

**Membership Management Rules of the Shanghai International Energy  
Exchange**  
(Restated)

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## **Chapter 1 General Provisions**

**Article 1** These Membership Management Rules are formulated, pursuant to the *General Exchange Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “the General Exchange Rules”), to strengthen the self-disciplinary regulation of Members and regulate Members’ business activities on the Shanghai International Energy Exchange (hereinafter referred to as the “the Exchange”).

**Article 2** A Member is a for-profit legal person or an unincorporated organization which is registered in the Chinese Mainland and approved by the Exchange to engage in futures trading activities at the Exchange pursuant to the relevant laws, regulations and other provisions in relation to futures trading activities in the People’s Republic of China (hereinafter referred to as “the PRC”).

**Article 3** The Exchange, Members and their practitioners, Overseas Special Participants (hereinafter referred to as the “OSPs”) , Overseas Intermediaries and Clients thereof shall comply with these Membership Management Rules.

## **Chapter 2 Rights and Obligations of Members**

**Article 4** A Member of the Exchange is entitled to the following rights:

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1. engaging in trading, clearing, delivery or other business activities as prescribed by the Exchange;
  2. accessing the trading facilities provided by the Exchange for information and services related to the futures trading;
  3. exercising its contractual rights in accordance with the agreement signed with the Exchange;
  4. exercising the petition right in accordance with the General Exchange Rules; and
  5. any other rights prescribed by the Exchange.

**Article 5** A Member shall fulfill the following obligations:

1. complying with the relevant laws, regulations, rules and policies of the PRC;
2. complying with the Articles of Association of the Exchange, the General Exchange Rules and its implementing rules, and the relevant provisions of the Exchange;
3. paying the related fees as prescribed;
4. accepting the supervision and management of the Exchange;
5. performing its contractual obligations in accordance with the agreement entered into with the Exchange; and
6. Futures Firm Members shall establish, improve and strictly implement business management rules and risk management rules, comply with information disclosure rules, have a full and continuous understanding of the Clients, strengthen Client management, and enhance the monitoring of abnormal trading behaviors by Clients, to ensure the safety of Client assets and transactions;
7. any other obligations prescribed by the Exchange.

### **Chapter 3 Acquisition, Changes and Termination of Membership**

**Article 6** A Member of the Exchange shall be either a Futures Firm Member (hereinafter referred to as the “FF Member”) or a Non-Futures Firm Member (hereinafter referred to as the “Non-FF Member”).

The Exchange may set up special Members if it is necessary for trading, clearing and settlement, or other businesses.

**Article 7** An applicant for membership shall meet the following criteria:

1. being a for-profit legal person or an unincorporated organization established in the Chinese Mainland;
2. acknowledging and agreeing to abide by the business rules and each of the provisions and decisions of the Exchange;
3. an applicant for an FF Membership shall possess registered capital of no less than RMB thirty (30) million; an applicant for a Non-FF Membership shall possess registered capital of no less than RMB ten (10) million;
4. having good reputation and a business profile without any record of severe violation or expulsion by any futures exchange in the past three (3) years;

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5. having a well-established organizational structure, financial management system and a sound futures business management system;

6. having personnel with chartered futures business licenses of the China Futures Association (hereinafter referred to as the “CFA”), regular business premises and necessary facilities to conduct business;

7. holding a futures brokerage business license issued by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”) if applying for the FF Membership; and

8. any other requirements prescribed by the CSRC and the Exchange.

**Article 8** An applicant for membership shall submit the following documents and materials to the Exchange:

1. an application letter signed by the legal representative and affixed with its official seal;

2. the business license issued by the Administration for Industry and Commerce;

3. the latest annual financial statements audited by an accounting firm or an auditing firm;

4. a certificate of title if the domicile or business venue is owned or a lease agreement if it is leased; and

5. any other documents the Exchange deems necessary to provide.

**Article 9** The applicant letter prescribed in Item 1 of Article 8 of these Membership Management Rules shall include the following contents:

1. the purposes and reasons of application;
2. a written undertaking to comply with the Articles of Association of the Exchange, the business rules and each of the provisions and decisions of the Exchange;
3. the corporate and organizational structure ;
4. a description of the applicant's futures trading activities during the past two years; and
5. any other information the Exchange requires the applicant to describe.

