

# **Clearing Rules of the Shanghai International Energy Exchange**

(for Public Consultation)

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## Chapter 1 General Provisions

**Article 1** These *Clearing Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “Clearing Rules”) are made, in accordance with the *General Exchange Rules of the Shanghai International Energy Exchange*, to regulate the clearing of futures trades on or through the Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”), safeguard the legitimate rights of the involved parties and public interest, and manage and mitigate the risks of the futures market.

**Article 2** The Exchange, as a central counterparty, carries out centralized clearing of the futures trading and implements margin requirement, daily mark-to-market, and risk reserve fund, etc.

**Article 3** The Exchange conducts clearing with Members.

Each Member conducts clearing with its own Clients, Overseas Special Participants (hereinafter referred to as the “OSPs”) who authorize the Member to conduct clearing, and Overseas Intermediaries who authorize the Member to conduct trading and clearing (the aforementioned Clients, OSPs and Overseas Intermediaries are collectively referred to as the “Clearing Delivery Principals”).

The Overseas Special Brokerage Participants (hereinafter referred to as the “OSBPs”) and Overseas Intermediaries clear with their Clients.

**Article 4** The Clearing Rules apply to all clearing activities on or through the Exchange. The Exchange, Members, OSPs, Overseas

Intermediaries, Clients, Designated Depository Banks and their employees thereof shall abide by the Clearing Rules.

## **Chapter 2 Clearing House**

**Article 5** The Clearing House refers to the clearing department of the Exchange. The Clearing House is in charge of the centralized clearing, margin management and clearing risk control of futures trading.

**Article 6** The Clearing House undertakes the following responsibilities:

1. control clearing risks;
  2. produce settlement statements for Members;
  3. conduct fund transfer operations;
  4. record and report all cleared trades and related statistics, settlement and purchase of foreign exchange, and other activities;
  5. resolve any clearing dispute for Members;
  6. conduct delivery settlement;
  7. manage margin in accordance with the applicable rules of the Exchange;
- and
8. conduct other clearing businesses in accordance with the applicable rules of the Exchange.

**Article 7** All the trades executed through the Exchange are subject to centralized clearing by the Clearing House.

**Article 8** The Exchange may inspect the trading records, clearing and settlement information, financial statements, account books and other relevant documents associated with futures trades executed on the Exchange by any Member, OSP, Overseas Intermediary or Client. All Members, OSPs, Overseas Intermediaries and Clients are required to cooperate with the Exchange during inspection.

**Article 9** Each Member shall have a department to undertake the functions and responsibilities of clearing with the Exchange and with its Clearing Delivery Principals respectively, and shall safely keep trading records, clearing and settlement information, financial statements, account books and other relevant documents, and make them available to the Exchange for any inquiry or verification.

**Article 10** Each Member shall designate at least two personnel responsible for conducting settlement and delivery (hereinafter referred to as the “settlement and delivery personnel”). Such settlement and delivery personnel shall meet the qualifications of a futures business practitioner as prescribed by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”), and obtain a “License of Settlement and Delivery Personnel” from the Exchange after participating in the Exchange’s dedicated

training program, passing the test of the Exchange, and consequently being authorized by their employer.

**Article 11** The settlement and delivery personnel are obligated to:

1. conduct deposits and withdrawals of funds on behalf of their employer;
2. access and promptly check the settlement data provided by the Exchange;
3. post and withdraw collaterals used as margin;
4. conduct physical delivery operations; and
5. undertake other businesses relating to settlement and delivery.

**Article 12** All settlement and delivery personnel shall present their “License of Settlement and Delivery Personnel” when conducting settlement and delivery business at the Exchange; otherwise, the Exchange will reject the request to engage in such business.

The “License of Settlement and Delivery Personnel” can only be used by the license owner. Any abuse of the license such as forging, tampering, borrowing or lending is prohibited.

**Article 13** Each Member shall implement operational rules and procedures for its settlement and delivery personnel. The settlement and delivery personnel shall keep the operating password secure. Any consequences resulting from improper keeping of the password shall be borne by the Member.

**Article 14** All clearing-related parties and their employees shall not disclose any confidential information regarding the clearing business.

### **Chapter 3 Regular Operations**

**Article 15** The Exchange shall, depending on business needs, open dedicated settlement accounts in various currencies with Designated Depository Banks to deposit margin and relevant funds of its Members.

**Article 16** Each Member shall, depending on business needs, open dedicated margin accounts in various currencies with one or more Designated Depository Banks to deposit margin and relevant funds. Dedicated margin accounts opened with designated branches of Designated Depository Banks, as required by the Exchange, shall be used as Member's dedicated fund accounts.

