to use the domicile (business premises);
- (8) materials for technical preparation;

- (9) overview of its systems regarding futures business management, financial management, risk management, internal control and management of personnel engaging in futures business;
- (10) its financial report of the previous year audited by an accounting firm qualified to provide services in the securities and futures industry;
- (11) written guarantee to comply with the requirements under items (3) and (4) of Article 7 hereof; and
- (12) 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 engage in trading activities on the Exchange, and may only conduct clearing and delivery for themselves and for their clients.

General Clearing Members may engage in trading activities on the Exchange, and 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.

Non-futures-company Trading Clearing Members and non-futures-company General Clearing Members are prohibited from accepting the authorization of any client to conduct futures trading on the Exchange or accepting the authorization of any client to conduct clearing and delivery on the Exchange.

**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 by the Exchange and shall submit a membership application along with other materials required by the Exchange.

**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** A member applying for termination of membership shall submit a membership termination application along with other materials required by the Exchange.

**Article 25** 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 26** Upon approving a termination of membership, the Exchange will cancel the membership, file a report with the CSRC, and issue a public announcement.

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

**Article 27** A Clearing Member applying for converting to Trading Membership does not need to deposit additional amount to the Guarantee Fund, from the trading day after the Exchange receives the required application materials and confirms that the applicant has no outstanding position and ceases to open any new position, till the day on which the Exchange

issues the approval of membership change. During the same period, the Exchange shall not adjust the standard of Guarantee Fund contribution for the applicant.

A Clearing Member applying for termination of membership does not need to deposit additional amount to the Guarantee Fund, from the trading day after the Exchange receives the required application materials and confirms that the applicant has no outstanding position and ceases to open any new position, till the day on which the Exchange issues the approval of membership termination. During the same period, the Exchange shall not adjust the standard of Guarantee Fund contribution for the applicant.

**Article 28** Any member that no longer satisfies the membership requirements prescribed by the Exchange or by the regulations of the CSRC or relevant regulatory authorities shall apply for change or termination of its membership as required by the Exchange.

The Exchange reserves the right to adjust or cancel the membership of any member that fails to apply for change or termination of membership according to the rules of the Exchange, and shall notify the member in written form.

**Article 29** 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 30** 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 company's executives. The business representative of a non-futures-company member shall be one of the company's futures business managers.

**Article 31** A member shall appoint several business liaisons to assist the business representative in the performance of duties under the member's authorization.

**Article 32** 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 organize the relevant employees of the member 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 supervise the member to perform reporting obligations in a timely manner;
- (9) to supervise the member to pay various fees in a timely manner;
- (10) to coordinate and organize the activities of business liaisons; and
- (11) to perform other duties required by the Exchange.

**Article 33** A member shall promptly replace its business representative or business liaisons 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 34** A member shall timely report to the Exchange once it appoints or replaces any of its business representative or business liaisons. The former business representative or business liaisons shall continue performing their duties under these Measures until the Exchange receives the report.

A member who fails to appoint or replace its business representative or business liaisons in time, or fails to timely report to the Exchange about such appointment or replacement, shall take responsibility for the consequences.

**Article 35** 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 completed.

## **Chapter VI Member Reporting**

**Article 36** Members shall fulfill their reporting duties according to the requirements prescribed by the Exchange, and the information and materials submitted by members to the Exchange shall be truthful, accurate and complete.

**Article 37** 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 38** A non-futures-company member shall perform the periodic reporting obligations required by the Exchange.

**Article 39** A member shall 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;
- (3) any change in its name, domicile, scope of business, or contact details;
- (4) involvement in any major litigations or economic disputes;
- (5) obtainment of membership of any other exchange;
- (6) being subject to any investigation or regulatory measures by competent authorities for a suspected major violation or subject to any criminal or administrative penalties or self-regulatory measures;
- (7) any change in the executives of a futures-company member;
- (8) the net capital or any other risk control indicators of a futures-company member fails to meet the standards set by the CSRC;

- (9) any merger, division and establishment or closure of branches of a futures-company member;
- (10) any change in the personnel engaging in futures business or any violation of laws or regulations in either futures or spot market by a non-futures-company member;
- (11) any other circumstance prescribed by the Exchange.

**Article 40** A member shall promptly report to the Exchange and provide ongoing updates upon the occurrence of:

- (1) a material business risk related to futures trading;
- (2) a major technical malfunction related to futures trading;
- (3) force majeure or unexpected event that may impact the normal futures trading;
- (4) severe abnormality in a futures-company member's IT system, or information security emergencies; or
- (5) any other circumstance prescribed by the Exchange.

**Article 41** 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 42** 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 43** 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 44** 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 and its branches, futures exchanges, China Futures Market Monitoring Center Co., Ltd, 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 45** 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 46** A futures-company member 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 47** 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 48** 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 49** 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 50** 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 51** 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 52** 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 53** 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.

The Exchange reserves the right to require any member that fails to pass such inspection to implement rectification measures within a time limit.

**Article 54** A member's personnel engaging in futures business shall be authorized by the member to conduct futures business on the Exchange. The member shall be fully liable for all business activities conducted on the Exchange by its personnel engaging in futures business. An individual engaging in futures business 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 personnel engaging in futures business, it shall timely notify the Exchange and shall be fully liable for any business activities conducted by such personnel before the Exchange receives the notification.

**Article 55** Upon the termination of membership, a member's authorization to its personnel engaging in futures business shall automatically become null and void.

### **Chapter VIII Ancillary Provisions**

**Article 56** 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 57** The Exchange reserves the right to interpret these *Measures*.

**Article 58** These *Measures* shall come into effect on March 9, 2020.