

Detailed Delivery Rules of China Financial Futures Exchange for China Government Bond Futures Contract

(Adopted on June 26, 2015; first amended on January 4, 2017; second amended on August 6, 2018; third amended on December 28, 2018; fourth amended on March 1, 2020; fifth amended on June 12, 2020; sixth amended on April 14, 2023; seventh amended on February 23, 2024)

Chapter I General Provisions

Article 1 These Detailed Delivery Rules are formulated in accordance with the *Trading Rules of China Financial Future Exchange* and its detailed implementation rules for the purpose of regulating the delivery of China government bond futures contracts on China Financial Futures Exchange (the “Exchange”).

Article 2 China government bond futures contract (“Contract”) adopts physical delivery.

Article 3 The Exchange, members, clients, and other futures market participants shall abide by these Detailed Delivery Rules.

Article 4 Depository services for China government bonds (“CGBs”) involved in delivery shall be provided by CGB depositories (each a “Depository”) in accordance with their rules and policies.

The aforementioned Depositories refer to China Central Depository & Clearing Co., Ltd. (“CCDC”) and China Securities Depository and Clearing Co., Ltd. (“CSDC”).

Chapter II Deliverable CGBs

Article 5 The deliverable CGBs of the Contract shall:

- (1) be book-entry CGBs issued in Chinese Mainland by the Ministry of Finance of the People’s Republic of China;
- (2) be simultaneously listed for trading on the China interbank bond market, Shanghai Stock Exchange, and Shenzhen Stock Exchange;
- (3) have a fixed coupon rate with regular interest payments;
- (4) have such residual maturity upon the first day of the Contract’s expiry month as specified in the Contract specifications;
- (5) comply to the rules on the transfer of custody among Depositories; and
- (6) meet other requirements specified by the Exchange.

Article 6 The delivery unit of 2-year CGB futures shall be CGBs with a face value of RMB 2 million, that of 5-year, 10-year and 30-year CGB futures shall be CGBs with a face value of RMB 1 million. Each delivery unit shall only comprise the same CGBs deposited at

the same Depository. For the purpose of classifying CGBs in a delivery unit, CSDC Shanghai Branch and CSDC Shenzhen Branch shall be treated as separate Depositories.

Article 7 The deliverable CGBs for a Contract and the conversion factors thereof shall be determined and published by the Exchange.

Chapter III Verification of Depository Account

Article 8 Any non-futures-company member participating in delivery shall report its CGB depository account (each a “Depository Account”) to the Exchange in advance. Any client participating in delivery shall report its CGB Depository Account to the Exchange in advance through its carrying member. Members and clients shall ensure that the Depository Accounts reported are authentic and valid.

A non-futures-company member or a client shall report its Depository Account in accordance with the trading code. When reporting a Depository Account at CCDC, the non-futures-company member or the client may only report one CCDC Depository Account, and when reporting CSDC Depository Accounts, the non-futures-company member or the client shall simultaneously report one and only one account at each of CSDC Shanghai Branch and CSDC Shenzhen Branch.

Article 9 When reporting a Depository Account, a member shall submit the following materials to the Exchange:

- (1) reporting form for Depository Account;
- (2) documents certifying the information of the Depository Account;
- (3) valid identity documents; and
- (4) other materials required by the Exchange.

The member shall ensure the information provided therein is truthful, accurate, and complete.

Article 10 Members may report Depository Accounts to the Exchange between 9:30 a.m. and 2:00 p.m. each trading day. The Exchange verifies and replies to a report within three trading days of formally accepting the report. During the course of verification, the Exchange may require additional materials from the member. The time spent obtaining such materials shall be excluded from the three-day verification period.

Article 11 If a non-futures-company member’s Depository Account or a client’s Depository Account is not yet verified as of the second trading day prior to the delivery month of a Contract, the non-futures-company member or the client shall not hold any position in the said Contract starting from the last trading day prior to the delivery month to the last trading day of the Contract.

