

# Measures of China Financial Futures Exchange on the Management of Designated Depository Banks

(Adopted on August 14, 2013; first amended on April 3, 2015)

## Chapter I General Provisions

**Article 1** These Measures are formulated in accordance with the *Trading Rules of China Financial Futures Exchange*, the *Detailed Clearing Rules of China Financial Futures Exchange* and other rules for the purposes of regulating the futures margin depository business on China Financial Futures Exchange (the “Exchange”) and ensuring the safety of the futures margin under custody and the smooth conduct of futures trading.

**Article 2** For the purpose of these Measures, “futures margin depository business” refers to the acceptance and depository of futures margin by banks and the related operations. Any bank that intends to engage in futures margin depository business shall be certified by the Exchange.

**Article 3** Banks engaged in futures margin depository business shall comply with laws, administrative regulations, ministry-level rules, and the rules of the Exchange, and shall accept the market self-regulatory measures of the Exchange.

## Chapter II Certification Application

**Article 4** A bank applying to conduct futures margin depository business shall meet the following requirements:

- (1) being a nationwide bank incorporated in the Chinese Mainland and with legal person status;
- (2) having a registered capital of no less than RMB 10 billion, total assets of no less than RMB 1.5 trillion, and net assets of no less than RMB 100 billion, and having been profitable in each of the last three fiscal years;
- (3) meeting the requirements of the banking regulatory authorities of the People’s Republic of China with respect to banks, including capital adequacy, liquidity, and asset-liability ratio;
- (4) having a minimum of 600 branches, including 1 at where the Exchange is located and able to handle futures margin depository business and funds settlement-related business;
- (5) having sound corporate governance, risk management framework, and internal controls;
- (6) having a dedicated institution or department in charge of futures margin depository business;

- (7) having in place a sound futures margin management framework with internal controls and operating procedures for futures margin depository business, as well as contingency plans for technical or telecommunications system malfunctions and other extraordinary situations;
- (8) having the necessary facilities and technologies to conduct futures margin depository business and support the monitoring of the safe deposit of futures margin, including an inter-city funds transfer system that has been operating efficiently and stably in the past three years, a nationwide real-time intra-bank transfer system, and a robust nationwide centralized bank-futures transfer system;
- (9) no less than three staff members at the Designated Outlet and all the staff members at the dedicated futures settlement counter shall be qualified to engage in futures business. In addition, the managers at such Designated Outlet shall have no less than five years of work experience in the banking industry;
- (10) having no record of major violations of laws and regulations, major accidents, or major administrative penalties imposed by any regulatory authority during the past three years;
- (11) having no involvement in any outstanding lawsuit or debt obligations that may materially affect its credit standing; and
- (12) meeting any other requirements prescribed by the Exchange.

When a depository bank for Qualified Foreign Institutional Investors (QFIIs) or RMB Qualified Foreign Institutional Investors (RQFIIs) applies to conduct futures margin depository business only on behalf of the said QFIIs or RQFIIs, it shall meet the requirements under items (3) and (5) to (12) of the preceding paragraph and shall have obtained the Settlement Bank Certification from China Securities Depository and Clearing Corporation Limited.

**Article 5** A bank that applies to conduct futures margin depository business shall submit to the Exchange the following materials for preliminary review with its common seal affixed thereto:

- (1) the application form, application report, feasibility report, and business plan for futures margin depository business;
- (2) a statement on its branches, outlets, as well as the facilities necessary for futures margin depository business;
- (3) the futures margin management framework, internal management rules, as well as relevant contingency plans;
- (4) a description of the roles and responsibilities of the futures margin depository business department, and the names and resumes of the department head and staff members;

- (5) a statement on complying with the regulations on the monitoring of the safe deposit of futures margin;
- (6) a photocopy of its Business License for Enterprise Legal Person with the latest annual review record;
- (7) a photocopy of its Financial License;
- (8) audit reports and internal control evaluation reports for the past three years;
- (9) letters of authorization from the enterprise legal person and the identification of the individuals who handle application filing; and
- (10) other documents prescribed by the Exchange.

