

# Detailed Clearing Rules of China Financial Futures Exchange

## Chapter I General Provisions

**Article 1** These Detailed Rules are formulated in accordance with the *Trading Rules of China Financial Futures Exchange* for the purposes of regulating the clearing of futures transactions, protecting the legitimate rights and interests of futures trading participants as well as public interest, preventing and mitigating market risks, and ensuring smooth clearing of futures transactions on China Financial Futures Exchange (the “Exchange”).

**Article 2** “Clearing” refers to the process whereby the Exchange calculates and transfers the trading margin, profits and losses, option premium, fees, and other relevant amounts of the trading parties in accordance with the trading results, the published settlement price, and the relevant rules of the Exchange.

**Article 3** The Exchange implements margin requirements, daily mark-to-market, the Guarantee Fund, Risk Reserve, and other systems for clearing.

**Article 4** The Exchange operates a tiered clearing system, under which the Exchange carries out clearing for Clearing Members; each Clearing Member carries out clearing for its clients and the Trading Members that have authorized it to clear trades on their behalf; and each Trading Member carries out clearing for its clients.

**Article 5** The Exchange, members, clients, and Depository Banks shall comply with these Detailed Rules.

## Chapter II Clearing Institutions

**Article 6** “Clearing institutions” include the Clearing Department of the Exchange and the clearing departments of members. The Clearing Department of the Exchange is responsible for the centralized clearing of futures transactions on the Exchange, the management of margin and the Guarantee Fund, as well as the prevention of clearing risks.

**Article 7** The main responsibilities of the Clearing Department of the Exchange are:

- (1) to prepare clearing statements for Clearing Members;
- (2) to process funds transfers;
- (3) to collect, register, and report clearing statistics;
- (4) to resolve financial disputes of members arising from trading;
- (5) to carry out clearing and delivery;
- (6) to manage margin and the Guarantee Fund;

- (7) to control clearing risks;
- (8) to supervise the futures clearing business between Depository Banks and the Exchange; and
- (9) to perform other responsibilities as provided by laws, administrative regulations, ministry-level rules, and the Exchange.

**Article 8** All trades executed on the Exchange shall be centrally cleared through the Clearing Department of the Exchange.

**Article 9** The Exchange operates a tiered clearing system, under which the Clearing Department of the Exchange is responsible for clearing between the Exchange and Clearing Members.

**Article 10** Each member shall establish its own clearing department. A Clearing Member's clearing department is responsible for clearing between the Clearing Member and the Exchange, clients, as well as the Trading Members that have authorized the Clearing Member to clear trades on their behalf; a Trading Member's clearing department is responsible for clearing between the Trading Member and its Clearing Member as well as clients.

**Article 11** The Exchange shall have the right to inspect members' clearing documents, financial statements, and relevant documentations and account books.

**Article 12** The clearing departments of members shall properly retain their clearing documents, financial statements, and relevant documentations and account books for future inquiry and verification.

**Article 13** "Clearing and Delivery Personnel" are individuals authorized by a Clearing Member to conduct clearing and delivery on its behalf. Each Clearing Member shall appoint at least two such individuals.

Clearing and Delivery Personnel shall meet the requirements of the China Securities Regulatory Commission ("CSRC") regarding the qualifications to engage in futures business; obtain the Clearing and Delivery Personnel training certificate issued by the Exchange after completing the training courses organized by the Exchange; and, with the approval of the Clearing Member, obtain the Certificate of Clearing and Delivery Personnel.

**Article 14** A Clearing and Delivery Personnel shall perform the following responsibilities:

- (1) to conduct Funds Deposits and Funds Withdrawals for the Clearing Member;
- (2) to handle processes relating to margin paid with securities;
- (3) to timely obtain and verify the clearing data provided by the Exchange; and
- (4) to undertake other clearing and delivery businesses.

**Article 15** Clearing and Delivery Personnel shall present their Certificate of Clearing and Delivery Personnel when undertaking clearing and delivery businesses at the Exchange.

**Article 16** The Certificate of Clearing and Delivery Personnel can only be used by the certificate holder; forgery, alteration, borrowing, or lending thereof is prohibited. In the event of a change of Clearing and Delivery Personnel, the relevant Clearing Member shall complete relevant procedures with the Exchange in a timely manner.