Starting from the last trading day prior to the delivery month of a Contract, the Exchange shall force-liquidate, in accordance with the *Measures of China Financial Futures Exchange on Risk Control*, the positions in the Contract held by any non-futures-company member or any client whose Depository Account has not been verified.

Article 12 Any change to a Depository Account shall be timely reported by the relevant non-futures-company member to the Exchange or by the relevant client to the Exchange through its carrying member.

Chapter IV Delivery Process

Article 13 The seller of a Contract may tender for delivery on any trading day of the delivery month before the last trading day. Upon such tendering, the Exchange shall arrange the matched delivery participants to complete delivery within the prescribed time period. Any positions remaining outstanding by market close on the last trading day shall automatically enter delivery in accordance with rules of the Exchange.

Any non-futures-company member or any client participating in delivery shall be deemed to have authorized the Exchange to delegate relevant Depositories to transfer the corresponding CGBs held in the Depository Accounts reported by the non-futures-company member or the client.

Article 14 With respect to a given Contract, after market close on each trading day between the second trading day (inclusive) prior to the delivery month and the trading day (inclusive) prior to the last trading day, long and short positions in said Contract held under the same trading code shall be netted at the Contract's settlement price of the preceding trading day. The results of such netting shall be excluded from the calculation of the daily settlement price.

Article 15 When a non-futures-company member or a client tenders for delivery on a particular Contract before the last trading day, the valid delivery quantity, as determined during settlement on the tendering day, shall be the lesser of the delivery quantity tendered and the positions held through the same trading code. All of the valid delivery quantities tendered by sellers shall enter delivery.

The Exchange shall determine the specific buyer positions to enter delivery by giving priority first to those that have been voluntarily tendered for delivery and second to those that have been held for a longer period. Positions held for the same number of days shall enter delivery on a *pro rata* basis. If the total valid delivery quantity tendered by buyers is greater than that tendered by sellers, priority shall be given to buyer positions earlier tendered for delivery by the relevant members. Delivery tenders not selected to enter delivery shall automatically expire.

All buyer positions and seller positions that enter delivery shall be deducted from the positions in the corresponding delivery month Contract.

Article 16 When tendering for delivery on a Contract prior to the last trading day, any non-futures-company member shall submit the tender to the Exchange, and any client shall submit the tender to the Exchange through a member. A Clearing Member may authorize its Trading Member to submit delivery tenders.

The delivery tender shall be submitted to the Exchange before 3:15 p.m. on the same day.

A seller shall specify in its delivery tender such information as the name and quantity of its deliverable CGBs and the Depository Account for delivering the CGBs.

A buyer shall specify in its delivery tender such information as the delivery quantity and the Depository Account for receiving the CGBs. Any buyer that wishes to take delivery through CSDC shall provide information on both its Depository Account at the CSDC Shanghai Branch and its Depository Account at the CSDC Shenzhen Branch.

A member shall ensure that any client requesting delivery has the capacity to perform its delivery obligations.

Article 17 With respect to any buyer position not tendered for delivery before the last trading day of the Contract but is nevertheless identified by the Exchange to enter delivery, the Exchange shall designate one of the Depository Accounts previously reported by the buyer as the one for receiving the CGBs, with preference given to the account opened at the same Depository as the corresponding seller.

Article 18 After market close on the last trading day of a given Contract, long and short positions under each client number shall be netted at the Contract's settlement price of the preceding trading day; the net positions resulting therefrom shall then enter delivery. The results of such netting shall be excluded from the calculation of the final settlement price.

Article 19 With respect to any buyer position and seller position entering delivery on the last trading day of a Contract, the respective members of the buyer and seller shall submit, as applicable, the following information to the Exchange before 3:15 p.m. on that day: the buyer's Depository Account information, the name and quantity of the seller's deliverable CGBs, and the seller's Depository Account information. Any buyer that wishes to take delivery through CSDC shall provide information on both its Depository Account at the CSDC Shanghai Branch and its Depository Account at the CSDC Shenzhen Branch.