**Article 6** A bank that has passed the preliminary review of the Exchange to become a Depository Bank shall then pass the relevant business, technical system, and telecommunications equipment tests, among others, as required by the Exchange and China Futures Market Monitoring Center Co., Ltd. (“CFMMC”), and subsequently submit the following materials to the Exchange:

- (1) the certifying documents issued by the CFMMC attesting the passing of the data reporting test for the monitoring of the safe deposit of futures margin;
- (2) a test report for its nationwide centralized bank-futures transfer system jointly conducted with futures companies (or other futures market participants);
- (3) a photocopy of the Business Licenses of the branches designated by the Exchange to engage in futures margin depository business (“Designated Outlet”); and
- (4) other documents required by the Exchange.

**Article 7** A bank receiving Depository Bank certification from the Exchange shall file a report with the banking regulatory authorities within three business days of the certification.

**Article 8** A bank that is certified as a Depository Bank shall enter into a Depository Bank Agreement with the Exchange to specify the rights and obligations of both parties.

### **Chapter III Operational Requirements**

**Article 9** A bank engaged in futures margin depository business (“Depository Bank”) shall provide its clients and the Exchange with safe, accurate, and timely futures margin deposit and transfer services.

**Article 10** A Depository Bank shall establish a Designated Outlet within the prescribed distance to the Exchange and set up a dedicated futures settlement counter at the Designated Outlet to provide dedicated services.

**Article 11** A Depository Bank shall open a Dedicated Settlement Account, a Dedicated Guarantee Fund Account, and other accounts for and as requested by the Exchange. The account information shall reflect the nature of business of the accounts.

**Article 12** A Depository Bank shall open, change, or close Dedicated Margin Accounts, Dedicated Guarantee Fund Accounts, and other accounts based on the request of Clearing Members and the specific notices issued by the Exchange. The account information shall reflect the nature of business of the accounts.

**Article 13** Funds transfers between the Exchange and members in respect of futures transactions shall be carried out through the accounts under Articles 11 and 12.

**Article 14** A Depository Bank shall adjust its business hours based on the trading and clearing hours of the Exchange, so as to meet the needs of futures margin depository business.

**Article 15** A Depository Bank shall pay interest to the Exchange at the deposit rate jointly determined with the Exchange.

**Article 16** In the event that the Exchange needs additional liquidity during settlement, a Depository Bank shall, at the request of the Exchange, provide funding support to assist the Exchange in mitigating relevant risks.

**Article 17** A Depository Bank shall refuse the request of any organization or individual to freeze or deduct funds from the Exchange's Dedicated Settlement Account, so as to ensure the safety of the futures margin under the custody of the Exchange. Where an organization is planning on any action which could affect the deposit of margin, such as freezing a Clearing Member's Dedicated Margin Account, the Depository Bank shall timely notify the Exchange.

**Article 18** A Depository Bank shall transfer funds in accordance with the Exchange's instructions in writing or in electronic form through the Exchange's funds transfer system:

- (1) amounts transferred into the Exchange's Dedicated Settlement Account shall be credited to the account immediately upon receipt of the funds, and a real-time notice containing the transfer details shall be sent to the Exchange through the funds transfer system or by fax;
- (2) for funds transfers between accounts at the same bank, the funds shall be remitted to the Dedicated Margin Account of the Clearing Member designated by the Exchange immediately (within one hour) upon receiving the Exchange's transfer instruction; and
- (3) for interbank funds transfers, the funds shall be transferred using the fastest method available immediately upon receiving the Exchange's transfer instruction, and the Depository Bank shall ensure that the funds timely arrive at the bank of the receiving account designated by the Exchange. Under special circumstances, the funds shall arrive at the receiving bank designated by the Exchange before 4:00 p.m. on the same day.