**Article 10** An applicant for FF Membership shall submit the following materials in addition to the materials specified in Article 8 of these Membership Management Rules:

1. a License to engage in relevant financial businesses issued by the domestic competent authority;
2. the Articles of Association and the rules concerning futures brokerage; and
3. documents that specify the organizational structure of the relevant futures business, resumes of the legal representative and the person in charge of futures business, and a list of its personnel with chartered futures business licenses of the CFA.

**Article 11** Upon receiving completed membership application materials, the Exchange shall, within thirty (30) trading days, reply the

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application with its review comments. If the Exchange approves the admission, it will send a written notice of membership admission to the applicant, requiring the applicant to complete the relevant procedure to become a Member of the Exchange; if the admission is not approved by the Exchange, it will notify the applicant in writing.

**Article 12** Within thirty (30) trading days after receiving the notice of admission from the Exchange, the applicant shall complete the following procedures:

1. entering into an agreement with the Exchange;
2. paying fees for trading seats at the prescribed rate as further published by the Exchange;
3. remitting to the dedicated settlement account of the Exchange no less than the minimum amount prescribed by the Exchange as clearing deposit;
4. opening a dedicated margin account with any of the settlement banks designated by the Exchange in accordance with the provisions;
5. performing the authorization procedures for relevant personnel and seals; and
6. any other required procedures.

If the above procedures are not completed within the prescribed time, the applicant shall be deemed to have voluntarily given up its membership.

**Article 13** An applicant is formally granted as a Member after the applicant completes the relevant procedures. The Exchange will issue a certificate of Member to the applicant and report to the CSRC.

**Article 14** A Member has one trading seat, and may apply for additional trading seats. The Member shall use the trading seats in strict compliance with the relevant provisions of the Exchange and shall pay trading seat fees according to the number of trading seats.

**Article 15** A membership may be transferred after the Exchange's approval. Any unauthorized transfer or disposal of membership or trading seat by lease, collateralization or any other means is prohibited.

**Article 16** In the case of a membership transfer, the transferor shall begin the process by submitting to the Exchange an application for membership transfer while the transferee shall submit an application for membership.

**Article 17** Upon receiving completed application materials, the Exchange shall, within thirty (30) trading days, make a preliminary review on the eligibility of the transferee in accordance with the prescribed rules on the qualification of Members. If the transferee passes the review, the transferor and the transferee shall enter into a membership transfer agreement and submit it for the Exchange's approval. The Exchange shall, within ten (10) trading days after receiving the membership transfer



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agreement, determine whether or not to approve the transfer of membership.

**Article 18** In the case of a membership transfer, the transferor shall, within thirty (30) trading days after receiving the Exchange's written approval of the transfer, complete the following procedures:

1. closing out its open positions;
2. settling all debts and credits with the Exchange;
3. returning all receipts and certificates issued by the Exchange;
4. closing its dedicated margin account;
5. returning all trading facilities of the Exchange;
6. terminating the authorized clearing agreement and properly handling the related matters; and
7. any other procedures to be completed as prescribed.

**Article 19** A Member shall not transfer its membership under any of the following circumstances:

1. it is being investigated by the Exchange for a possible violation of the Exchange's rules;
2. it is not over three (3) months since the Exchange imposes sanctions, including but not limited to public censure and suspension of futures business;
3. it is being investigated for cause by competent authorities other than the Exchange for economic disputes, offenses or crimes; and

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4. any debt dispute between the proposed transferor and the Exchange has not yet been solved.

**Article 20** A legal person that acquires or merges with a Member or is newly established out of a merger with a Member shall have priority over other applicants for acquiring and succeeding the membership. The legal person shall apply to the Exchange for succession and the membership shall be succeeded only upon the approval of the Exchange.

**Article 21** Under any of the following circumstances, the Exchange may revoke the membership:

1. a Member's business license is revoked, or such Member is imposed a ban on futures market by the CSRC or other competent authorities; or its business registration is revoked or its business is ordered to wind down or dissolve by the competent authority's order or other circumstances under which the Member loses its qualification;

2. a Member transfers or disposes the membership or trading seats by lease, collateralization or any other means without authorization;

3. a Member is declared as a "persona non grata to the market" by the Exchange;

4. a Member fails to conduct futures trading for three (3) consecutive months without justified reasons;

5. a Member is declared bankrupt by ruling of the court; or

6. any other violations of laws, regulations, rules, policies, and serious violations of the relevant provisions of the Exchange.

**Article 22** A Member shall meet the relevant qualifications on a continuous basis. Once a Member no longer meets the qualification, it shall apply to the Exchange to cancel its membership. If it does not apply for the termination, the Exchange may revoke its membership.

A Member may apply to the Exchange to terminate its membership based on its needs.

**Article 23** When applying for the termination of its membership, a Member shall submit to the Exchange an application signed by the legal representative and affixed with its official seal and other materials prescribed by the Exchange.

Upon receiving completed application materials for termination, the Exchange shall, within thirty (30) trading days, determine whether or not to approve the termination application.

**Article 24** Within thirty (30) trading days after receiving the notice of revocation or approval on termination of its membership from the Exchange, a Member shall complete the relevant procedures in accordance with Article 18 of these Membership Management Rules.

If the Exchange revokes or approves to terminate the Member's membership, the membership shall be cancelled. The certificate of membership expires from the date of cancellation.

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**Article 25** The Exchange shall report any change of membership to the CSRC.

## **Chapter 4 Business Rules**

### **Section 1 General Provisions**

**Article 26** An FF Member shall, based on the principle of good faith, execute the orders authorized by Clients professionally and due diligence, and protect the lawful rights and interests of Clients.

**Article 27** A Member shall not accept a person as a Client, if such person:

1. does not have full capacity for civil rights and duties;
2. fails to provide its legal representative's or authorized representative's authorization letter, if it is an institution;
3. is an employee of the Member, or any futures exchanges in the PRC;
4. is declared as a "persona non grata to the market" by the Exchange;
5. is subject to a ban on futures market entry by declaration of the CSRC; or
6. any other circumstances otherwise prescribed by laws, regulations or the rules of the CSRC or the Exchange.

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**Article 28** In the case that a Client appoints another person as an authorized trader or an authorized personnel for fund transfer, the Client shall provide a valid authorization letter.

In the absence of a valid authorization letter or a clear and effective authorization document for a third party to trade on behalf of the Client, the FF Member shall not permit the third party to engage in futures trading activities on behalf of the Client.

**Article 29** An FF Member shall first verify and confirm the identity, credit profile and trading eligibility of a Client before accepting the Client's authorization.

An FF Member shall verify the funds and positions of the Client's trading orders as prescribed. In the case that a Client's trading fund is not remitted by such Client, the Client shall demonstrate its legal right to use the fund for trading.

Except otherwise provided by laws, regulations and rules, an FF Member shall keep its Clients' information and materials confidential and shall not divulge the trading secrets obtained during the course of business.

**Article 30** A Member shall segregate its own funds from its Client's or other authorized person's margin fund, place them in segregated accounts, set up a separate accounting line item for margin, and conduct subsidiary ledger in accordance with the *Clearing Rules of the Shanghai International Energy Exchange*. The futures brokerage contract, the

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Client's trading code, the Client's settlement statement, and the Client's subsidiary ledger shall be able to be traced to the same Client. The settlement statement shall not substitute for the Client's subsidiary ledger.

Clients' margin collected by a Member belongs to the Clients, and any misappropriation is prohibited. A Member shall not appropriate the margin received from the Clients or authorized persons for its own business activities or for settling its own debt obligations; it shall not permit others to appropriate the Client's or authorized person's margin or apply them as collateral for other business activities.

A Member, a Client or its authorized personnel for fund transfer shall, in accordance with the agreement between parties concerned, complete the authorization procedure for conducting the margin deposit and withdrawal.

**Article 31** An FF Member shall execute its Client's trading orders properly and timely. All trading orders of its Clients shall be placed through the central matching system of the Exchange. Matching or netting of Clients' order off the Exchange or other similar practice is prohibited.

After an order is filled, the FF Member shall notify the Client immediately.

**Article 32** The Client must give prior authorization before an order is placed for execution, and any unauthorized trade by the FF Member is prohibited.

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**Article 33** An FF Member shall consummate the confirmation procedures of the Client's trading order placing and settlement information.

**Article 34** If forced position liquidation is necessary for purpose of risk control, the Member shall comply with the terms and conditions specified in the futures brokerage contract signed with the Client or the authorized person.

A Member shall not allow a Client or an authorized person to trade when it has margin deficit.

**Article 35** An FF Member, engaging in futures trading activities on its Clients' behalf, shall not make up or purposely disseminate false information to mislead its Clients or authorized persons, and shall not deceive or defraud its Clients or authorized persons by any means.

**Article 36** A Member shall promptly circulate to its Clients or authorized persons the Exchange's real-time trading data, circulars and any other market information.

**Article 37** Except otherwise approved by the Exchange, a Non-FF Member shall not open another account as a Client to engage in futures trading.

**Article 38** A Member may accept the authorization of an OSP to carry out the authorized clearing business.

The authorized clearing business shall be implemented in accordance with the *Clearing Rules of the Shanghai International Energy Exchange*.

## **Section 2 Management of FF Members' Carrying-Brokerage Service for Overseas Intermediaries**

**Article 39** An FF Member shall meet the requirements set forth in the CSRC regulation to provide the carrying-brokerage service to Overseas Intermediaries.

The carrying-brokerage service refers to an FF Member's business to enter into a carrying-brokerage agreement with an Overseas Intermediary, under which the Overseas Intermediary authorizes its Clients' trading orders of the specified futures contracts listed on the Exchange to the FF Member for execution.

**Article 40** An FF Member may provide the carrying-brokerage service to qualified Overseas Intermediaries.

A qualified Overseas Intermediary shall meet the following criteria:

1. being a financial institution legally incorporated for at least two (2) years consecutively and licensed for intermediary business by overseas competent authorities outside the Chinese Mainland;

2. being regulated and supervised by the competent futures regulatory authority in its residence country (region), which has signed a memorandum of understanding on supervisory cooperation with the CSRC;

3. having a sound corporate governance structure and internal control system and duly operated business;



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4.having net capital of no less than RMB thirty (30) million or its equivalent in foreign currency;

5.having business facilities and IT infrastructure conforming to the relevant technical standards and in sound operation; and

6.any other requirements prescribed by the Exchange.

The Exchange is entitled to waive one or more conditions above depending on certain financial conditions, risk management capabilities and soundness of operation of the applicant.

**Article 41** An FF Member shall enter into a written carrying-brokerage agreement with each of its carrying Overseas Intermediaries.

A carrying-brokerage agreement shall contain the following terms:

- 1.the carrying-brokerage business scope;
- 2.the minimum margin requirement, as well as the procedure and fee schedule for collateralization of relevant assets as margin;
- 3.the mechanism, terms and operational procedure of risk management;
- 4.specification on the account type, management mode of business and the clearing procedure;
- 5.transaction fee schedule;
- 6.use of information and confidentiality ;
- 7.items, means and deadlines of notice;

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8.circumstances of any losses not attributable to either party to the bilateral agreement and resolution under such circumstances;

9.amendment to or termination of the agreement;

10. breach;

11. dispute resolution and jurisdiction;

12. governing law; and

13. any other matters prescribed by the Exchange.

An Overseas Intermediary shall undertake in the carrying-brokerage agreement that it will comply with the PRC laws, regulations, rules, business rules and each of the provisions and decisions of the Exchange. It shall not infringe any lawful rights and interests of its Clients and other participants in the market, when it carries out futures related business in the PRC.

**Article 42** An FF Member shall file with the Exchange after entering into the carrying-brokerage agreement with each Overseas Intermediary.

The following materials shall be submitted for the filing:

1. a statement of filing;

2.substantiated materials for terms specified in this Article 40 provided by the Overseas Intermediary, and the certificate of valid ID, resume and signature specimen of the person-in-charge of the risk control for the futures business;

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3. policies of the FF Member's carrying brokerage business, internal control and risk management;

4. the carrying-brokerage agreement entered into between the FF Member and the Overseas Intermediary; and

5. any other materials prescribed by the Exchange.

Upon receiving all the completed filing materials, the Exchange shall, within fifteen (15) trading days, determine whether or not to accept the filing. The Exchange shall inform the FF Member the review result in writing and assign a filing number to the FF Member if the filing is accepted; or the Exchange shall give a written explanation if the filing is declined.

**Article 43** An Overseas Intermediary may authorize multiple FF Members as its carrying brokers, whilst it shall not authorize a Client to more than one FF Member.

**Article 44** In the event of amendment of major issues in a carrying-brokerage agreement, the FF Member shall file with the Exchange for amendment within ten (10) trading days after the amendment becomes effective. In the event of amendment of names, personnel of filed chief risk control officer or other major issues of the Overseas Intermediary, the FF Member shall file with the Exchange for amendment within five (5) trading days upon notice from the Overseas Intermediary. The Exchange shall

confirm the filing with the FF Member in writing within ten (10) trading days upon the receipt of the filing request and relevant documents.

**Article 45** In the event of termination of a carrying-brokerage agreement, the FF Member shall file with the Exchange within five (5) trading days after the termination of such agreement. The Exchange shall confirm the filing with the FF Member in writing within ten (10) trading days upon the receipt of the relevant documents.

**Article 46** An FF Member shall open a separate trading account and acquire a trading code for each overseas Client of its carried Overseas Intermediary counterpart pursuant to the rules prescribed by Exchange. Trading with aggregated or netted multi-Client positions is prohibited.

**Article 47** An Overseas Intermediary may opt to open an omnibus capital account with an FF Member for its Clients' futures clearing and settlement, delivery and other activities. For an omnibus capital account, an FF Member shall collect margins and prepare a subsidiary ledger to the omnibus account level only.

**Article 48** An FF Member shall establish on-boarding practice and standard procedures for its carried Overseas Intermediaries on trading, clearing and settlement, delivery, fund management, data transmission and trading system configuration, business scope, risk control and any other terms as deemed necessary.

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**Article 49** An Overseas Intermediary shall segregate its Clients' margin deposited in the FF Member's dedicated margin account, and shall set up a ledger for each Client to book-keep and settle its withdrawals, deposits, profits and losses, trading margins, and transaction fees on a daily basis.

**Article 50** An Overseas Intermediary shall comply with the risk control and other relevant requirements of the Exchange and cooperate with an FF Member to control risk strictly.

**Article 51** An Overseas Intermediary shall verify the identity of its Clients, retain the original documents and audio or video files, if any, provided by the Clients for account opening. Then it shall apply for a trading code for each of the Clients via its carrying FF Member. An Overseas Intermediary is not required to disclose to its carrying Clients information under an omnibus capital account, but is obligated to assist FF Members in performing relevant responsibilities of risk management.

**Article 52** Overseas Clients shall meet the trading participant eligibility requirements prescribed by the Exchange.

**Article 53** Fund transfer related to futures trading activities between an Overseas Intermediary and an FF Member shall be made through the futures settlement account of the Overseas Intermediary and the dedicated margin account of its carrying FF Member.

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**Article 54** Margins collected by an FF Member from its carried Overseas Intermediaries belong to the Overseas Intermediary and shall be placed in the Member's dedicated margin account in satisfaction of the margin or other related expenses.

An FF Member shall impose a trading margin level on its carried Overseas Intermediary, which shall not fall below the level the Exchange imposes on the Member.

**Article 55** An Overseas Intermediary shall provide its Clients the Exchange's trading data and trading access, and maintain sound operation of its facilities, continuous data distribution and smooth trading connectivity.

**Article 56** An Overseas Intermediary shall place Clients' orders directly to its carrying FF Member, and matching or netting of Clients' orders off the Exchange or other similar practice is prohibited.

**Article 57** An FF Member shall conduct daily clearing and settlement for its carried Overseas Intermediary after market close of the day, and timely notify the Overseas Intermediary with the clearing data by the method agreed by both contracting parties.

**Article 58** An Overseas Intermediary shall, upon the instruction of its Client, authorize its carrying FF Member to conduct physical delivery.

**Article 59** An Overseas Intermediary shall ensure the safety and independence of the transmission of futures trading data, and establish

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backup practice for trading, clearing and settlement and financial transaction.