With respect to any buyer position or seller position entering delivery on the last trading day of a Contract, if the member fails to submit delivery information for the buyer within the prescribed time period, the Exchange shall designate one of the Depository Accounts previously reported by the buyer as the one for receiving the CGBs, with preference given to the account opened at the same Depository as the corresponding seller; if the member fails to submit delivery information for the seller within the prescribed time period, the seller shall be deemed to have failed to hand over the deliverable CGBs in full and on-time.

Article 20 During settlement on the day of delivery, the Exchange shall preferentially match the positions held by buyers and sellers who hold Depository Accounts at the same Depository, seeking to minimize the number of buyer-seller pairs in this process, then notify relevant members of the matching results and the amount of delivery payment to be made.

Article 21 Delivery may be conducted in the regular mode or the delivery-versus-payment (DvP) mode.

The following conditions shall be satisfied for DvP mode delivery:

- (1) both parties are participating in the delivery with their respective CCDC Depository Accounts;
- (2) such Depository Accounts are different from one another; and

- (3) other conditions prescribed by the Exchange.

Article 22 Delivery shall be completed within the three consecutive trading days after delivery matching. The three consecutive trading days are called, in sequence, the first delivery day, the second delivery day, and the third delivery day.

1. The first delivery day

In regular mode delivery, the first delivery day is for the handover of CGBs. A seller shall ensure that there is a sufficient quantity of eligible deliverable CGBs in its Depository Account, and shall be deemed to have completed the handover of CGBs upon the successful transfer thereof from its Depository Account to the Exchange's Depository Account.

2. The second delivery day

(1) In regular mode delivery, the second delivery day is for the making of delivery payments. During settlement on that day, the Exchange shall transfer delivery payments from the clearing reserve of each buyer's Clearing Member to the clearing reserve of the corresponding seller's Clearing Member, and simultaneously release the margin used to maintain the positions that have entered delivery.

(2) In DvP mode delivery, the second delivery day is for the simultaneous exchange of the CGBs of each seller for the delivery payment of the corresponding buyer. Sellers and buyers shall perform the exchange in accordance with the delivery matching results and the applicable rules of CCDC.

3. The third delivery day

(1) In regular mode delivery, the third delivery day is for the receipt of CGBs. The Exchange shall transfer the deliverable CGBs into the buyers' Depository Accounts for receiving CGBs.

(2) In DvP mode delivery, the Exchange shall, during settlement on that day, release the margin used to maintain the positions that have entered delivery.

Article 23 The Exchange shall have the right to adjust the delivery procedures if delivery cannot be conducted as normal due to an extraordinary situation or other reasons.

Article 24 If a seller fails to hand over the deliverable CGBs in full within the prescribed time period or a buyer fails to make the delivery payment in full within the prescribed time period, the positions may be closed out through compensatory payment. To adopt this method, the seller or buyer's Clearing Member shall apply to the Exchange before 10:00 a.m. on the second delivery day.

Article 25 Any party that settles its delivery shortfall with compensatory payment shall pay the other party a compensation through the Exchange as prescribed below, and shall further pay the Exchange a certain percentage of the contract value failed to be delivered as

delivery-default penalty (0.5% for 2-year CGB futures, 0.8% for 5-year CGB futures, 1% for 10-year CGB futures, and 2% for 30-year CGB futures).

