

# Measures of China Financial Futures Exchange on the Management of Abnormal Trading

**Article 1** These Measures are formulated in accordance with the *Trading Rules of China Financial Futures Exchange*, the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*, the *Measures of China Financial Futures Exchange on Membership Management*, and the *Measures of China Financial Futures Exchange on Risk Control* for the purposes of regulating futures trading activities, safeguarding market order, preventing risks, and protecting the legitimate rights and interests of futures trading participants.

**Article 2** China Financial Futures Exchange (the “Exchange”) monitors futures trading and has the right to implement corresponding measures against relevant members and clients if any abnormal trading activity is detected.

**Article 3** Members shall duly supervise clients’ trading activities; detect, report, and stop clients’ abnormal trading activities in a timely manner; and shall not condone, induce, incite, or support any client to engage in abnormal trading.

**Article 4** Non-futures-company members and clients that participate in futures trading shall comply with laws, regulations, and the rules of the Exchange; accept the supervision of the Exchange as well as the oversight of their carrying members with regard to the legality and compliance of their trading activities; and duly regulate their own trading activities.

**Article 5** Abnormal activities in futures trading shall include:

- (1) large or frequent transactions between one’s own accounts by acting as its own counterparty, including trades among Actual Control Accounts (“self-trade”);
- (2) frequent placement and cancellation of orders;
- (3) placement and cancellation of large orders;
- (4) the aggregate positions held by related Actual Control Accounts exceed the position limit prescribed by the Exchange;
- (5) placement of orders through computer programs, which may have adversely affected the Exchange’s system or orderly trading; and
- (6) other activities prescribed by the China Securities Regulatory Commission (“CSRC”) or identified by the Exchange.

**Article 6** For related Actual Control Accounts, the Exchange determines their position holding as well as abnormal trading activities such as self-trade, frequent placement and cancellation of orders, and placement and cancellation of large orders on an aggregate basis.

**Article 7** If a non-futures-company member or a client is involved in any of the abnormal trading activities specified in Article 5 of these Measures, the Exchange may take such measures against the client as alerting by telephone, requiring to report on the situation, requiring a written undertaking, adding to the Exchange's regulatory watch list, requiring the attendance at a cautionary interview, and suspending the opening of new positions, among others. In the case of a serious violation, the Exchange may impose corresponding measures in accordance with the *Trading Rules of China Financial Futures Exchange* and the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*. Where a violation of laws, administrative regulations, or ministry-level rules is suspected, the Exchange shall refer the case to the CSRC for formal investigation.

**Article 8** Members shall supervise their clients to abide by the laws, regulations, and ministry-level rules governing futures trading as well as the rules of the Exchange, and organize risk awareness trainings on an ongoing basis.

**Article 9** Members shall build robust and effective trading and funds monitoring systems, develop relevant management frameworks, closely monitor clients' trading activities, proactively prevent potential abnormal trading activities of clients, and guide clients to trade in a rational and compliant manner.

If any member detects any client engaging in any of the abnormal trading activities specified in Article 5 of these Measures, it shall alert, dissuade, and stop the client, and timely report to the Exchange.

**Article 10** Each member shall enter into an agreement with each of its clients to the effect that, if the client engages in any abnormal trading activity prescribed by the Exchange and continues to do so despite dissuasion and restraint by the member, the member may take such measures against the client as raising the trading margin standard, suspending the opening of new positions, refusing its instructions, or terminating their brokerage relationship, among others.

**Article 11** Members shall strengthen the supervision of the legality and compliance of clients' trading activities, assign a dedicated department to supervise clients' trading activities, and cooperate with the Exchange in market supervision.

**Article 12** Where an abnormal trading activity has met the conditions for the Exchange to take actions, the Exchange will notify the relevant member by telephone, email, the Member Service System, or other electronic means. The member shall timely contact the client concerned, notify the client of relevant regulatory information and written decisions of the Exchange, preserve relevant evidence, and take effective measures to regulate the client's trading activities.

**Article 13** The Exchange may require a member to make rectifications and alert by telephone, arrange a cautionary interview, issue a warning letter, and issue a letter of opinion, among other measures, if the member:

- (1) fails to deliver any regulatory information or written decision of the Exchange to a client in a timely and accurate manner;

- (2) fails to take effective measures to stop a client's abnormal trading activities;
- (3) fails to give due assistance in the investigation of suspected violations as required by the Exchange; or intentionally delays processes or conceals or omits facts;
- (4) condones, induces, incites, or supports a client's abnormal trading activities; or
- (5) falls under other circumstances prescribed by the Exchange.

**Article 14** A member shall provide active cooperation when its executives and relevant personnel are required to attend a meeting with the Exchange due to the abnormal trading activities of its clients. The member shall duly implement the regulatory opinions of the Exchange issued at the meeting and take effective measures to supervise the clients concerned to eliminate the negative effects arising from their abnormal trading activities.

**Article 15** A futures-company member that has been given two successive warning letters by the Exchange for failing to perform relevant obligations shall be given a letter of opinion on the third occurrence of such failure.

If any breach of the provisions of these Measures by a member constitutes other violations, the Exchange will take measures against the member in accordance with the *Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

**Article 16** The identification criteria and handling procedures for abnormal trading activities will be separately prescribed by the Exchange.

**Article 17** The Exchange reserves the right to interpret these *Measures*.

**Article 18** These *Measures* shall come into effect on March 9, 2020.