**Article 17** Clearing Members shall strengthen the supervision of their Clearing and Delivery Personnel and strictly regulate their operations.

**Article 18** Institutions and their staffs involved in the clearing process shall keep the confidential information of the Exchange, members, and clients confidential.

### **Chapter III     Depository Banks**

**Article 19** “Depository Bank” is a bank that has entered into an agreement with the Exchange to assist the Exchange in the clearing of futures transactions.

**Article 20** A Depository Bank shall have the following rights:

- (1) to open a Dedicated Settlement Account for the Exchange and Futures Margin Accounts for members;
- (2) to hold margin and other relevant funds relating to futures trading;
- (3) to verify the credit standing of members at the Exchange; and
- (4) other rights provided by laws, administrative regulations, ministry-level rules, and the Exchange.

**Article 21** A Depository Bank shall perform the following obligations:

- (1) to give priority to the funds transfer of Clearing Members in accordance with instruments or with the instructions provided by the Exchange;
- (2) to promptly notify the Exchange of any misconduct and risks of members with respect to clearing-related funds transfers;
- (3) to keep private the confidential information of the Exchange, members, and clients;
- (4) to effectively segregate businesses with conflicts of interest and strictly prohibit the improper use of relevant information;
- (5) to assist the Exchange in mitigating any significant risks it faces;
- (6) to provide the Exchange with detailed information on the Futures Margin Accounts of members;
- (7) to assist the Exchange in verifying the source and destination of the funds of members as required by the Exchange;
- (8) to take the necessary self-regulatory measures over the funds in members’ Futures Margin Accounts as required by the CSRC or the Exchange; and

- (9) to perform other obligations provided by laws, administrative regulations, ministry-level rules, and the Exchange.

#### **Chapter IV Daily Clearing**

**Article 22** Dedicated Settlement Accounts are accounts opened by the Exchange at Depository Banks for holding the margin and other relevant funds from Clearing Members.

**Article 23** Futures Margin Accounts are accounts opened by Clearing Members at Depository Banks for holding the margin and other relevant funds from Trading Members and clients.

**Article 24** The Futures Margin Account opened by a Clearing Member with the Depository Bank at where the Exchange is domiciled is referred to as the Dedicated Margin Account.

The transfer of funds between the Exchange and a Clearing Member related to futures trading on the Exchange shall be conducted between the Dedicated Settlement Account of the Exchange and the Dedicated Margin Account of the Clearing Member.

**Article 25** A Clearing Member shall present its letter of notification issued by the Exchange to the Depository Bank when opening, renaming, replacing, or closing its Dedicated Margin Account.

**Article 26** The Exchange and each Clearing Member shall separately enter into a futures margin depository agreement with the relevant Depository Bank in accordance with relevant rules.

The Exchange has the right to collect any receivables from the Dedicated Margin Accounts of Clearing Members through their Depository Banks without notifying such Clearing Members, and to inquire detailed information on a Clearing Member's Dedicated Margin Account at any time.

**Article 27** The Exchange shall keep the margin deposited by Clearing Members into the Exchange's Dedicated Settlement Accounts segregated from all other funds, and maintain an internal ledger for each Clearing Member to record and verify such amounts of the Clearing Member as Funds Deposits and Funds Withdrawals, profits and losses, option premium, trading margin, and fees in a daily and chronological order.

**Article 28** A Clearing Member shall keep the margin deposited by Trading Members and clients in its Futures Margin Accounts segregated from all other funds, and maintain an internal ledger for each Trading Member and client to record and verify such amounts of the Trading Member or client as Funds Deposits and Funds Withdrawals, profits and losses, option premium, trading margin, and fees in a daily and chronological order.

**Article 29** A Trading Member shall authorize only one Special Clearing Member or General Clearing Member to clear trades on its behalf.

**Article 30** The Exchange implements a Guarantee Fund, which is a common guarantee fund jointly contributed to by Clearing Members as required by the Exchange for the purpose of addressing the default risks of Clearing Members.

**Article 31** The Exchange shall open a Dedicated Guarantee Fund Account to separately manage the Guarantee Fund contributed by Clearing Members.

A Clearing Member shall open a Dedicated Guarantee Fund Account at the bank designated by the Exchange, to facilitate Guarantee Fund transfer and adjustment. The contribution ratio and adjustment standards for the Guarantee Fund shall be governed by the *Measures of China Financial Futures Exchange on Risk Control* and other relevant rules.

**Article 32** The Exchange shall establish an internal ledger under its Dedicated Guarantee Fund Account for each Clearing Member and manage the internal ledgers in accordance with the applicable regulations of the CSRC and rules of the Exchange. Any interest earned, net of the necessary fees and taxes, shall be credited to Clearing Members in accordance with applicable regulations and rules. The Exchange will calculate the variation of the Guarantee Fund for each Clearing Member on a quarterly basis.

**Article 33** A Clearing Member who intends to open, rename, replace or close its Dedicated Guarantee Fund Account shall present the letter of notification issued by the Exchange to the designated Depository Bank.

**Article 34** The Exchange implements margin requirements. Margin is classified into clearing reserve and trading margin.

**Article 35** “Clearing reserve” is the funds deposited in advance by a Clearing Member in the Dedicated Settlement Account of the Exchange which are not being used as margin for the existing positions.

**Article 36** Each Clearing Member shall maintain a minimum clearing reserve balance of RMB 2 million using its own funds. The Exchange has the right to adjust the minimum balance requirement based on market conditions.

**Article 37** The Exchange calculates the interests earned by each Clearing Member based on the cash balance of its clearing reserve at a rate no lower than the current deposit rate published by the People’s Bank of China. The accrued interests are added to each Clearing Member’s clearing reserve in late March, June, September, and December. The interest rate in effect shall be as determined, adjusted, and published by the Exchange.

**Article 38** “Trading margin” refers to the funds deposited by a Clearing Member into the Dedicated Settlement Account of the Exchange to ensure the performance of existing contracts held by that Clearing Member; it is the portion of margin being used to maintain existing positions.

**Article 39** After a futures trade is executed, the Exchange shall collect trading margin from both the buyer and the seller based on a prescribed percentage of the contract value of the position holding or another method prescribed by the Exchange.

The Exchange collects trading margin on both long positions and short positions opened and held, except in the following circumstances where the Exchange may collect trading margin on only the side, long or short, for which a larger amount of trading margin is required:

- (1) long and short positions held under the same client number through the same member, either in the same product or across specific different products, but excluding those physically delivered contracts held after the market close on the trading day immediately preceding the delivery month; and
- (2) any other circumstance deemed necessary by the Exchange.

The specific futures products to which cross-product margining is applicable shall be announced by the Exchange.

**Article 40** After an options trade is executed, the Exchange shall collect trading margin from the seller based on the prescribed margin standard and the number of options contracts sold.

The Exchange may set different trading margin standards for different position combinations. The specific margin standard shall be separately prescribed by the Exchange.

**Article 41** The trading margin standard is established in accordance with the relevant rules of the Exchange.

**Article 42** The trading margin collected by a Clearing Member from a client or Trading Member shall not be lower than that collected by the Exchange from the Clearing Member; that collected by a Trading Member from its clients shall not be lower than that collected by the relevant Clearing Member from the Trading Member.

**Article 43** The Exchange implements daily mark-to-market.

After market close each trading day, the Exchange shall clear the profits and losses, option premium, trading margin, fees, taxes, and other charges for all contracts traded and held by each Clearing Member according to the daily settlement price, and transfer the net balance of receivables and payables by adding it to or deducting it from Clearing Members' clearing reserves accordingly.

Upon completion of clearing by the Exchange, each Clearing Member shall clear trades for its clients and Trading Members based on the foregoing principle, and each Trading Member shall do so for its clients.

**Article 44** The Exchange shall charge exchange fees from Clearing Members based on the contracts executed on the current day at the prescribed standard, which standard may be adjusted by the Exchange in its sole discretion.

The Exchange may collect order submission fees based on order type, size, and relevant fee standards. The specific fee standard shall be separately prescribed by the Exchange.

The Exchange may deduct the exchange fees charged from members based on the specific plan drawn by the Exchange, the contents and standards of which is subject to change according to market conditions. Members shall use the deducted fees in compliance with laws, administrative regulations, ministry-level rules, and relevant rules and regulations of the Exchange.

**Article 45** “Option premium” refers to the amount of funds that an option buyer pays to the option seller in exchange for rights under the option contract.

An option buyer that opens a position shall pay the option premium based on the execution price; an option buyer that closes a position shall receive the option premium based on the execution price.

An option seller that opens a position shall receive the premium based on the execution price; an option seller that closes a position shall pay the premium based on the execution price.

**Article 46** Unless otherwise prescribed by the Exchange, the daily settlement price of a particular futures contract shall be the trading-volume-weighted average execution price from centralized trading during a certain time period on that day.

If trading is interrupted during this period due to a circuit breaker, call auction, or trading suspension, a corresponding length of trading time preceding such interruption shall be factored in the calculation of daily settlement price such that the overall period for this calculation is not abridged.

If no trade is executed during this period, the trading-volume-weighted average execution price during the immediately preceding trading period of the same length shall be recognized as the settlement price for that day. This rule applies in each case where no such trade is executed during the period considered, unless the interval between the last trade of the day and market open is less than the required length of the period, in which case the trading-volume-weighted average execution price over the entire day shall be recognized as the settlement price for that day.

If no trade is executed over the entire trading day, the contract’s settlement price for that day shall be calculated as follows: settlement price = settlement price of said contract on the preceding trading day + settlement price of the benchmark contract on the current day – settlement price of the benchmark contract on the preceding trading day, where the benchmark contract is the contract with transactions that day and the closest delivery month. For a newly listed contract, its listing benchmark price shall be recognized as its settlement price on the preceding trading day. In case that the benchmark contract is delivered on the current day, its final settlement price shall be recognized as its settlement price on the current day. In case the settlement price for the current day as calculated according to the above formula exceeds the limit up/limit down price for the contract, the limit up/limit down price shall be recognized as the settlement price for that day.

If the settlement price for the current day still cannot be determined according to the above principles, or if the settlement price calculated is obviously unreasonable, the Exchange shall have the right to determine the settlement price for that day.

**Article 47** The daily settlement price of a particular options contract shall be prescribed by the Exchange in the corresponding detailed trading rules.

**Article 48** The settlement price for a futures contract shall be the basis for calculating profits and losses on that contract on that day. The specific formula shall be separately prescribed by the Exchange.

Daily profits and losses on an options contract are not calculated.

**Article 49** Profits and losses on a particular trading day shall be transferred at the time of settlement on that day. Profits shall be added to Clearing Members' clearing reserves; losses shall be deducted therefrom.

At the time of settlement, any increase in the required trading margin of the current day over that of the preceding day shall be deducted from a Clearing Member's clearing reserve, any decrease shall be added thereto.

Option premium, exchange fees, taxes, and other charges shall be deducted from the clearing reserve.

**Article 50** The balance of clearing reserve is calculated as follows:

Current-day (CD) clearing reserve balance = preceding-day (PD) clearing reserve balance + PD trading margin + CD actual available margin paid with securities – PD actual available margin paid with securities – CD trading margin + CD profits and losses + CD option premium paid and received + Funds Deposits – Funds Withdrawals – fees and charges.

The specific formula for margin paid with securities shall be governed by the relevant provisions under Chapter V of these Detailed Rules.

**Article 51** Upon the completion of clearing, the clearing results shall be deemed as the Exchange's margin call to any Clearing Member whose clearing reserve is below the minimum balance requirement of the Exchange. The difference between the current clearing reserve and the minimum balance requirement shall be the amount of additional margin to be deposited by the Clearing Member.

After margin call, the Exchange may deduct the required additional amount in full from the Dedicated Margin Account of the Clearing Member through the relevant Depository Bank; if a shortfall still exists, the Clearing Member shall bring its clearing reserve to the minimum requirement before market open on the following trading day, or either be suspended from opening new positions in the case where its clearing reserve is below the minimum requirement, or be subject to sanctions in accordance with the *Measures of China Financial Futures Exchange on Risk Control* in the case where its clearing reserve is negative.

**Article 52** The Exchange may, based on market risk conditions, issue a margin call to a high-risk Clearing Member during trading sessions, and may accordingly deduct the relevant amount from its Dedicated Margin Account through the relevant Depository Bank. If the required amount is not met in full, the Clearing Member shall eliminate the shortfall within the prescribed time period as required by the Exchange; if a shortfall still exists, the Exchange shall be entitled to take such risk management measures against it as suspension of the opening of new positions and forced liquidation.

**Article 53** The Exchange shall process Funds Deposits and Funds Withdrawals for members in a secure, accurate and timely manner.



“Funds Deposit” refers to the transfer of funds from the Dedicated Margin Account of the Clearing Member to the Dedicated Settlement Account of the Exchange; “Funds Withdrawal” refers to the transfer of funds in the reverse direction.

1. Funds Deposit

- (1) Instrument-based payment. A Clearing Member may deposit funds by check, promissory note, or credit voucher drawn against its Dedicated Margin Account. After the Depository Bank confirms the receipt of payment, the Exchange will increase the Clearing Member’s clearing reserve accordingly.
- (2) Bank transfer. A Clearing Member may submit a written or electronic funds transfer request to the Exchange before the market close on each trading day. After the Depository Bank confirms the receipt of the transferred amount, the Exchange will increase the Clearing Member’s clearing reserve accordingly.

2. Funds Withdrawal

A Clearing Member may submit a written or electronic funds transfer request to the Exchange before the market close on each trading day. After reviewing the request, the Exchange will notify the Depository Bank to transfer the funds from the Dedicated Settlement Account of the Exchange to the Dedicated Margin Account of the Clearing Member after the market close on that day.

**Article 54** A Clearing Member shall comply with the applicable rules of the Exchange when making Funds Withdrawals. The withdrawal limit for a Clearing Member is as follows:

- (1) when its actual available margin paid with securities is equal to or greater than 80% of its trading margin, the amount available for withdrawal shall be equal to the current cash balance – trading margin  $\times$  20% – minimum clearing reserve balance;
- (2) when its actual available margin paid with securities is less than 80% of its trading margin, the amount available for withdrawal shall be equal to the current cash balance – (trading margin – actual available margin paid with securities) – minimum clearing reserve balance.

The Exchange may adjust Clearing Members’ withdrawal limit based on current market risk conditions.

**Article 55** The Exchange may suspend Funds Withdrawal by a Clearing Member if:

- (1) the Clearing Member, a member for whom the Clearing Member clears trades, or a client of the Clearing Member is under formal investigation by the Exchange on suspicion of a material violation;
- (2) the Clearing Member, a member for whom the Clearing Member clears trades, or a client of the Clearing Member is under an ongoing formal investigation by the judicial or other relevant authorities;
- (3) in the opinion of the Exchange, the market is facing significant risk; or

(4) there is any other circumstance recognized by the Exchange.

**Article 56** After the completion of clearing on each trading day, a Clearing Member shall obtain the clearing data through the Exchange's system.

**Article 57** If the Exchange is unable to provide clearing data as scheduled due to special circumstances, it will notify Clearing Members of when and how these data will be provided.

**Article 58** A Clearing Member shall timely obtain, verify and keep secure the clearing data each day.

**Article 59** A Clearing Member who disagrees with the clearing data shall submit a written objection to the Exchange no later than 30 minutes prior to market open on following trading day or, under special circumstances, within 2 hours after the market open on the following trading day.

A Clearing Member shall be deemed to have acknowledged the accuracy of the clearing data if no written objection is submitted by the time limit prescribed in the preceding paragraph.

**Article 60** The Exchange shall, on the first trading day of each month, provide Clearing Members with the *Fund Settlement Statement of China Financial Futures Exchange* for the preceding month and, on the first trading day of each quarter, the *Guarantee Fund Statement of China Financial Futures Exchange* for the preceding quarter for their verification.

## **Chapter V Securities as Margin**

**Article 61** The Exchange accepts the following securities as margin:

- (1) book-entry China government bonds ("CGBs") issued in the Chinese Mainland by the Ministry of Finance of the People's Republic of China; or
- (2) other securities recognized by the Exchange.

The particular securities that can be posted as margin shall be as determined and announced by the Exchange.

**Article 62** Futures trading-related expenditures including losses, option premium, charges, delivery payments and taxes shall be paid with cash only.

**Article 63** A client or Trading Member who deposits securities as margin with its Clearing Member shall be deemed to have given consent to the Clearing Member to post the securities at the Exchange as margin. A client of a Trading Member who deposits securities as margin shall be deemed to have given consent to the Trading Member to submit the securities to its Clearing Member, and for the Clearing Member to post them at the Exchange as margin.

A member or client who deposits securities as margin shall be deemed to have authorized the Exchange to entrust a depository to transfer or register the pledge of the corresponding securities held in the account the member or client nominates. The transfer, pledge registration and management of securities shall be governed by the applicable rules of the depository.

**Article 64** Any member or client intending to use CGBs as margin shall post CGBs with total face value of at least RMB 1 million each time.

**Article 65** When using securities as margin, the following procedures shall apply:

- (1) Request: A Clearing Member shall submit the request, along with such information as the name and quantity of the securities and the Depository Account, to the Exchange by 3:00 p.m. on the same day.
- (2) Verification: The non-futures-company member or the client shall ensure that there is sufficient quantity of securities, free of title defect, in its Depository Account. The Exchange will request the relevant depository to transfer the securities or register them as pledged collateral in accordance with the information provided by the Clearing Member. The process is deemed complete after the depository has successfully transferred the securities or registered them as pledged collateral.

**Article 66** The benchmark value of any CGB posted as margin shall be the lowest of the valuations provided by depositories. At daily settlement, the Exchange shall determine the market value of a CGB based on the clean price of its benchmark value on the preceding trading day. The Exchange shall have the right to adjust the benchmark value of a CGB.

**Article 67** The amount of margin derived from securities shall be calculated as follows:

- (1) A discount is applied to the market value of securities to give the discounted value ("Discounted Value"); a discount rate of 80% ("Discount Rate") is applied to the market value of any CGBs posted as margin;
- (2) The maximum margin paid with securities ("Multiplier-Based Cap") by a Clearing Member shall not exceed four times ("Cash Multiplier") the current cash balance it holds in the Dedicated Settlement Account of the Exchange.

At daily settlement, a Clearing Member's actual available margin paid with securities is the lower of the Discounted Value of its securities and the Multiplier-Based Cap. The Exchange may adjust the Discount Rate and Cash Multiplier based on market risk conditions.

**Article 68** For any particular trading day, if a Clearing Member has completed the procedures to post securities as margin before the market close, the Exchange shall include such securities in the Clearing Member's actual available margin paid with securities at settlement on the same day; if it is completed after the market close, the Exchange shall do so on the following trading day.

**Article 69** Any interest paid on a non-futures-company member's CGBs or a client's CGBs while they are posted as margin shall be attributed to the non-futures-company member or the client and be handled in accordance with the applicable rules of the depository.

**Article 70** A CGB posted as margin shall no longer be included in the actual available margin paid with securities starting from the time of settlement on the first trading day of the month prior to the CGB's maturity date. Clearing Members holding such CGBs shall have them withdrawn or released from margin pledge before maturity.

**Article 71** The Exchange may cancel the relevant quota granted to a member in relation to the margin it has paid with securities if:

- (1) the withdrawal and use of funds by the member pose significant risks which may undermine the legitimate rights and interests of the Exchange; or
- (2) there is any other circumstance that, according to the Exchange, warrants such cancellation.

**Article 72** Any Clearing Member that intends to withdraw its securities or release them from margin pledge shall submit such a request to the Exchange by 3:00 p.m. on the same day and make up for any shortfall in its trading margin.

**Article 73** Any Clearing Member that posts securities as margin shall pay a service fee to the Exchange. The amount and rate in effect shall be as determined, adjusted and published by the Exchange.

**Article 74** Fees charged by the depository associated with posting securities as margin shall be governed by the relevant rules of the depository.

**Article 75** The Exchange shall have the right to dispose of a Clearing Member's securities posted as margin if such Clearing Member fails to meet or cannot fully meet its trading margin obligations and related obligations; the proceeds shall be first used to cover any shortfall in the Clearing Member's trading margin and any related indebtedness. Any loss and expense arising from such disposal shall be borne by the Clearing Member.

**Article 76** A Clearing Member may declare to the Exchange the CGBs as margin to be disposed of during the Exchange's disposal process. If the estimated disposal amount of the CGBs declared by the Clearing Member is smaller than the Clearing Member's trading margin obligations and related obligations, or if the Clearing Member did not make such declaration within the prescribed time limit, the Exchange shall select the CGBs to be disposed of in descending order of the CGBs' Discounted Value under all trading codes of the Clearing Member.