**Article 17** The transfer of funds related to futures business between the Exchange and a Member shall be executed between the dedicated settlement account of the Exchange and the dedicated fund account of the Member.

**Article 18** The Exchange shall apply account segregation for the margin deposited by each Member into the Exchange's dedicated settlement accounts, and shall set up internal ledgers for each Member respectively to record and settle the Member's deposits and withdrawals, profits and losses, trading margins, transaction fees, etc. on a daily basis.

Each time a Member files with the Exchange for undertaking the clearing authorization from an OSP, the Exchange shall set up a separate internal ledger for such Member to record and settle such OSP's deposits and withdrawals, profits and losses, trading margins, transaction fees and others on a daily basis.

**Article 19** The Futures Firm Members (hereinafter referred to as the "FF Member"), OSBPs and Overseas Intermediaries shall apply account segregation for the margins deposited by their Clients, and shall set up an internal ledger for each Client respectively to record and settle the Client's deposits and withdrawals, profits and losses, trading margins, transaction fees, etc. on a daily basis. The transfer of funds related to futures business between an FF Member and its Clients shall be executed between the dedicated margin account of the FF Member and the futures settlement account of its Clients.

The Member shall, in compliance with the preceding article, apply account segregation for the margins deposited by each OSP who authorizes the Member to conduct clearing, and each Overseas Intermediary who authorizes the Member to conduct trading and clearing.

**Article 20** The Exchange, according to the Clearing Rules and other business rules, is entitled to instruct the Designated Depository Banks to collect any receivables from the dedicated fund accounts of Members without notifying such Members.

The Exchange is entitled to enquire the balance and transaction history of a Member's dedicated fund accounts at any time.

**Article 21** A Member who intends to open, rename, replace or close a dedicated fund account shall submit relevant applications to the Exchange for approval. Once the application is approved by the Exchange, the Member shall present the specific notice issued by the Exchange (template available at the official website of the Exchange) to the Designated Depository Bank for relevant account operations.

**Article 22** In the case of a transfer of membership, the transferee shall open a new dedicated fund account.

**Article 23** The Exchange implements margin requirements. Margins are classified into clearing deposits and trading margins.

The clearing currency of the Exchange is Renminbi (hereinafter referred to as the RMB). Once approved by the Exchange, foreign exchange and assets with both stable value and high liquidity, including standard warrants and treasury bonds (hereinafter collectively referred to as “margin collateral assets”), may be used as margin collateral.

**Article 24** The term “clearing deposit” refers to the funds each Member deposits into the Exchange’s dedicated settlement accounts for the purpose of futures trading and clearing, which is not yet used as margin for the position held by the Member.

**Article 25** Each FF Member shall at all times maintain a minimum clearing deposit of RMB two million (¥2,000,000.00), and each Non-FF Member shall at all times maintain a minimum clearing deposit of RMB five



hundred thousand (¥500,000.00) clearing deposit. Each time a Member undertakes a clearing authorization from an Overseas Special Participant or an Overseas Intermediary, the minimum clearing deposit of the corresponding internal ledger under such authorized Member will be separately announced by the Exchange.

**Article 26** The minimum clearing deposit of a Member shall be paid in RMB with the Member's own funds.

**Article 27** Based on the demand deposit rates published by People's Bank of China (hereinafter referred to as the "PBOC") for each currency, the Exchange calculates the interests earned by each Member from the cash balances of the clearing deposits on a daily basis, and transfers the accrued interests to each Member's clearing deposits respectively on the first trading day after the date when Designated Depository Banks make interest payments to the Exchange in March, June, September and December. The specific interest rates to apply shall be determined, adjusted and published by the Exchange.

**Article 28** The term "trading margin" refers to the funds deposited by a Member into the dedicated settlement accounts of the Exchange to ensure the fulfillment of the contract and already used as margin for the position held by the Member. Once a futures trade is executed, the Exchange shall collect margin based on a prescribed percentage of the value of the open position or other methods as prescribed by the Exchange.

The Exchange may collect trading margin in accordance with the gross positions, net positions or the portfolio. Under the following circumstances, the Exchange may collect trading margin from one side only:

1. For a Client holding both long and short positions in the same product and on the books of the same Member or OSBP, the Exchange may collect trading margin solely from the side for which a larger amount of trading margin is required, except for the contract held after the closing of the fifth (5<sup>th</sup>) trading day prior to the last trading day;

2. For a Non-FF Member or an OSNBP holding both long and short positions in the same product, the Exchange may collect trading margin solely from the side for which a larger amount of trading margin is required, except for the contract held after the closing of the fifth (5<sup>th</sup>) trading day prior to the last trading day; and

3. Other circumstances the Exchange deems necessary.

**Article 29** The minimum trading margin rate for each listed product is set forth in the futures contract specifications. The trading margin rates required at various periods of a contract are set forth in the provisions prescribed in the *Risk Management Rules of the Shanghai International Energy Exchange*.