1. Compensation

- (1) A non-delivering seller shall pay a certain percentage of the contract value failed to be delivered as compensation (0.5% for 2-year CGB futures, 0.8% for 5-year CGB futures, 1% for 10-year CGB futures, and 2% for 30-year CGB futures). If the price of the benchmark CGB is greater than the product of the Contract's final settlement price multiplied by the conversion factor, the seller shall further pay a differential compensation according to the following formula:

$$\text{Differential compensation} = \text{number of Contracts failed to be delivered} \times (\text{price of benchmark CGB} - \text{final settlement price} \times \text{conversion factor}) \times (\text{Contract face value} / \text{RMB } 100)$$

- (2) A non-delivering buyer shall pay a certain percentage of the contract value failed to be delivered as compensation (0.5% for 2-year CGB futures, 0.8% for 5-year CGB futures, 1% for 10-year CGB futures, and 2% for 30-year CGB futures). If the product of the Contract's final settlement price multiplied by the conversion factor is greater than the price of the benchmark CGB, the buyer shall further pay a differential compensation according to the following formula:

$$\text{Differential compensation} = \text{number of Contracts failed to be delivered} \times (\text{final settlement price} \times \text{conversion factor} - \text{price of benchmark CGB}) \times (\text{Contract face value} / \text{RMB } 100)$$

After the making of compensatory payment, the Exchange shall return to the seller the CGBs for which compensatory payment has been made.

2. Benchmark CGB

Where the tender for delivery is submitted before the last trading day of a Contract, the benchmark CGB shall be the CGB tendered for delivery by the seller; where the delivery process starts on the last trading day of a Contract, the benchmark CGB shall be the CGB with the largest delivery quantity among those validly tendered for delivery by all sellers, except that, if there are two or more CGBs fitting that description, it shall be the most recently listed CGB among them.

The Exchange has the right to designate the benchmark CGB if it cannot be determined in the manner set forth above.

3. Price of benchmark CGB

The price of a benchmark CGB shall be as valued by an institution recognized by the Exchange as of the second delivery day.

The Exchange has the right to adjust the price of a benchmark CGB.

Article 26 If the seller fails to hand over the deliverable CGBs in full and the buyer fails to make the delivery payment in full within the prescribed time period, the Exchange shall charge each party a certain percentage of the contract value failed to be delivered as delivery-default penalty (1% for 2-year CGB futures, 1.6% for 5-year CGB futures, 2% for 10-year CGB futures, and 4% for 30-year CGB futures).

Chapter V Settlement and Delivery

Article 27 The final settlement price of a Contract on any day before its last trading day shall be its settlement price on the day the seller tenders for delivery. The final settlement price of a Contract on its last trading day shall be the volume weighted average price (VWAP) of the Contract from centralized trading over that day. The final settlement price shall be rounded to three decimal places.

If there is no transaction in the Contract on its last trading day, its final settlement price shall be calculated as follows: final settlement price = settlement price of the Contract on the preceding trading day + settlement price of the benchmark contract on the current day – settlement price of benchmark contract on the preceding trading day, where the benchmark contract is the Contract with transactions that day and the closest delivery month. In case the final settlement price as calculated according to the above formula exceeds the limit up/limit down for the Contract, the limit up/limit down shall be recognized as the Contract’s final settlement price.

The Exchange has the right to adjust the final settlement price based on market conditions.

Article 28 The delivery payment of a Contract shall be based on the final settlement price according to the following formula:

Delivery payment = delivery quantity × (final settlement price × conversion factor + accrued interest) × (Contract face value / RMB 100).

where “accrued interest” is the interest earned on the deliverable CGB between its previous interest payment date and the second delivery day.

Article 29 The delivery fee for the Contract is RMB 5 per lot. The Exchange has the right to adjust the fee standard.

Article 30 CGB transfer fees and other delivery-related fees shall be governed by the applicable rules of the Depositories. The buyer shall bear the fees for the transfer of custody of CGBs between different Depositories.

Chapter VI Ancillary Provisions

Article 31 The “contract value” referred to herein is calculated as follows: contract value = final settlement price × (Contract face value / RMB 100).

Article 32 Any violation of these Detailed Delivery Rules shall be handled by the Exchange in accordance with these *Detailed Rules and the Measures of China Financial Futures Exchange on Dealing with Violations and Breaches*.

Article 33 The Exchange reserves the right to interpret these *Detailed Delivery Rules*.

Article 34 These *Detailed Delivery Rules* shall come into effect on February 26,2024.