

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

(Revised)

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## Chapter 1 General Provisions

**Article 1** These Enforcement Rules are formulated, pursuant to the *Regulations on the Administration of Futures Exchange, General Exchange Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “General Exchange Rules”) and other relevant provisions, to strengthen the management of the futures market, regulate the futures trading activities and protect the legitimate rights and interests of futures market participants.

**Article 2** The term “rule violation” in these Enforcement Rules refers to the breach of the General Exchange Rules, implementing rules, and any other provisions of the Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”) by Members, Overseas Special Participants (hereinafter referred to as the “OSPs”), Overseas Intermediaries, Clients, Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies, information service vendors, any other futures market participants and the staff thereof..

**Article 3** The Exchange investigates, determines and deals with the suspected rule violation based on factual evidence, principles of fairness and justice, and in compliance with the PRC laws, regulations,

and these Enforcement Rules.

The rule violation that is suspected to constitute a criminal offense shall be referred to the judicial authority for criminal prosecution.

**Article 4** These Enforcement Rules apply to any futures trading related activities conducted on or through the Exchange.

## **Chapter 2 Compliance**

**Article 5** The compliance includes routine audit and investigation for cause. The methods thereof include interviews, document-based investigations, onsite examinations and other methods if necessary.

**Article 6** The Exchange may conduct routine audit periodically or from time to time in accordance with the Exchange's relevant rules, over the business activities of Members, OSPs, Overseas Intermediaries, Clients, Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies, information service vendors, and other futures market participants.

**Article 7** The Exchange may exercise the following powers to perform its enforcement mandates:

1. accessing and copying the information, documents and materials related to futures trading activities;
2. requiring Members, OSPs, Overseas Intermediaries, Clients,

Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies and other futures market participants to provide such reports as annual reports and third-party audit reports; requiring OSPs, Overseas Intermediaries or overseas Clients to provide supervisory reports issued by overseas regulators;

3. investigating and collecting evidence from Members, OSPs, Overseas Intermediaries, Clients, Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies, and other futures market participants;

4. requiring Members, OSPs, Overseas Intermediaries, Clients, Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies and any others which are under investigation to provide declarations, statements, explanations and clarifications related to the investigation;

5. inquiring bank accounts in relation to the futures business of Members, OSPs, Overseas Intermediaries and Clients;

6. accessing and checking IT systems of Members, OSPs, Overseas Intermediaries, and Clients in relation to futures trading activities, including trading system, settlement system, and financial status, etc.;

7. ordering to cease and correct the rule violation; and

8. exercising other powers as necessary to fulfill the Exchange's enforcement mandates.

**Article 8** Members, OSPs, Overseas Intermediaries, Clients, Designated Delivery Storage Facilities, Designated Depository Banks, Designated Inspection Agencies and other futures market participants shall be subject to the supervision and inspection of the Exchange, and cooperate with the Exchange to fulfill its regulatory mandates.

**Article 9** The Exchange provides a channel for complainants and whistleblowers. Complainants or whistleblowers shall indicate their true and clear identity. The Exchange shall keep their identity confidential if they are reluctant to disclose.

**Article 10** The Exchange shall initiate an investigation for cause if it suspects that a violation has been committed after reviewing the evidence discovered from its routine audits, provided by complainants or whistleblowers, referred by regulatory or judicial authorities, or obtained from other sources.

**Article 11** The Exchange shall authorize specific persons to be responsible for investigating cases of suspected rule violation that have been placed on file. At least two (2) investigators shall take part in the investigation and evidence gathering activities, during which they shall provide their working badges or the documents issued by the Exchange to prove their authorization.

**Article 12** The investigator shall apply for recusal from the case if such person has a conflict of interest in the case or other circumstances

which may prejudice the fairness and impartiality of the case.

If the person under investigation believes that the investigator has a conflict of interest in the case or other circumstances which may prejudice the fairness and impartiality of the case, the person may request the investigator to recuse from the investigation.

The Exchange shall order the investigator to recuse himself or herself from the investigation when it deems necessary.

The investigator's recusal shall be determined by the head of compliance of the Exchange. The recusal of the head of compliance shall be determined by the President and CEO of the Exchange.

