

Measures of China Financial Futures Exchange on the Management of the Risk Reserve

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 Futures Exchanges*, as well as related regulations, ministry-level rules, and the rules of the China Financial Futures Exchange (the “Exchange”) for the purposes of regulating the provisioning, custody, usage, approval, and other matters related to the Risk Reserve of the Exchange, enhancing the risk prevention of the Exchange, and safeguarding the robustness and stability of the financial futures market.

Article 2 In these *Measures*, “Risk Reserve” refers to the fund lawfully established by the Exchange to maintain the normal operations of the financial futures market, provide financial guarantees, and cover losses arising from risks unforeseeable to the Exchange.

Article 3 The Exchange shall manage the Risk Reserve in a compliant, safe and prudent manner.

Article 4 The Exchange, members, clients, and other futures market participants shall comply with these *Measures*.

Chapter II Provisioning

Article 5 The Risk Reserve shall be provisioned from the income of the Exchange at 20% of the fees collected from market participants.

Article 6 The Exchange may, based on its size of business, development plans, potential risks and other factors, propose a recommended size of the Risk Reserve to the China Securities Regulatory Commission (CSRC), and implement the proposal upon CSRC’s approval.

Article 7 If the balance of the Risk Reserve falls below the required level after usage, the Exchange shall continue to provision for the Risk Reserve pursuant to these *Measures*.

Chapter III Custody

Article 8 The Exchange shall monitor the safety and liquidity of funds in the Risk Reserve under its custody.

The Exchange shall periodically transfer funds provisioned for the Risk Reserve to the dedicated Risk Reserve account.

Article 9 The Risk Reserve shall be deposited in a dedicated account and separately recorded in account books, and may not be used for any purpose other than for covering contingent losses.

Article 10 Interests and other fruits accrued on the Risk Reserve shall be rolled into the Risk Reserve.

All taxes and fees incurred from the custody, usage, and management of the Risk Reserve shall be deducted from the Risk Reserve.

Chapter IV Usage

Article 11 The Exchange may use the Risk Reserve if any of the following circumstances occurs and the risk control measures it has taken according to its rules fail to contain the risk:

- (1) a Clearing Member defaults in futures trading, and the margin and Guarantee Fund are insufficient to cover such default;
- (2) the Exchange incurs liabilities during the organization of futures trading, clearing, settlement, delivery, and other related activities due to losses resulting from its IT system malfunctions, release of market data, or other reasons; or
- (3) such usage is required to resolve a risk event that is causing or will cause a material impact on the futures market.

Article 12 An amount that is drawn against the Risk Reserve shall be (i) transferred directly to the Exchange's Dedicated Settlement Account, if it is used for covering a Clearing Member's default that cannot be covered by the margin and Guarantee Fund; (ii) transferred directly to the Clearing Member's Dedicated Margin Account, if it is used for covering the Clearing Member's losses; (iii) transferred to the carrying Clearing Member's Dedicated Margin Account, if it is used for covering the losses of a Trading Member or client; (iv) transferred according to relevant written agreement, if it is used for covering other losses or

risks.

Article 13 If the Risk Reserve is insufficient to cover the losses of multiple Clearing Members, Trading Members, and clients, it shall be distributed among them on a pro rata basis.

The pro rata distribution as mentioned in the preceding paragraph shall be based on the ratio of the current balance of the Risk Reserve to the total amount of losses, unless it is otherwise provided by national laws, administrative regulations and other rules.

Article 14 Following its usage of the Risk Reserve to cover contingent losses or resolve risks, the Exchange shall gain the corresponding right of recourse against the relevant parties. The portion of recovered funds that is attributable to the Risk Reserve shall be transferred to the dedicated Risk Reserve account.

Chapter V Usage Approval

Article 15 The Exchange shall formulate a plan for the usage of the Risk Reserve based on a thorough analysis of the necessity, reasonableness and feasibility of such usage.

Article 16 The Exchange shall use the Risk Reserve for the prescribed purposes and according to the prescribed procedures after the usage plan is reviewed and approved by the Executive Committee of the Board of Directors of the Exchange.

Article 17 The usage plan for the Risk Reserve shall be reported to CSRC within ten business days upon its approval by the Executive Committee.

Chapter VI Ancillary Provisions

Article 18 The Exchange will separately specify the rules governing the custody, usage procedure, and other matters related to the Risk Reserve.

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

Article 20 These *Measures* shall come into effect on May 24, 2019.