**Article 19** A Depository Bank shall, in accordance with the following provisions, conduct reconciliation of the Dedicated Settlement Account of the Exchange on a daily basis:

- (1) account reconciliation shall be conducted after daily clearing;
- (2) the Exchange may inquire the balance and funds movements of the Dedicated Settlement Account at any time during the business hours, upon which the Depository Bank shall provide the Exchange with real-time results;
- (3) the Depository Bank shall send the receipt slips, statement of payments and receipts, and other transaction receipts for the current day to the Exchange; and
- (4) the Depository Bank shall timely furnish the reconciliation statements as required by the Exchange.

**Article 20** A Depository Bank shall manage futures margin in a closed-loop system, and execute the deposit and withdrawal of futures margin via electronic transfer in accordance with the relevant rules on the safe deposit of futures margin.

**Article 21** A Depository Bank shall, in accordance with relevant rules on the monitoring of the safe deposit of futures margin, report to the CFMMC relevant information about all Futures Margin Accounts held with the bank, including account balances and funds movements from the preceding trading day, through the dedicated line within the prescribed time period.

**Article 22** A Depository Bank shall take effective measures to mitigate liquidity risks, and not restrict Funds Deposits and Funds Withdrawals by any member without written consent of the Exchange.

**Article 23** A Depository Bank shall ensure the stability of the operations and personnel at the Designated Outlet, organize regular trainings for the relevant personnel, and actively participate in the trainings organized by the Exchange, so as to ensure that the relevant personnel are familiar with the processes of futures margin depository business and the rules and requirements of the Exchange concerning the deposit of futures margin and the settlement of funds.

**Article 24** A Depository Bank shall not assist members to create security interests in their Futures Margin Accounts.

**Article 25** A Depository Bank shall operate in a compliant manner, not divert clients' margin, and receive the supervision of the Exchange.

#### **Chapter IV Technical Requirements**

**Article 26** The funds transfer system of each Depository Bank shall meet the Exchange's technical specifications, and shall have passed the functionality and performance tests of the Exchange.

**Article 27** The nationwide centralized bank-futures transfer system of each Depository Bank shall support concurrent access by member systems and meet the relevant redundancy requirements.

**Article 28** A Depository Bank shall apply for a reliable telecommunications link with sufficient redundancy between its headquarters' primary and backup data centers and the Exchange's primary and backup data centers, the network parameters for which shall be assigned by the Exchange.

**Article 29** A Depository Bank shall incorporate its funds transfer system into the centralized operation and maintenance management of its technical systems, and perform real-time monitoring of the funds transfer system, the data links, and the hardware and software platforms.

**Article 30** In case that a Depository Bank changes the software application or network systems of its funds transfer system, it shall notify the Exchange's IT Department five business days in advance, and shall complete system testing before relevant maintenance or upgrading.

**Article 31** A Depository Bank shall participate in and provide cooperation during the emergency drills and joint testing organized by the Exchange.

**Article 32** A Depository Bank shall appoint a contact person available 24/7 for technical emergencies. Any change of such emergency contact(s) shall be timely reported to the Exchange.

## **Chapter V Emergency Response**

**Article 33** A Depository Bank shall develop a sound business contingency plan for network and information security incidents, specify the duties of the personnel involved, and provide adequate measures to ensure fast response to and timely resolution of emergencies.

**Article 34** A Depository Bank shall establish an Emergency Response Outlet (other than the Designated Outlet) within the area designated by the Exchange. The Emergency Response Outlet shall meet the requirements of the Exchange on technical systems, telecommunications equipment, and other pertinent aspects.

**Article 35** A Depository Bank shall immediately notify the Exchange of any malfunction of the funds transfer system, and actively cooperate with the Exchange in examining such system in order to pinpoint the root cause, fix the malfunction, and determine responsibilities. When necessary, the business contingency plan shall be activated immediately.