**Article 13** Evidence includes all the materials that can prove the fact of the case. Such materials include documentary evidence, physical evidence, statements of parties involved, testimony of witnesses, investigation transcripts, appraisal verdicts, audio and video materials, electronic records, etc.

No evidence may be used as the basis of verdict unless the veracity of the evidence is confirmed.

**Article 14** Investigation transcripts shall be made when the investigator questions the respondent under investigation. The investigation transcripts shall be confirmed by the respondent and then signed by both the respondent and the investigator. Should the respondent refuses to sign, the investigator shall specify the reasons.

Each time an investigator collects a piece of documentary and/or physical evidence, a note shall be made stating the time and the venue the evidence were collected. The note shall be signed by the respondent. If the respondent refuses or is unable to sign, the investigator shall specify the reasons and have a witness sign the note.

When audio and video materials or electronic records are collected or produced, a note shall be made specifying when, where and how they were gathered or produced and by which means they were produced and stored. The note shall be signed by the respondent or a witness.

An expert conclusion shall be rendered by a competent evaluation agency which is recognized by the Chinese Securities Regulatory Commission (hereinafter referred to as the “CSRC”) or the Exchange, and sealed and signed by the evaluation agency and the expert witness respectively.

**Article 15** If a Member, an OSP, an Overseas Intermediary, a Client, a Designated Delivery Storage Facility, a Designated Depository Bank or an information service vendor is suspected of committing a serious rule violation and is under the formal investigation of the Exchange, the Exchange may, before such suspected violation is confirmed, take the following restrictive measures against the party involved to prevent further deterioration and ensure the enforcement of compliance:

1. requesting an explanation within a specified period;
2. suspending the assignment of trading code for new Clients;
3. restricting the withdrawal of funds;
4. restricting the deposit of new funds;
5. restricting the delivery business of the Designated Delivery Storage Facility, the depository business of the Designated Depository Bank or the information service business of the information service vendor;
6. reducing the position limits or the limits of standard warrants allowed to be held;
7. increasing margin requirements;
8. restricting the position opening;
9. ordering position liquidation to be conducted within a specified period; and
10. implementing forced position liquidation.

**Article 16** Staff of the Exchange shall strictly abide by confidentiality rules and shall not abuse their powers in the process of routine audit and investigation for cause.

Futures market participants shall strictly abide by confidentiality obligations during the routine audit and investigation for cause conducted by the Exchange.

The Exchange shall take disciplinary actions against any violation of



the provisions in the preceding paragraph depending on different circumstances.

### **Chapter 3 Rule Violations and Sanctions**

**Article 17** The following conducts of a Futures Firm Member (the “FF Member”) constitute rule violation relating to the brokerage business qualification:

1. obtaining a futures brokerage license by fraud;
2. setting up a futures brokerage branch without the approval from a competent authority;
3. employing persons to conduct futures brokerage business who has not obtained the professional qualification for futures business from the China Futures Association or fail to pass the Exchange’s training program or; or
4. engaging in other conducts that violate the regulations and rules relating to the futures brokerage business qualification prescribed by the CSRC and the Exchange.

An FF Member who is found to have engaged in any of the above conducts shall be required to make rectifications, indemnify for any losses arising from the rule violation and be subject to forfeiture of any earnings arising from the rule violation. Furthermore, depending on the severity of the violation, the FF Member shall be subject to warning,

reprimand, public censure, forced position liquidation, suspension of position opening for no more than twelve (12) months, and/or revocation of membership. In addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed if there are no earnings resulting from the rule violation or the amount of the earnings is less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the earnings are greater than RMB one hundred thousand (100,000).

**Article 18** The following conducts of an FF Member constitute rule violation relating to the brokerage business:

1. executing futures orders for Clients who fail to go through the account opening procedure or fail to meet the specified requirements for opening an account;
2. violating trading code system;
3. opening an account for ineligible Clients without performing verification obligation;
4. having not truthfully explained to Clients the risk of futures trading or having not had the Clients sign the risk disclosure statement;
5. guaranteeing profits to Clients or entering into a private agreement with a Client to share profits or losses;
6. using a Client's account to trade for the Member itself or a third

party;

7. failing to follow the Client's trading instructions, intentionally curbing, delaying or changing the execution of the Client's order, or inducing or forcing a Client to trade;

8. failing to send Clients' trading orders to the Exchange for matching;

9. failing to segregate Clients' funds from the Member's own funds;

10. delaying the Client's withdrawal of funds without justified reason;

11. allowing a Client to trade without sufficient margin;

12. misappropriating or allowing others to misappropriate Client funds or misusing funds from different Client accounts;

13. fabricating or spreading false or misleading information;

14. disclosing, without authorization, a Client's instructions or other confidential information in relation to trading;

15. failing to provide the Client execution results and settlement statements according to the relevant rules;

16. violating provisions of the Futures Trading Participants Eligibility Management Rules; or

17. engaging in other activities that violate the regulations and rules relating to the brokerage business prescribed by the CSRC and the Exchange.

An FF Member who is found to have engaged in any of the above

conducts shall be required to make rectifications, indemnify for any losses arising from the rule violation and be subject to forfeiture of any earnings arising from the rule violation. Furthermore, depending on the severity of the violation, the FF Member shall be subject to warning, reprimand, public censure, forced position liquidation, suspension of part of its futures business, suspension of position opening for no more than twelve (12) months, revocation of membership, and/or being announced as “persona non grata to the market”. In addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed if there are no earnings resulting from the rule violation or the amount of the earnings is less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the earnings are greater than RMB one hundred thousand (100,000). Depending on the severity of the violation, the directly responsible person shall be subject to reprimand, public censure, suspension from engaging in the Exchange’s futures businesses for no more than twelve (12) months, or revocation of the qualification to engage in the Exchange’s futures business.

**Article 19** The following conducts of an Overseas Special Brokerage Participant (the “OSBP”) constitute rule violation relating to the brokerage business:

1. executing futures orders for Clients who fail to go through the

account opening procedure or fail to meet the specified requirements for opening an account;

2. violating trading code system;

3. opening an account for ineligible Clients without performing verification obligation;

4. having not truthfully explained to Clients the risk of futures trading or having not had the Clients sign the risk disclosure statement;

5. using a Client's account to trade for the OSBP itself or a third party;

6. failing to follow the Client's trading instructions or intentionally curbing, delaying or changing the execution of the Client's order, or inducing or forcing a Client to trade in favor of the OSBP itself;

7. failing to send Clients' trading orders to the Exchange for matching;

8. failing to segregate Client funds from the OSBP's own funds;

9. fabricating or spreading false or misleading information;

10. disclosing, without authorization, a Client's instructions or other confidential information in relation to trading;

11. failing to provide the Client execution results and settlement statements according to the relevant rules;

12. violating other provisions of the Futures Trading Participants Eligibility Management Rules; or

13. engaging in other activities that violate the regulations and rules relating to the brokerage business prescribed by the CSRC and the Exchange.

An OSBP who is found to have engaged in any of the above conducts shall be required to make rectifications, indemnify for any losses arising from the rule violation and be subject to forfeiture of any earnings arising from the rule violation. Furthermore, depending on the severity of the violation, the OSBP shall be subject to warning, reprimand, public censure, forced position liquidation, suspension of part of its futures business, suspension of position opening for no more than twelve (12) months, revocation of qualification, and/or being announced as “persona non grata to the market”. In addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed if there are no earnings resulting from the rule violation or the amount of the earnings is less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the earnings are greater than RMB one hundred thousand (100,000). Depending on the severity of the violation, the directly responsible person shall be subject to reprimand, public censure, suspension from engaging in the Exchange’s futures businesses for no more than twelve (12) months, or revocation of the qualification to engage in the Exchange’s futures business.

**Article 20** The following conducts of a Member or an OSP constitute rule violation:

1. failing to perform the reporting obligations pursuant to the rules of the Exchange;
2. failing to submit financial reports and supporting documents within the required time period;
3. failing to perform the reporting obligations in accordance with the large trader position reporting rules, falsifying information in a report or concealing information;
4. failing to assist the Exchange in implementing restrictive measures or other supervisory measures;
5. failing to timely pay the annual fee or other related fees in accordance with the provisions of the Exchange;
6. failing to maintain records in relation to trading, clearing, delivery, finance, and accounting, etc. in accordance with relevant provisions;
7. counterfeiting, tampering with, purchasing or selling certificates or approval documents;
8. Non-Futures Firm Members (the “Non-FF Members”) engaging in brokerage businesses or FF Members engaging in proprietary trading businesses; or
9. engaging in illegal activities such as money laundering and malicious currency exchange.

A Member or an OSP who is found to have engaged in any of the above conducts shall be required to make rectifications. Furthermore, depending on the severity of the violation, the Member or the OSP shall be subject to warning, reprimand, public censure, suspension of part of its futures business, suspension of position opening for no more than twelve (12) months, and/or revocation of membership or OSP qualification.

**Article 21** If any of the following circumstances occurs to a Member or an OSP , its membership or OSP qualification may be revoked:

1. having been revoked of the futures brokerage business license or having been banned from entering the futures market;
2. transferring or disposing of memberships, OSP qualifications, or trading seats in private through leasing, pledging, etc.;
3. having severely insufficient capital, personnel and equipment and disordered management, with no improvement after rectification;
4. having been announced as “persona non grata to the market” by the Exchange;
5. having not been trading for three (3) consecutive months without justified reason; or
6. breaching other PRC laws, rules and regulations, or seriously violating relevant rules of the Exchange.

**Article 22** Any Member or OSP who fails to comply with the



Exchange's order to liquidate positions within a specified time period without justified reason shall be subject to warning, reprimand, public censure, suspension of part of its futures business, and/or suspension of position opening for a minimum of one (1) month to a maximum of twelve (12) months; in addition, a fine of up to RMB fifty thousand (50,000) may be imposed.

**Article 23** The following conducts of a Member constitute rule violation relating to the clearing business of the Exchange:

1. failing to pay sufficient margin within the specified time period;
2. providing untrue or incomplete records in the daily settlement statement, monthly statement or other settlement documents;
3. failing to segregate Clients' margin funds;
4. failing to conduct the daily mark to market for Clients;
5. falsifying or fabricating trade records, financial statements or accounting books;
6. writing dishonored checks, issuing false invoices or other falsified bills or instruments; or
7. engaging in other conducts which violate the Exchange rules relating to clearing business.

A Member who is found to have engaged in any of the above conducts shall be required to make rectification. Furthermore, depending on the severity of the violation, the Member shall be subject to warning,

reprimand, public censure, suspension of part of its futures business, and/or suspension of position opening for no more than twelve (12) months; in addition, a fine of no less than RMB ten thousand (10,000) and no more than two hundred thousand (200,000) may be imposed.

**Article 24** If any of the following circumstances occurs to an Overseas Intermediary, the following supervisory measures may be adopted: requesting an explanation, giving verbal alert, issuing a warning letter, requiring rectification, or any other measures; if it fails to rectify within the prescribed time period and its conduct may jeopardize the smooth operation of the futures market or damage the legitimate rights and interests of Clients, the FF Members and OSBPs may be required to suspend or terminate the carrying-brokerage business with such Overseas Intermediaries:

1. refusing to cooperate with the Exchange to conduct investigations on the violation of Clients;

2. violating relevant provisions of Chapter 4 of the *Membership Management Rules of the Shanghai International Energy Exchange* or Chapter 4 of the *Overseas Special Participants Management Rules of the Shanghai International Energy Exchange*;

3. being suspended or restricted from conducting business or being revoked of its brokerage business qualification due to violations of laws and regulations or major risks occurred in its other business; or

4. engaging in other conducts which violate the Exchange rules relating to Overseas Intermediaries.

After the Overseas Intermediary suspends or terminates the carrying-brokerage business with FF Members or OSBPs, the Overseas Intermediary shall not take new Clients or open new positions; if Clients request to move their positions to other brokerage institutions, the Overseas Intermediary shall cooperate.

**Article 25** Any of the Members, OSPs, Overseas Intermediaries or Clients that provides or assists to provide false information or violates other rules of the Exchange in the application for hedging or arbitrage position quota shall be prohibited from applying for hedging or arbitrage position quota. Furthermore, depending on the severity of the violation, such party shall be subject to warning, reprimand, public censure, suspension of part of its futures business, forced position liquidation, forfeiture of any earnings arising from the rule violation, revocation of membership or qualification, and/or announcement as “persona non grata to the market”; in addition, a fine of no more than five percent (5%) of the notional value of the applied hedge trading positions or the arbitrage trading positions may be imposed.