An Overseas Intermediary shall maintain the materials and archive regarding Clients' account opening, alteration and closing, record of trading, settlement and wrong trades, Clients' complaints, and any other business records deemed necessary for no less than twenty (20) years starting from the date of termination of futures brokerage agreements.

**Article 60** An Overseas Intermediary shall implement effective business practice and procedure for risk management and internal control to ensure the security of its Clients' transactions and segregation of Clients' funds.

An FF Member is responsible for the examination of fund and risk control of its carried Overseas Intermediary's futures trading on the Exchange.

**Article 61** In the event of a termination of business relationship between a Client and its Overseas Intermediary, such Overseas Intermediary shall complete the procedure of account closing timely and the relevant Member shall provide assistance.

## **Chapter 5 Supervision**

**Article 62** A Member and its practitioners shall comply with relevant laws, regulations, rules, policies, business rules and each of the

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provisions and decisions of the Exchange, and accept the regulation and supervision by the CSRC and the Exchange. The Exchange shall supervise and examine the business activities management, financial conditions and credit of Members in accordance with the relevant provisions.

**Article 63** The Exchange may take the following measures against those Members who violate or may have violated the Exchange's rules according to the seriousness of violation:

1. verbal warning;
2. warning letter;
3. designated interview;
4. requiring an explanation within the prescribed time;
5. requiring to make rectification;
6. requiring to attend training;
7. requiring periodic reporting;
8. requiring to strengthen the internal compliance review;
9. conducting a special investigation;
10. imposing sanctions on the relevant personnel;
11. restricting or suspending the relevant business; or
12. recommending the CSRC or its regional offices, or the China

Futures Association to take actions.



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**Article 64** If any of the following circumstances occurs to a Member, it shall notify the Exchange promptly and report to the Exchange in writing within ten (10) trading days:

1. change of the legal representative, chairman of the board of directors, general manager, and chief risk officer;
2. change of registered capital or more than 5% of the stake;
3. change of name, domicile or business venue, business scope or contact information;
4. establishment, consolidation or termination of branches;
5. change of the business venue, person-in-charge or business scope of a business branch;
6. material change of operational conditions;
7. the occurrence of material dispute, arbitration or litigation;
8. termination of futures business;
9. acquiring membership or license to directly engage in trading in other futures trading venues;
10. being investigated in a case filed by a competent authority for suspected violation of laws and regulations, being penalized by such authority, or being sanctioned by other futures trading venues; or
11. any other circumstance the Exchange requires to report.

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**Article 65** The Exchange may require a Member to submit the audited annual financial statements of the previous year within twenty (20) trading days.

**Article 66** If any of the following circumstances occurs to a Member, the Exchange is entitled to require such Member to take rectification measures within a specified period:

1. poor financial management, long-term loss, poor operating conditions or significantly declining solvency;
2. severe problems detected in the annual inspection.

The Exchange is entitled to suspend the futures trading business or revoke the membership if such Member fails to take rectification measures within the specified period.

**Article 67** Without the approval by the Exchange, a Member shall not provide any information prescribed in Article 36 of these Membership Management Rules to any third party for business purposes.

**Article 68** A Member shall assist the Exchange in daily routine, attend the relevant business activities, and protect the reputation of the Exchange.

A Member shall assist the Exchange in resolving emergencies or abnormal events, and work to obtain the understanding and cooperation of its Clients or authorized persons.

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**Article 69** The practitioners of a Member shall meet the qualifications prescribed by the CSRC regarding futures practitioners.

**Article 70** The practitioners, who engage in trading, clearing and delivery activities on the Exchange, shall be authorized by their employer Member. The practitioners shall be employed by only one Member at a time and shall not work on a part-time job concurrently for other Members.

Any obligation arising from the business activities of a Member's practitioner on the Exchange shall be borne by such Member.

**Article 71** The authorizations by a Member to its practitioners shall automatically become void upon the transfer, termination or revocation of its membership.

**Article 72** Any violation of these Membership Management Rules shall be subject to the relevant provisions of the *Enforcement Rules of the Shanghai International Energy Exchange*.

## **Chapter 6 Miscellaneous**

**Article 73** The Exchange reserves the right to interpret these Membership Management Rules.

**Article 74** These Membership Management Rules shall be effective as of August 2<sup>nd</sup>, 2019.