**Article 36** If the operational stability and security of the futures margin depository business are compromised, a Depository Bank shall timely activate the business contingency plan to resume normal operation at the earliest possible time, and report relevant details to the Exchange and the CFMMC.

## **Chapter VI Supervision**

**Article 37** In the event of any change to the setup of positions, job responsibilities, department heads, or contact persons of a Depository Bank's futures margin depository business department, the Depository Bank shall notify the Exchange and the CFMMC in writing within three business days of the change.

**Article 38** In the event that a Depository Bank incurs a material operational risk or loss which affects its credit standing, it shall notify the Exchange and the CFMMC within three business days of such incurrence, and submit a report on the effects of such risk or loss on its futures margin depository business and the measures it has taken to address the issue.

**Article 39** Before implementing system upgrades or changes or initiating any other undertakings which may affect its futures margin depository business, the Depository Bank shall notify the Exchange, the CFMMC, and the relevant members in writing five business days in advance, duly disclose relevant information, carry out system testing, and formulate a targeted contingency plan.

**Article 40** A Depository Bank shall, within one month after the end of each year, submit to the Exchange and the CFMMC a report on the business operations, technical operations, and risk management of its futures margin depository business, as well as its implementation of relevant laws, administrative regulations, ministry-level rules, and policies.

**Article 41** A Depository Bank shall cooperate with the reviews, annual assessments, or, where necessary, unscheduled assessments conducted by the Exchange on the qualifications of the Depository Bank to engage in futures margin depository business.

**Article 42** The Exchange shall annually assess a Depository Bank to comprehensively evaluate the timeliness, security, and accuracy of its futures margin depository business activities. The assessment covers such aspects as qualifications, system operations and maintenance, staffing, business operations, and risk management. Assessment methods include self-inspections by the Depository Bank, field inspections, and ratings by Clearing Members, among others.

Assessment results of “Excellent”, “Good”, “Pass”, and “Fail” shall be circulated to all Depository Banks.

**Article 43** Based on the results of the annual assessment, the Exchange may make overall plans and arrangements for the business and cooperation projects with Depository Banks and guide and supervise their futures margin depository business.

## **Chapter VII Handling of Violations**

**Article 44** If any of the following circumstances occurs to a Depository Bank, the Depository Bank shall be required to make rectifications and, depending on the severity of the violation, shall be subject to such measures as written admonishment, reprimand, and the suspension of its depository business with new Clearing-Member customers.

- (1) failing to perform relevant obligations in accordance with these Measures;
- (2) failing to take effective measures in any occurrence which affects or may affect its futures margin depository business, potentially threatening the stability of the futures market or undermining the legitimate rights and interests of Clearing Members and clients;
- (3) failing to comply with CFMMC’s requirements to report data on its futures margin depository business;

- (4) unjustifiably restricting Funds Deposits and Funds Withdrawals by any member without the written consent of the Exchange;
- (5) violating the agreement on futures margin depository business or the rules of the Exchange;
- (6) failing to immediately notify the Exchange or take effective and timely response in case of any operational error or malfunction of technical systems which may affect its futures margin depository business.
- (7) failing to meet the requirements of banking regulatory authorities on indicators such as capital adequacy ratio, liquidity, and asset-liability ratio;
- (8) failing to cooperate with the Exchange during its qualifications review for funds settlement operations or during unscheduled assessments or annual assessments, or failing to submit as required the summary reports on futures margin depository business and futures settlement operations for the preceding year or other required materials;
- (9) complaints by numerous Clearing Members of substandard service quality or unstable bank-futures transfer system; or
- (10) other circumstances prescribed by the Exchange.

**Article 45** All the futures margin depository business of a Depository Bank shall be suspended if the Depository Bank:

- (1) fails to take effective measures, resulting in the freezing or deduction of the funds in the Exchange's Dedicated Settlement Account;
- (2) assists a member to create security interest in its Futures Margin Account;
- (3) records a loss in the preceding fiscal year; or
- (4) falls under other circumstances as determined by the Exchange.

