

Measures of China Financial Futures Exchange on the Management of Trader Suitability Regime

Chapter I General Provisions

Article 1 These Measures are formulated in accordance with the *Regulation on the Administration of Futures Trading, Measures for the Administration of Suitability of Securities and Futures Investors* and other applicable laws and regulations as well as the rules of China Financial Futures Exchange (the “Exchange”), for the purposes of guiding traders to trade futures rationally, protecting the legitimate rights and interests of traders, and ensuring the smooth, regulated, and sound development of the futures market.

Article 2 For the purpose of these Measures, “traders” refer to natural persons, legal persons, and economic organizations that engage in futures trading and bear the corresponding trading results.

Traders shall, pursuant to the suitability regime, comprehensively evaluate their knowledge of the market and products, capacity to control and bear risks, and financial position, and prudently decide whether or not to participate in futures trading.

Article 3 Futures-company members shall, in accordance with these Measures, evaluate clients’ knowledge of futures trading and risk tolerance, and recommend appropriate products to the right clients.

Chapter II Suitability Management Criteria

Article 4 A futures-company member may apply for a trading code for any institutional client that, at the time of application:

- (1) has the relevant personnel who possess basic knowledge of futures trading and understand relevant rules;
- (2) has an aggregated record of mock trading for no less than 10 trading days and executing at least 20 mock trades in futures or options contracts on domestic trading venues, or of executing at least 10 actual trades in futures or options contracts, or other centrally cleared derivatives on domestic trading venues in the past 3 years;
- (3) maintains a minimum daily available balance of RMB 500,000 in its margin account for the 5 consecutive trading days immediately before the trading code application;
- (4) has robust internal control, risk management and other futures trading management frameworks;
- (5) has no major negative credibility record, has not been declared by competent regulators as being barred from the futures market, and is not under any circumstance which, by laws, regulations, ministry-level rules, or the rules of the Exchange, would prohibit or restrict the client from engaging in futures trading; and

(6) satisfies other requirements of the Exchange.

Article 5 A futures-company member may apply for a trading code for any individual client who, at the time of application:

- (1) has full capacity for civil conduct;
- (2) possesses the basic knowledge of futures trading and understands relevant rules;
- (3) has an aggregated record of mock trading for no less than 10 trading days and executing at least 20 mock trades in futures or options contracts on domestic trading venues, or of executing at least 10 actual trades in futures or options contracts, or other centrally cleared derivatives on domestic trading venues in the past 3 years;
- (4) maintains a minimum available balance of RMB 500,000 in its margin account for the 5 consecutive trading days immediately before the trading code application; and
- (5) has no major negative credibility record, has not been declared by competent regulators as being barred from the futures market, and is not under any circumstance which, by laws, regulations, ministry-level rules, or the rules of the Exchange, would prohibit or restrict the client from engaging in futures trading; and
- (6) satisfies other requirements of the Exchange.

Article 6 For any client that is permitted to trade in other listed products subject to the suitability regime of a domestic trading venue, if the client applies for a trading code at the Exchange, its carrying futures-company member may exempt the client from items (1) and (2) of Article 4 or items (2) and (3) of Article 5 of these Measures, as applicable, when assessing its suitability; where the funds requirement for the aforementioned listed products is equal to or higher than that set out in item (3) of Article 4 or item (4) of Article 5 of these Measures, as applicable, the carrying futures-company member may exempt the client from the funds balance assessment.

Article 7 Unless otherwise prescribed by laws, regulations, ministry-level rules, and China Securities Regulatory Commission (“CSRC”), a futures-company member may, when applying for a trading code for a client, exempt such client from items (1) through (3) of Article 4 or items (2) through (4) of Article 5 of these Measures if the client:

- (1) is a professional investor under the *Measures for the Administration of Suitability of Securities and Futures Investors*;
- (2) has obtained a trading code at the Exchange and is applying to the Exchange for another trading code through another futures-company member;
- (3) has an aggregated record of at least 50 days of trading futures or options contracts, or other centrally cleared derivatives on domestic trading venues in the past year; or
- (4) is a market maker, Special Institutional Client, or any other type of exemptible trader recognized by the Exchange.

Article 8 The Exchange may adjust the trader suitability criteria based on market conditions.

Chapter III Implementation of the Suitability Regime

Article 9 A futures-company member shall, in accordance with the regulations of the CSRC and these Measures, develop a sound, specific plan for implementing the client suitability regime, improve its internal division of duties and business procedures, and comprehensively evaluate their clients' basic information, relevant investment experience, financial position, credibility status, and other relevant areas.

Article 10 A futures-company member shall establish and effectively implement an accountability system for client development to clarify relevant personnel's responsibilities.

Article 11 Futures-company members shall fully inform their clients of the risks associated with futures trading; objectively elucidate the laws and regulations governing futures trading, the rules, policies, and decisions of the Exchange, as well as the characteristics of relevant products; identify the clients' level of knowledge on futures trading; duly verify clients' funds balance and experience in trading and mock trading; prudently assess their credibility status and risk tolerance; and review their trading code application materials and other account application materials.

Article 12 Futures-company members shall provide guidance to their clients; supervise their clients to observe applicable laws, regulations, and ministry-level rules governing futures trading as well as the rules, policies, and decisions of the Exchange; organize risk awareness trainings for clients on an ongoing basis; and strengthen the legal and regulatory compliance of their clients' trading activities.

Article 13 Futures-company members shall establish client files and keep them safe and strictly confidential.

Article 14 Futures-company members shall establish reasonable channels for receiving client complaints, inform clients of the methods and procedures for filing a complaint, properly resolve disputes, and supervise clients to lawfully protect their rights and interests.

Article 15 Traders shall guarantee the authenticity and truthfulness of the trading code application materials and other account application materials, and shall not submit false information or resort to other means to circumvent the trader suitability regime.

Article 16 Traders shall assume the consequences of their trades, shall perform the contractual obligations with respect to their futures transactions, and shall not repudiate such contractual obligations on the grounds that they do not meet trader suitability criteria.

Article 17 Traders shall safeguard their legitimate rights and interests through lawful channels in accordance with laws and regulations, and shall not undermine State, public or collective interests or the legitimate rights and interests of others, nor disrupt the public order or the normal functioning of the Exchange and related entities.

Article 18 A futures-company member that authorizes companies providing introducing broker (IB) services to assist with trading code application procedures shall establish rules for

coordinating with such companies, implement the trader suitability regime, and review the relevant procedures of the companies.

Article 19 The Exchange inspects futures-company members on the implementation of the trader suitability regime.

Futures-company members shall cooperate with the inspection and provide truthful information regarding clients' account opening materials and funds account statements, and shall not conceal any information, obstruct the inspection, or refuse to cooperate.

Chapter IV Ancillary Provisions

Article 20 Any violation of these Measures shall be dealt with by the Exchange in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches* and the *Measures of China Financial Futures Exchange on Membership Management*.

Article 21 The Exchange reserves the right to interpret these *Measures*.

Article 22 These *Measures* shall come into effect on December 23, 2019.