**Article 30** Margins paid by Clearing Delivery Principals to a Member belong to such Clearing Delivery Principals, and shall be deposited into the Member's dedicated margin accounts.

Margins shall be used for trading and clearing only, and shall not be

misappropriated.

**Article 31** The level of trading margin that a Member imposes on a Clearing Delivery Principal shall not be lower than the level of trading margin that the Exchange imposes on the Member.

**Article 32** The Exchange implements daily mark-to-market.

After the close of each trading day, the Exchange shall settle the profit or loss, trading margin, transaction fees, taxes and other fees for each Member based on the settlement price of each contract, and conduct a transfer of the net balance of the Member's receivables and payables by increasing or decreasing the Member's clearing deposit accordingly.

**Article 33** The Exchange shall charge transaction fees based on the volume of contracts traded on that day and relevant specifications, and may, based on market conditions, charge filing fees, cancelling fees and other fees from specific Clients, and a part of or all of the Members and/or OSPs for listed products or contracts, unless otherwise prescribed by the Exchange.

**Article 34** The daily settlement price for the futures contract that is traded on a particular day is the volume-weighted average price for contracts executed on that day.

For an untraded futures contract on that day, the settlement price is set as follows:

1. if, by the close of the trading day, there are bids or asks in the Exchange's central order book, the median quote among the best bid, the best

ask and the settlement price of the previous trading day will be the settlement price for the contract;

2. if, for the last five (5) minutes before the close of trading, there is only one-side quote for the contract in the Exchange's central order book at the limit price of the day, that quote will be the settlement price for the contract; or

3. except for the above two (2) scenarios provided in Article 34-1 and Article 34-2, the settlement price for the untraded contract will be calculated in the following formulas:

(1) if the price variation (%) of the nearest contract on that trading day is no greater than the price limit of the untraded contract, the settlement price = the settlement price of the previous trading day of the untraded contract  $\times (1 \pm$  the price variation (%) of the nearest contract);

(2) if the price variation (%) of the nearest contract is greater than the price limit of the untraded contract, the settlement price = the settlement price of the previous trading day of the untraded contract  $\times (1 \pm$  the price limit of the untraded contract);

(3) if no contract prior to the untraded contract is traded on that day, which implies that the price variation (%) of the nearest contract cannot be determined, the settlement price = the settlement price of the previous trading day of the untraded contract.

“nearest contract” is the contract which is traded for the day and is the nearest prior to the untraded contract.

**Article 35** If any of the following circumstances occurs to futures market participants, the Exchange may adjust the daily settlement price and the final settlement price:

1. A futures market participant conducts wash trades through his/her own account or the accounts with actual affiliated relationships, which severely affects the final settlement price;

2. A futures market participant conducts other illegal activities that result in abnormal fluctuation or instantly severe deviation of the transaction price from the market price and severely affect the final settlement price.

**Article 36** The settlement price of a futures contract on a trading day is the basis for computing the profit or loss of the day. The formula is as follows:

The profit or loss of the day =  $\sum [ (\text{the executed price of each sell order filled of the day} - \text{the settlement price of the day}) \times \text{the volume of each sell order filled} ] + \sum [ (\text{the settlement price of the day} - \text{the executed price of each buy order filled of the day}) \times \text{the volume of each buy order filled} ] + (\text{the settlement price of the previous trading day} - \text{the settlement price of the day}) \times (\text{the short positions of the previous trading day} - \text{the long positions of the previous trading day})$

**Article 37** The profit or loss of the day shall be credited to or debited from the Member's clearing deposit as part of the daily clearing process conducted by the Exchange.

The excess or deficiency in the trading margin of the day against that of

the previous trading day shall be credited to or debited from the Member's clearing deposit.

Expenses including transaction fees, taxes and other fees shall also be debited from the Member's clearing deposit. All the payments including profit or loss, fees and delivery payments must be paid in cash in RMB.

**Article 38** The balance of clearing deposit is computed as follows:

The clearing deposit balance of the day = the clearing deposit balance of the previous trading day + the trading margin of the previous trading day – the trading margin of the day + the actual available value of margin collaterals of the day – the actual available value of margin collaterals of the previous trading day + the profit or loss of the day + the deposit of funds – the withdrawal of funds – transaction fees and other expenses

The formula to calculate the value of margin collaterals is specified in Chapter 6 of these Clearing Rules.

**Article 39** If, after the completion of daily clearing, the clearing deposit balance of any internal ledger of a Member with the Exchange is lower than the prescribed minimum requirement, such clearing result shall be deemed as the Exchange's margin call to the Member, and the gap between the two amounts shall be the amount of additional funds required by the margin call.

**Article 40** Following the margin call, the Exchange may instruct Designated Depository Banks to debit the funds from the Member's dedicated fund account and credit the funds to the Exchange's dedicated settlement

account. If a deficiency still exists, the Member shall make it up prior to the market opening of the next trading day. In the event the Member fails to make it up, the following shall apply:

1. If the clearing deposit balance of any internal ledger of the Member with the Exchange is no less than zero, the corresponding Member or OSP of such internal ledger shall not open any new position;

2. If the clearing deposit balance of any internal ledger of the Member with the Exchange is lower than zero, the Exchange shall implement forced position liquidation or take other measures according to the *Risk Management Rules of the Shanghai International Energy Exchange*.

**Article 41** The Exchange may, at its sole discretion, implement intraday clearing and call for additional margins according to market risk conditions and margin variations. The Member shall, within the time specified by the margin call, cover the margin shortfall; otherwise, the provisions of Article 40 of these Clearing Rules shall apply.

**Article 42** After the completion of daily clearing, the clearing deposit balance in RMB of any internal ledger of a Member shall not be lower than the minimum clearing deposit; otherwise, the Exchange may debit corresponding funds in RMB from the Member's dedicated fund account. If a deficiency still exists, the Member shall make it up prior to market opening of the next trading day. If the Member fails to make it up in time, the Exchange may impose forced foreign exchange conversion by converting the Member's foreign currency

funds in its dedicated fund account or in the Exchange's dedicated settlement account into RMB.

**Article 43** A Member may transfer fund in any of the following ways:

1. Bank transfer. A Member shall submit deposit or withdrawal applications through BECK system or by other means as prescribed by the Exchange.

Deposit applied before the market close shall be verified by the Exchange and released for execution of the transfers before the end of daily clearing; withdrawal applied before the market close shall be verified by the Exchange and released together for execution of the transfers after the daily clearing; deposit or withdrawal applied after the market close shall be verified by the Exchange and released for execution of the transfers on the following trading day.

During trading hours, unrealized profit/loss or related funds are not eligible for withdrawal, while other withdrawal applications may be submitted to the Exchange.

During continuous trading hours, the Exchange will not verify or approve any application to withdraw fund or margin collateral.

2. Bill payment. Subject to the Exchange's approval, a Member may deposit funds by check, promissory note or credit voucher drawn on the Member's dedicated margin account. Upon the confirmation of account credit, the Exchange shall increase the Member's clearing deposit before the next



trading session starts.

**Article 44** Each Member shall comply with the Exchange's rules when making withdrawal of funds. The maximum amount of funds that a Member may withdraw is as follows:

1. When the actual available value of margin collaterals is greater than or equal to 80% of the trading margin:

Withdrawable amount = the current cash balance – the trading margin × 20% – the minimum clearing deposit; or

2. When the actual available value of margin collaterals is lower than 80% of the trading margin:

Withdrawable amount = the current cash balance – (the trading margin – the actual available value of the margin collaterals) – the minimum clearing deposit.

The current cash balance refers to the total amount of the RMB cash balance and the RMB equivalent of the foreign currency cash collaterals after haircut. Details of the calculation are specified in Chapter 6 of these Clearing Rules.

According to market risk conditions and types of eligible foreign currencies, the Exchange may, in its sole discretion, make appropriate adjustments to the amount of funds that a Member may withdraw.

**Article 45** Should any of the following circumstances occurs to a Member, an OSP, an Overseas Intermediary or a Client, the Exchange may

restrict the withdrawal of funds by the Member, or require the Member to restrict the withdrawal of funds by the OSP or Overseas Intermediary, or require the Member, the OSBP or the Overseas Intermediary to cooperatively restrict the withdrawal of funds by its Clients:

1. being investigated by the Exchange for possible severe violation of the Exchange's rules;
2. being investigated by any judicial authority, the Exchange, or any relevant agency due to complaints, whistle-blowing or any trade dispute, etc.;
3. under significant market risk conditions as determined by the Exchange;
4. other circumstances as deemed necessary by the Exchange.

**Article 46** After the completion of daily clearing, each Member shall obtain the relevant clearing data from the member service system.

**Article 47** In the event the Exchange fails to provide clearing data in time due to special conditions, the Exchange shall announce the time when the data will be delivered.

**Article 48** Each Member shall promptly retrieve the clearing data provided by the Exchange and conduct reconciliation every day.

The clearing data shall be maintained for at least twenty (20) years, whereas those data relevant to any trading dispute shall be kept until the dispute is resolved.

**Article 49** If a Member disagrees with the clearing data of the day, the Member shall notify the Exchange in writing no later than thirty (30) minutes prior to the opening of the next trading day. Under special circumstances, the Member may notify the Exchange of the disagreement in writing within two (2) hours following the opening of the next trading day. The Exchange will deal with such requests and provide feedbacks in time.

If no objection is raised to the Exchange within the aforementioned period of time, the Member shall be deemed to have acknowledged the accuracy of the clearing data.

**Article 50** After the completion of daily clearing, the Exchange shall deliver the fund transfer data of each Member to the relevant Designated Depository Banks. Each Designated Depository Bank shall promptly execute the transfer of funds and provide feedbacks of the results to the Exchange in time.

**Article 51** The Exchange shall provide to each Member, on the first trading day of every month, the Fund Settlement Statement (stamped with “INE CLEARING”) and the invoice of transaction fees for the previous month which can be cross-referenced by the Member for reconciliation.

**Article 52** Should any of the following circumstances occur to a Member, the Member and its Clearing Delivery Principals may apply to the Exchange for position transfer approval:

1. being unable to continue the futures related business for certain reasons;

2. being involved in merger, division or bankruptcy;
3. change of the clearing authorization;
4. other circumstances prescribed by the Exchange.

The Exchange may require the Member to submit one or more application documents, including a declaration of consent to the position transfer by both the transferring Member and the receiving Member, declarations of consent to the position transfer by Clients, a declaration of change of clearing authorization, and a complete list of relevant positions.

Under special circumstances, such as when a Member goes bankrupt but has not yet applied for position transfer, the Exchange may, for the purpose to protect Clients' interests, activate the contingency plan to transfer the positions for related Clients.

**Article 53** After an application for position transfer is approved, the Exchange and related Members shall jointly specify a trading day as the position transfer settlement day.

**Article 54** The process of position transfer shall only apply to the open position and the trading margin. Any other payables or receivables, such as profit or loss, transaction fees, taxes, or clearing deposits shall not be included, but shall be settled by the transferring Member.

**Article 55** The Exchange shall transfer the positions for the Member after the daily clearing is completed on the position transfer settlement day, and

provide relevant settlement statements before and after the transfer to the relevant Members.

Relevant settlement statements shall be verified and confirmed by the relevant Members, and once confirmed, shall not be changed.

#### **Chapter 4 Physical Delivery Settlement**

**Article 56** The Exchange may charge delivery fees from Members (either as buyers or sellers) of physical delivery. The fee schedule is stipulated in the *Delivery Rules of the Shanghai International Energy Exchange*.

**Article 57** The Exchange shall ensure the fulfilment of payment obligations from the Member as buyer before allowing the Member as seller to make the physical delivery. The payments may be made via either in-house transfer or bank transfer.

For a Member choosing in-house transfer, the in-house transfer applications shall be submitted to the Exchange by 14:00 on the third delivery day. If a Member as buyer fails to fulfil its payment obligations before 14:00 on the third delivery day, the Exchange may initiate an in-house transfer to debit the funds from the clearing deposit of the Member.

For a Member choosing bank transfer, the Member as buyer may send the delivery payment to the Exchange's dedicated settlement account by credit voucher, check, promissory note, or other means deemed suitable by the

Exchange; the Member as seller shall receive the delivery payment from the Exchange in the Member's dedicated fund account.

**Article 58** The final settlement price is the benchmark price for delivery settlement of a futures contract. Details of the calculation are specified in the *Delivery Rules of the Shanghai International Energy Exchange*.

**Article 59** At the time of delivery settlement, the buyer and seller shall calculate payment based on the final settlement price of the futures contract with adjustments of premiums or discounts determined by the Exchange according to different grades, qualities, places of production, delivery venues, etc.

**Article 60** The issuance of invoices during delivery settlement shall follow the relevant provisions of the People Republic of China (PRC).

The Exchange shall issue invoices to the Members as buyers, and receive invoices from the Members as sellers. Members as buyers shall issue invoices to their Clearing Delivery Principals and receive invoices from the Exchange; Members as sellers shall issue invoices to the Exchange and receive invoices from their Clearing Delivery Principals. Members as sellers shall submit the invoices to the Exchange no later than 15:00 on the last delivery day.

**Article 61** If the submission of invoice is delayed by a Member as seller for three (3) to ten (10) days, a fine shall be imposed at a daily rate of 0.5 % of the delivery payment amount; if the submission is delayed for eleven (11) to thirty (30) days, a fine shall be imposed at a daily rate of 1% of the delivery

payment amount; if the submission is delayed for more than thirty (30) days, it shall be deemed an invoice failure and a default penalty of 15% of the delivery payment shall be imposed.

**Article 62** If a Member as seller completes the submission of standard warrant as required before 15:00 on the first delivery day, the Exchange shall return the margin on the corresponding positions for delivery during the clearing of the day.

If a Member as buyer completes the payment for delivery before 14:00 on the third delivery day, the Exchange shall return the margin on the corresponding positions for delivery during the clearing of the day; whereas if such payment for delivery is completed after 14:00, the Exchange shall return the corresponding margin during the clearing of the next trading day.

If a Member as seller fails to submit the invoice to the Exchange by 14:00 on the third delivery day, the Exchange shall collect margin of no less than 15% on the corresponding positions for delivery at the final settlement price. If the Member submits the invoice before 14:00 on the fourth or fifth (last) delivery day, the Exchange shall return the corresponding margin during the clearing of the day; if the invoice is submitted after 14:00, the Exchange shall return the corresponding margin during the clearing on the next trading day.

**Article 63** If there are separate provisions on the procedures of delivery settlement and invoice circulation in the *Delivery Rules of the Shanghai International Energy Exchange*, such provisions shall prevail.

## Chapter 5 Authorized Clearing

**Article 64** If an Overseas Intermediary authorizes an FF Member or an OSBP to conduct trading and clearing, a written carrying-brokerage agreement shall be entered into by both parties, and filed with the Exchange before the carrying-brokerage business.

The carrying-brokerage business conducted by an FF Member for an Overseas Intermediary shall be consistent with the relevant provisions stipulated in the *Membership Management Rules of the Shanghai International Energy Exchange*. The carrying-brokerage business conducted by an OSBP for an Overseas Intermediary shall be consistent with the relevant provisions stipulated in the *Overseas Special Participants Management Rules of the Shanghai International Energy Exchange*.

**Article 65** Each OSP shall, and shall only authorize one Member to conduct clearing.

**Article 66** The Authorized Clearing Agreement signed between a Member and an OSP shall include:

1. minimum clearing deposit and trading margin requirements;
2. assets that can be used as margin collateral and the related fee schedule;
3. the measures, conditions and procedures of risk management;
4. account type, business management mode and the clearing procedures,



including the time and methods to retrieve, inquire and confirm the clearing data;

5. transaction fee schedule;

6. items, means and deadlines of notice;

7. circumstances of any loss not attributable to either party of the bilateral agreement and resolutions under such circumstances;

8. amendment to or termination of the agreement;

9. liabilities for breach of the contract;

10. dispute resolution; and

11. other matters.

**Article 67** The transfer of funds related to futures business between an authorized clearing Member and the authorizing OSP, or between an authorized FF Member and the authorizing Overseas Intermediary, shall be executed between the dedicated margin account of the Member and the futures settlement account of the OSP or the Overseas Intermediary.

A Member who is authorized to conduct trading and clearing on behalf of its Overseas Intermediaries or is authorized to conduct clearing on behalf of its OSBPs, may open an omnibus margin account in each Overseas Intermediary's or OSBP's name so as to record funds and transactions of one or more overseas Clients of such Overseas Intermediary or OSBP. Such Member shall conduct unified clearing and risk control on the Overseas Intermediary or the OSBP via the omnibus margin account.

**Article 68** Under any of the following circumstances, the Exchange may change the authorized clearing relationship for the authorized clearing Member and the authorizing OSP:

1. expiration of the Authorized Clearing Agreement without extension;
2. early termination of the Authorized Clearing Agreement;
3. the Member, for certain reasons, is unable to conduct clearing for the OSPs; or
4. other circumstances determined by the Exchange.

**Article 69** Under the circumstances described in Article 68-1, the OSP, the previous authorized clearing Member and the newly authorized clearing Member, shall submit the following documents no later than the tenth (10<sup>th</sup>) trading day prior to the expiration of the Authorized Clearing Agreement for the change of clearing authorization:

1. an application letter for change of the authorized clearing relationship;
2. the Authorized Clearing Agreement signed by the OSP and the newly authorized clearing Member; and
3. other materials as prescribed by the Exchange.

Upon receiving complete documents, the Exchange shall review the documents within ten (10) trading days. After the application is approved, the Exchange shall specify a trading day as the settlement day for the change of authorized clearing.

**Article 70** Under the circumstances as provided in Article 68-2 and Article 68-3, the OSP, the previous authorized clearing Member and the newly authorized clearing Member shall submit the documents as stipulated in Article 69, as well as the agreement to terminate the existing clearing authorization, to the Exchange. After receiving complete documents, the Exchange shall review the documents within ten (10) trading days.

After the application is approved, the Exchange shall specify a trading day as the settlement day for the change of authorized clearing.

**Article 71** After the clearing on the specified settlement day, the Exchange shall conduct the change of authorized clearing process, which includes the transfer of open positions, the corresponding trading margin, clearing deposits and other relevant funds, and issue detailed lists of such transfers. The previous authorized clearing Member and the newly authorized clearing Member shall verify and confirm such lists. The OSP shall authorize the previous authorized clearing Member and the newly authorized clearing Member to verify and confirm.

If, after the clearing on the specified settlement day, any significant market risk condition or other circumstances as prescribed by the Exchange occurs, the Exchange may temporarily suspend the change of authorized clearing process.

The OSP, the previous authorized clearing Member and the newly authorized clearing Member shall cooperate with the Exchange on the change

of authorized clearing process. Before the process is fully completed, the previous authorized clearing Member shall be responsible for the clearing of all open positions being authorized.

## **Chapter 6 Margin Collaterals**

**Article 72** A Non-FF Member, an OSNBP or a Client may, subject to the Exchange's approval, use standard warrants, foreign exchange and other assets as margin.

A Non-FF Member, an OSNBP or a Client that uses securities other than standard warrants as margin shall be deemed to have authorized the Exchange to instruct the relevant custodians to carry out transfer or pledge registration of the corresponding securities in its declaration account. The transfer, pledge registration and administration of securities shall follow the relevant provisions stipulated by each custodian.

**Article 73** The Clearing House of the Exchange shall be responsible for margin collateral business. The cutoff time for deposit or withdrawal application submission is 15:00 of each trading day. In a special cases, the Exchange may extend the processing time. .

**Article 74** The margin collaterals referred to in these Clearing Rules are limited to the following assets:

1. standard warrants;

2. foreign exchange (types of currencies, haircuts and scopes of application shall be prescribed by the Exchange separately); or

3. other assets approved by the Exchange.

**Article 75** A Non-FF Member or an OSNBP shall submit an application to the Exchange to apply margin collaterals. A Client shall authorize its FF Member, OSBP, or Overseas Intermediary to apply to the Exchange and complete relevant procedures.

The Exchange shall verify and deposit the margin collaterals.

**Article 76** The value of the margin collateral shall be calculated as follows:

1. For standard warrants used as margin collateral, the settlement price of the day for the front-month futures contract of the underlying product shall be used as the benchmark price for calculating the market value of the standard warrants. Prior to the market close of the day, the market value shall be calculated based on the benchmark price of the previous trading day. The haircut for standard warrants as margin shall be set at least twenty per cent (20%).

2. The benchmark price for other margin collaterals shall be determined by the Exchange.

The term “discounted value” means the after-haircut value of the margin collaterals. During the daily clearing, the Exchange shall update the benchmark prices of the day and adjust the discounted values of margin collaterals

according to the aforementioned methodology.

**Article 77** For a Member using margin collaterals other than foreign exchange, the maximum available value of such margin collaterals shall not exceed four (4) times (the “allotting multiplier”) the total amount of the RMB cash balance plus the RMB equivalent of cash collateral in foreign currency after haircut, as calculated by respective internal ledgers of the Member with the Exchange. The Exchange, in its sole discretion, may determine the “allotting multiplier” according to the liquidity and risks of the collaterals, or adjust the “allotting multiplier” for any Member based on the market risks and the credit of the asset owner. The actual available value of such margin collaterals shall be equal to the lower one of the “discounted value” and the maximum available value.

Once a Member completes the deposit of assets used as margin collaterals, the Exchange will credit the actual available value to the Member’s clearing deposit.

**Article 78** The Exchange shall set a validity period for each class of margin collateral. Upon expiration, the collateral shall be applied again as margin.

**Article 79** Under any of the following circumstances, the Exchange may revoke the use of margin collateral:

1. the withdrawal or use of funds by a Member, an OSP or an Overseas Intermediary involves significant risks or even jeopardizes the legitimate rights

and interests of the Exchange;

2. deficiencies or significant market risks occur to the underlying securities suffer ; or

3. other conditions as deemed necessary by the Exchange.

If the revoke of margin collateral by the Exchange leads to a shortfall in margin, relevant parties shall make it up.

**Article 80** If the withdrawal of margin collaterals by a Member, an OSP, or an Overseas Intermediary results in any potential margin shortfall, the Member, OSP, or Overseas Intermediary shall make it up before proceeding to withdraw the margin collateral.

The application deadline for withdrawing margin collateral by a Member, an OSP or an Overseas Intermediary is 14:30 on each trading day.

**Article 81** A Member shall pay for using margin collateral. Such payment shall be computed and collected by the Exchange on a monthly basis at the rate that is no greater than the current lending rate set by the PBOC. Details of the amounts and rates shall be determined, adjusted and published by the Exchange.

Any Member that uses securities other than standard warrants as margins shall also pay relevant fees to the custodians. Details of the amounts and rates shall conform to the relevant provisions of the custodians.

**Article 82** In the event a Member fully or partially fails to perform its obligation to satisfy the trading margin requirements, the Exchange may

convert the margin collateral of the Member into cash, and will have priority to cover the trading margin shortfall and any other indebtedness in connection with the Member's trading activities with the cash assets realized therefrom. Any loss or expenses arising from such conversion of margin collateral shall be borne by the Member.

## **Chapter 7 Risks and Obligations**

**Article 83** A Member shall fulfil the relevant obligations and responsibilities and assume all the risks associated with the contracts it trades on the Exchange.

The Exchange shall organize futures trading in accordance with the General Exchange Rules. Completed settlement and delivery, cash deposited as margin, assets pledged as margin collateral, and the sanctions imposed by the Exchange against any default shall not be revoked or considered null and void due to the commence of bankruptcy proceedings against any Member.

In the event a Member enters into a bankruptcy proceeding, the Exchange may still conduct net settlement for such Member's open positions in accordance with the General Exchange Rules and the related implementing rules.

In the event the Exchange is taken over or enters into bankruptcy for insolvency, Members may be entitled to conduct net settlement for all their



open positions in accordance with the General Exchange Rules and the related implementing rules, or in accordance with the agreement entered into with the Exchange.

**Article 84** The Exchange shall implement a tiered risk management structure, i.e., the Exchange shall monitor and manage the risks of the Members, each Member shall monitor and manage the risks of its Clearing Delivery Principals, and each FF Member, OSBP or Overseas Intermediary shall monitor and manage the risks of its Clients.

**Article 85** In the event a Member fails to perform the obligations and responsibilities in relation to the contracts, the Exchange is entitled to take the following actions:

1. disposing of the clearing deposit of the Member;
2. suspending new position opening;
3. forced position liquidation as prescribed in the applicable rules of the Exchange, until the margin released is sufficient to fulfill the relevant obligations and responsibilities; and
4. converting the Member's margin collateral into cash, and using the proceeds therefrom to fulfill relevant obligations and responsibilities.

**Article 86** If the Member still fails to fulfill its obligations and responsibilities after the measures described in Article 85 are taken, the Exchange may take actions in the following order:

1. apply the Exchange's risk reserve;

2. apply the Exchange's own assets.

The Exchange shall, after fulfilling the obligations and responsibilities of contracts, exercise the right of recourse to the Member through legal proceedings.

**Article 87** The Exchange implements risk reserve.

The risk reserve refers to the fund established by the Exchange to ensure smooth operations of the futures market, and to cover any loss arising from unforeseeable risks to the Exchange.

**Article 88** Sources of the risk reserve include:

1. funds extracted by the Exchange from the management expenses which are equivalent to twenty per cent (20%) of the transaction fees; and
2. other revenues in compliance with the fiscal policies of the PRC.

When the balance of the risk reserve reaches the level as prescribed by the CSRC and other regulatory authorities, the Exchange may, with the approval of the CSRC, cease to make any further extraction. .

**Article 89** The risk reserve shall be maintained as a segregated class of assets, and shall be deposited in a dedicated account. It shall not be used for any purpose other than the coverage of losses arising from risks.

**Article 90** The extraction of the risk reserve shall be approved by the Board, and be implemented in accordance with the prescribed purposes and procedures after such extraction is reported to the CSRC.

**Article 91** Any violation of the Clearing Rules shall be subject to the relevant provisions of the *Enforcement Rules of the Shanghai International Energy Exchange*.

## **Chapter 8 Miscellaneous**

**Article 92** The Exchange reserves the right to interpret the Clearing Rules.

**Article 93** The Clearing Rules shall take effective as of [date].