**Article 46** The Exchange may allow a Depository Bank to resume its futures margin depository business following the suspension thereof, if the Exchange determines that the Depository Bank has restored the required capabilities to conduct futures margin depository business after rectifications.

**Article 47** The Exchange may revoke a Depository Bank's certification for futures margin depository business if the Depository Bank:

- (1) requests for the termination of such certification;
- (2) is legally revoked of its Business License, dissolved, or declared bankrupt;
- (3) has lost its legal person status after an acquisition or merger;

- (4) no longer meets the qualification requirements to engage in futures margin depository business;
- (5) has recorded loss in each of the past three fiscal years;
- (6) fails to pass preceding year's annual assessment;
- (7) has provided the Exchange with false materials or information;
- (8) is deemed by the Exchange as facing material risks; or
- (9) falls under other circumstances as determined by the Exchange.

**Article 48** Where the Exchange decides to revoke a Depository Bank's certification for futures margin depository business, it shall issue a revocation notice to the Depository Bank ten business days in advance, report the revocation to the China Securities Regulatory Commission, and announce the decision on its website.

Such revocation does not affect existing legal relationship between the Depository Bank and the Exchange, but the Exchange shall be entitled to end the relevant business relationships with the Depository Bank according to applicable laws and regulations.

**Article 49** A bank whose certification for futures margin depository business is revoked by the Exchange shall be prohibited from re-applying for such certification within three years from the date of revocation.

## **Chapter VIII Ancillary Provisions**

**Article 50** Unless otherwise prescribed by national laws and regulations, a Depository Bank shall not, without the consent of the Exchange, disclose to any third party by any means any non-public information related to the Exchange that comes into its knowledge during futures margin depository business or futures funds settlement operations.

**Article 51** A Depository Bank which already engages in the relevant businesses before the implementation of these Measures is not required to be re-certified for futures margin depository business.

**Article 52** The Exchange reserves the right to interpret these Measures.

**Article 53** These Measures shall come into effect on April 3, 2015.

Annex 1:

### Application Form for Futures Margin Depository Business

Applicant full name				
Registered address				
Registered capital				
Postal code				
Name of legal representative				
Business License No.				
Financial License No.				
Department in charge of depository business				
Telephone				
Fax				
Person in charge of operations at Depository Bank	Name			
	Department and title			
	Contact information			
Person in charge of operations at Shanghai Branch	Name			
	Department and title			
	Contact information			
Technical executive at Shanghai Branch	Name			
	Department and title			
	Contact information			
Person in charge of Designated Outlet's supervising branch	Name			
	Department and title			
	Contact information			
Name of person handling application filing				
ID Card No. of person handling application filing				
Telephone of person handling application filing				
Applicant's basic financial information and other information	(Audited) total assets, net assets, net capital, capital adequacy ratio, and asset-liability ratio at the end of the preceding year	Total assets:		
		Net assets:		
		Net capital:		
		Capital adequacy ratio:		
	Asset-liability ratio:			
	Net profits in the past three years			
	Capital adequacy ratio in the past three years			
	Asset-liability ratio in the past three years			
	Liquidity ratio in the past three years			
	Number of branches			
Internal controls related to futures margin depository business				
Other information				

Legal representative or authorized representative's signature and seal; applicant's seal

Annex 2:

## **Letter of Authorization**

China Financial Futures Exchange Co., Ltd.,

We hereby authorize our employee (Ms./Mr.) \_\_\_\_\_(ID Card No.: \_\_\_\_\_),  
to handle on our behalf the application for certification as a Depository Bank for futures  
margin.

The scope of authority is as follows: to handle all affairs related to such application on our  
behalf, including but not limited to submission of the application form and application  
documents, signing of application-related documents, and receiving from you application-  
related documents.

This Letter of Authorization is valid from [date] to [date].

Authority granted by:           Bank (seal)

Legal Representative:         (signature and seal)

Date: