Appendix 2

**Clearing Rules of the Shanghai Futures Exchange**

(Amended)

**Article 7**  A clearing house has the following responsibilities:

(i) to control clearing risks;

(ii) to create and prepare members’ settlement statements;

(iii) to handle fund transfers;

(iv) to compile, record, and report clearing data;

(v) to resolve trade-related account disputes between members;

(vi) to handle delivery settlement; and

(vii) to manage margin in accordance with applicable rules.

**Article 9** The Exchange may examine members’ settlement documents as well as financial statements and related records and books. Members shall cooperate with such examinations.

**Article 10** Each member shall set up a clearing department. The clearing department of an FF Member shall handle the clearing activities between the FF Member and the Exchange and between the FF Member and its customers; that of a non-FF Member shall handle the clearing activities between the non-FF Member and the Exchange.

Each clearing department shall properly retain settlement documents as well as financial statements and related records and books for future inquiry and verification.

**Article 18** A certified settlement bank has the right to:

(i) open a clearing account for the Exchange, a futures settlement account for a member, and other clearing-related accounts;

**Article 19** A certified settlement bank has the obligation to:

(i) prioritize the transfer of members’ funds according to the notes or data provided by the Exchange, and promptly inform the Exchange of the results of funds transfer and account balance changes;

(ii) keep confidential the trade secrets of the Exchange and members;

(iii) assist the Exchange in mitigating any major risk at the Exchange; and

(iv) accept the supervision of the Exchange regarding its futures margin custody service, which entail:

(a) informing the Exchange of the balance of members’ futures settlement accounts;

(b) assisting the Exchange in verifying the source and destination of members’ funds as required by the Exchange;

(c) timely reporting to the Exchange of any funds clearing misconduct or risk of members;

(d) timely reporting to the Exchange of the status of pledge of members’ standard warrants; and

(e) carrying out the necessary regulatory measures with respect to funds in members’ futures settlement accounts as required by the CSRC or the Exchange.

**Article 20** The Exchange will open a clearing account at each certified settlement bank to hold margin funds and other relevant funds of members.

**Article 21** Each member shall open a futures settlement account at a certified settlement bank to hold margin funds and other relevant funds.

**Article 22** Funds transfers between the Exchange and a member shall only be effected through the Exchange’s clearing account and the member’s futures settlement account.

**Article 23** Margin funds deposited by members into the Exchange’s clearing account shall be accounted for separately by the Exchange. The Exchange shall establish a subsidiary account for each member and record and verify such entries as deposits and withdrawals, gains and losses, trade margin, and transaction fees in chronological order for each member.

**Article 24** Margin funds deposited by customers into their carrying member’s futures settlement account shall be accounted for separately by the member. The member shall establish a subsidiary account for each customer and record and verify such entries as deposits and withdrawals, gains and losses, trade margin, and transaction fees in chronological order for each customer.

**Article 25** The Exchange has the power to collect various receivables from a member’s futures settlement account through the certified settlement bank without notice to the member, and to inquire the balance and transaction history of the account at any time.

**Article 26** Any member who intends to open, rename, change, or close its futures settlement account shall apply to the Exchange. Following approval by the Exchange, the member shall present the Account Update Notice, issued by the clearing house of the Exchange, to the certified settlement bank to complete the update.

**Article 27** The transferee in a membership transfer shall open a new futures settlement account.

**Article 29** The term “clearing deposit” refers to the portion of the funds that a member has deposited into the Exchange’s clearing account for the purpose of futures trading and clearing and which is not yet used as margin for the positions held by the member.

**Article 31** The term “trade margin” refers to the portion of the funds that a member has deposited into the Exchange’s clearing account to ensure performance of contracts and which is already used as margin for the positions held by the member. After a trade is entered into, the Exchange will collect from both the buyer and the seller a trade margin proportional to the value of contracts held or at such rate as otherwise prescribed by the Exchange.

**Article 34** Any margin funds collected by an FF Member from its customer for a brokerage trade are assets of the customer. Such funds shall be deposited into the member’s futures settlement account and ready for withdrawal at any time in satisfaction of margin requirements or other fee obligations.

**Article 42** If after daily clearing the clearing deposit of a member is less than the minimum requirement, such clearing result shall constitute a margin call from the Exchange to the member, and the gap between the two amounts shall be the amount of additional funds required by the margin call.

Following the margin call, the Exchange is entitled to collect the corresponding amount from the member’s futures settlement account via the certified settlement bank. Where a shortfall still exists after the collection, the member shall eliminate it before market open on the following trading day; failing which, the member shall be prohibited from opening new positions if its clearing deposit balance is positive but less than the minimum requirement, and be handled in accordance with the Risk Management Rules of the Shanghai Futures Exchange if its clearing deposit balance is negative.

**Article 43** A member may transfer funds through any of the following methods to meet a margin call:

(ii) By negotiable instruments. The member may make the deposit with a check, promissory note, or credit transfer note drawing against its futures settlement account. After the certified settlement bank confirms the receipt of the deposit, the Exchange will credit the amount into the member’s clearing deposit balance before the next trading session starts at the latest.

**Article 50** After daily clearing, the Exchange will transmit funds transfer data for each member to the corresponding certified settlement banks, who shall timely inform the Exchange of the results of funds transfers.

**Article 51** The Exchange shall on the first trading day of each month provide each member with both the SHFE Funds Settlement Form (stamped “SHFE CLEARING”) and the tax invoice for transaction fees for the preceding month to be cross-referenced by the member for account reconciliation.

**Article 59** Delivery payment is settled in the sequence of buyer making payment first and seller making delivery second. Delivery payment may be made through in-house transfer or bank transfer. With the in-house transfer option, the member shall submit to the Exchange an In-House Transfer Application by 14:00 on the third delivery day at the latest, and the Exchange will debit the delivery payment from the buying member’s clearing deposit and credit it into the selling member’s clearing deposit. With the bank transfer option, the buying member may transfer the delivery payment into the Exchange’s clearing account in the form of credit transfer notes, promissory notes, checks, or other forms of payment recognized by the Exchange; the selling member will receive the delivery payment in its futures settlement account by funds transfer from the Exchange.

**Article 60** The benchmark price for delivery settlement (i.e., final settlement price) is the settlement price of the futures contract concerned on its last trading day, but that for fuel oil futures shall be determined according to Article 2224 of the *Fuel Oil Delivery Rules of the Shanghai Futures Exchange (Trial)*, that for gold futures shall be determined according to Article 24 of the *Gold Futures Delivery Rules of the Shanghai Futures Exchange (Trial)*, that for natural rubber futures shall be determined according to applicable provisions of the *Delivery Rules of the Shanghai Futures Exchange*, and that for bitumen futures shall be determined according to applicable provisions of the *Bitumen Futures Delivery Rules of the Shanghai Futures Exchange*. Commodity for delivery shall be priced at the final settlement price plus any premium or discount for grade and delivery venue (i.e., benchmark delivery warehouse vs. non-benchmark delivery warehouse).

**Article 64** Procedures for delivery settlement of gold futures and fuel oil futures, settlement of the difference between standard warrant weight and actual load-in or load-out weight, and issuance of tax invoices shall be governed by Chapter 5 of the *Gold Futures Delivery Rules of the Shanghai Futures Exchange (Trial)* and the *Delivery Rules for Fuel Oil Futures of the Shanghai Futures Exchange*.

**Article 71** The maximum available margin funds of a member using marketable securities as margin collaterals shall be four (4) times (the “allotting multiplier”) of the member’s cash balance held in the Exchange’s clearing account. The Exchange may adjust the allotting multiplier of a member based on market risks and the member’s credit standing.

Appendix 1:

**Account Update Notice**

(Sample)

No.:

, (bank),

This Notice is issued for SHFE member (member code: ) to support its creation / closure / renaming of its futures settlement account. Please return the Acknowledgement below on the day the procedure is completed.

Thank you for your cooperation.

SHFE Clearing Department

Date:

P.S.: New name (if applicable) for the member is ( )

No.:

**Acknowledgement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Service | Open / Close / Rename | | Account name |  |
| Member code |  | | Account No. |  |
| Bank |  | | Orig. acc. name |  |
| Acc. opening / closure date | |  | |  |
| Processed by | |  | |  |

|  |  |
| --- | --- |
| Instructions:  1. Check the appropriate option in the “Service” box  2. The original account name should be provided if there has been a name change  3. Fill in the account opening date agreed with the member in the case of account opening or renaming, and the account closure date in the case of account closure. | Business seal of certified settlement bank  Date: |