CGBs posted as margin may be disposed of by auction, negotiated sale, regular sale, ect. The Exchange may determine the method of disposal based on the particular circumstances. The specific disposal shall be governed by the applicable rules of the depository entrusted by the Exchange.

## **Chapter VI Change of Clearing Relationship**

**Article 77** The Exchange may process the change of clearing relationship for members if:

- (1) the clearing agreement between a Clearing Member and a Trading Member is not renewed upon expiration;
- (2) a Clearing Member and a Trading Member agree to terminate the clearing agreement prior to expiration;

- (3) a General Clearing Member or Special Clearing Member, for any reason, is no longer able to clear trades for a Trading Member;
- (4) a Trading Member has become a Clearing Member or vice versa; or
- (5) there is any other circumstance recognized by the Exchange.

**Article 78** Upon the occurrence of the circumstances in Subparagraph (1) of Article 77, the Trading Member and its new carrying Clearing Member shall submit the following documents to the Exchange no later than 30 days prior to the expiration of the clearing agreement between the Trading Member and its original Clearing Member:

- (1) the Application Form for Changing Clearing Members by Trading Members;
- (2) the clearing agreement entered into by the Trading Member and its new carrying Clearing Member; and
- (3) other documents required by the Exchange.

Upon the occurrence of the circumstances in Subparagraph (2) or (3) of Article 77, in addition to the documents required in the preceding paragraph, the Trading Member and its new carrying Clearing Member shall submit the termination agreement to the clearing agreement between the Trading Member and the original Clearing Member.

Upon the occurrence of the circumstances in Subparagraph (4) of Article 77, the member shall complete change-of-membership procedures in accordance with the *Measures of China Financial Futures Exchange on Membership Management* and file an application for change of clearing relationship.

**Article 79** The Exchange will review the application documents submitted by members and, following approval, notify the relevant members of the date designated for the change of clearing relationship.

**Article 80** After the clearing session on the designated date, the Exchange will process the change for the relevant members, transfer the positions and trading margin accordingly, and provide a transfer list to the relevant members for verification and confirmation.

The Exchange may suspend the processing of change of clearing relationship if, after the clearing session on the designated date, significant risk arises in the market or there occurs any other circumstance recognized by the Exchange.

**Article 81** The relevant Trading Member and Clearing Member shall cooperate with each other during the change of clearing relationship. Before the Exchange completes the procedures, the original Clearing Member shall continue to perform its obligations to clear trades on behalf of the Trading Member.

**Article 82** The Exchange will charge a processing fee for change of clearing relationship based on the size of positions transferred. The processing fee shall be RMB 10 per lot, to be deducted from the clearing reserve of the new carrying Clearing Member, and subject to adjustment by the Exchange in its sole discretion.

## **Chapter VII Transfer of Client Positions**

**Article 83** In the event that a member is no longer able to engage in financial futures brokerage activities, or when required by the CSRC, the member shall apply to the Exchange for the transfer of positions held by its clients. Upon approval, the Exchange may transfer the client positions and related trading margin.

**Article 84** The position transfer application shall include the declarations by the original member, its clients and the new carrying member on consenting to the transfer, and a detailed list of the client positions to be transferred. If the new carrying member or original member is a Trading Member, a similar declaration by its carrying Clearing Member shall also be submitted.

**Article 85** After approving a position transfer application, the Exchange will notify the relevant members of the date designated for the transfer.

**Article 86** The Exchange will transfer client positions after the clearing session on the designated date and provide relevant members with a transfer list which they shall verify and confirm. If the new carrying member or the original member is a Trading Member, such list shall also be provided to its Clearing Member for confirmation.

**Article 87** The Exchange may suspend position transfers if, after the clearing session on the designated date, significant risk arises in the market or there occurs any other circumstance recognized by the Exchange.

## **Chapter VIII Exercise and Assignment of Options Contracts**

**Article 88** “Exercise” refers to a process by which the buyer of an options contract closes out its position by duly exercising his right to settle in cash at the contract’s exercise-settlement price of the last trading day or to buy or sell the underlying of the contract at the strike price.

“Assignment” in relation to the exercise of an options contract by the buyer, refers to a process by which the seller of the contract is assigned to close out his position to complete cash settlement at the contract’s exercise-settlement price of the last trading day or to sell or buy the underlying of the contract at the strike price.

**Article 89** Clients shall complete the exercise and assignment of options contracts at the Exchange through their carrying members.

**Article 90** The Exchange shall conduct assignment pairing based on the prescribed rules.

**Article 91** A member shall remind their clients to properly dispose of their positions before the relevant options contracts expire.

**Article 92** After an options contract is exercised, the Exchange will transfer the resulting profits and losses or adjust the positions in the relevant futures contract at the time of settlement on that trading day.

**Article 93** The Exchange collects exercise (assignment) fees from the relevant Clearing Members based on the prescribed fee standards and the number of options contracts exercised (assigned) through such Clearing Members on that trading day. The Exchange has the right to adjust the exercise (assignment) fee standards.

## **Chapter IX Settlement and Delivery**

**Article 94** Contracts of the Exchange are either cash-settled or physically delivered.

In the case of cash settlement, the Exchange shall calculate and transfer the profits and losses for the two parties based on the final settlement price, and close their positions in the expiring contract after the market close on the last trading day of the contract.

In the case of physical delivery, the two parties shall close their positions in the expiring contract by transferring the title of the underlying assets in accordance with the rules and procedures of the Exchange.

**Article 95** The final settlement price shall be determined in accordance with the relevant rules of the Exchange. The Exchange has the right to adjust the final settlement price based on market conditions.

**Article 96** The Exchange will collect a delivery fee from Clearing Members based on the prescribed standards. The Exchange has the right to adjust the delivery fee standards based on market conditions.

## **Chapter X Risks and Liabilities**

**Article 97** The Exchange implements a hierarchical risk management framework. The Exchange shall be responsible for managing the risks of Clearing Members; each Clearing Member for those of its clients and Trading Members that have authorized it to clear trades on their behalf; and each Trading Member for those of its clients.

**Article 98** A Clearing Member shall assume the corresponding obligations with respect to the trades executed on the Exchange for itself, its clients, and the Trading Members that have authorized it to clear trades on their behalf.

**Article 99** In the event that a Clearing Member is unable to perform its obligations, the Exchange shall have the right to take the following risk management measures in the order given:

- (1) suspending the Clearing Member from opening new positions;
- (2) force-liquidating the Clearing Member's positions and using the margin released therefrom for contract performance and compensation;
- (3) disposing of the Clearing Member's securities posted as margin and using the proceeds derived therefrom for performance and compensation;
- (4) drawing on the defaulting Clearing Member's Guarantee Fund;

- (5) drawing on other Clearing Members' Guarantee Fund;
- (6) drawing on the Risk Reserve of the Exchange; and
- (7) drawing on the Exchange's own funds.

The Exchange shall acquire the corresponding right of recourse against the defaulting Clearing Member upon performing the contractual obligations on its behalf.

**Article 100** A Risk Reserve is established by the Exchange to provide financial guarantees for the normal operations of the financial futures market and to cover losses arising from risks unforeseeable to the Exchange.

**Article 101** The Risk Reserve shall be funded by:

- (1) the income of the Exchange at 20% of the fees collected from market participants, categorized as an administrative expense; and
- (2) other income sources of the Exchange in compliance with the fiscal policies of the State.

Subject to the approval of the CSRC, the Risk Reserve may cease expanding once it reaches a certain size.

**Article 102** The Risk Reserve shall be deposited in a dedicated account and separately recorded in account books.

**Article 103** The use of the Risk Reserve shall be subject to the approval of the Board of Directors of the Exchange, reported to the CSRC, and only for the specified purposes according to the prescribed procedures.

## **Chapter XI Ancillary Provisions**

**Article 104** The “depositories” referred to in these *Detailed Rules* are the China Central Depository & Clearing Co., Ltd. and the China Securities Depository and Clearing Co., Ltd.

**Article 105** Any violation of these *Detailed 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 106** The Exchange reserves the right to interpret these *Detailed Rules*.

**Article 107** These *Detailed Rules* shall come into effect on June 14, 2024.