**Article 26** Any of the Members, OSPs, Overseas Intermediaries or Clients that violates the Exchange rules relating to open interest shall be required to make rectification. Furthermore, depending on the severity

of the violation, such party shall be subject to warning, reprimand, public censure, forced position liquidation, suspension of position opening for a minimum of one (1) to a maximum of twelve (12) months, and/or suspension of part of its futures business.

**Article 27** Any of the Members, OSPs, Overseas Intermediaries or Clients which violates the relevant Exchange rules when engaging in standard warrant trading shall be required to make rectification. Furthermore, depending on the severity of the violation, such party shall be subject to warning, reprimand, public censure, suspension of standard warrant trading, revocation of membership or qualification; in addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed.

**Article 28** The following conducts of a futures market participant constitute rule violation:

1. providing fake account opening materials or trading with aggregated or netted multi-Client positions;
2. stealing a trading password from any other person to engage in futures trading;
3. disseminating information owned by the Exchange without authorization;
4. stealing other futures market participants' commercial secrets such as the information of transaction and clearing funds, or damaging

the trading and clearing system;

5. failing to abide by provisions relating to risk warning or rectification requirements of the Exchange;

6. failing to use the Exchange's standard warrant management system as required, and thus impacting the normal operation of the system;

7. stealing other futures market participants' commercial secrets such as information about their standard warrants, or damaging the standard warrant management system; or

8. engaging in other conducts that violate the rules of the Exchange relating to trading management, information management, and management of telecommunication and other equipment.

A futures market participant who is found to have engaged in any of the above conducts shall be required to make rectification and indemnify for any losses arising from the rule violation. Furthermore, depending on the severity of the violation, the futures market participant shall be subject to warning, reprimand, public censure, suspension of part of its futures business, suspension of position opening for no more than twelve (12) months, and/or revocation of membership or qualification. In addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed if there are no earnings resulting from the rule violation or the amount of the earnings is

less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the earnings are greater than RMB one hundred thousand (100,000). Depending on the severity of the violation, the directly responsible person shall be subject to reprimand, public censure, suspension from engaging in the Exchange's futures businesses for no more than twelve (12) months, or revocation of the qualification to engage in the Exchange's futures businesses.

**Article 29** The following conducts of a futures market participant constitute rule violation relating to trading management:

1. using an advantage in capital, position or information, alone or in conspiracy, repeatedly or jointly to trade in a contract in order to maliciously influence or attempt to influence the trading prices or volumes thereof;

2. applying methods such as transferring or splitting positions between accounts, or conducting accommodation trade to evade the Exchange's position limit, or holding positions exceeding the limit to affect or attempt to affect the prices and market order;

3. applying methods such as transferring or splitting positions between accounts, or accommodation trade, to affect the prices on the Exchange, or to transfer funds between accounts or make illegal profits;

4. placing orders maliciously or consecutively, for no purpose of

executing them or under the awareness that they will not be executed, to affect or attempt to affect the futures prices, disrupt the market order or transfer funds between accounts;

5. conducting wash trades by buying and selling consecutively or trading with himself/herself to affect or attempt to affect the trading prices and volumes thereof;

6. any person with access to, or any person who has illegally obtained insider information that has material impact on futures prices, using the insider information to trade, or disclosing such insider information to any other person, who in turn uses such insider information to trade before such information is publicly available;

7. monopolizing, stockpiling the underlying products or improperly concentrating positions to withhold significant amounts of standard warrants issued by the Exchange's Designated Delivery Storage Facilities, attempting to affect or seriously affecting the futures market conditions or the physical delivery on the Exchange;

8. for the purpose of manipulating the market, directly or indirectly controlling or disrupting the market order, interfering with or harming the fair trading, national interests and public interests;

9. conducting Exchange for Physicals without good will that affects market order; or

10. engaging in any other conducts that violate the rules relating to

trading management prescribed by the CSRC and the Exchange, affect the futures trading prices or trading volumes on the Exchange, or disrupt market order.

A futures market participant who is found to have engaged in any of the above conduct shall be required to make rectification, indemnify for any losses arising from the rule violation, and be subject to forfeiture of any earnings arising from the rule violation. Furthermore, depending on the severity of the violation, the futures market participant shall be subject to warning, reprimand, public censure, suspension of part of its futures business, forced position liquidation, suspension of position opening for no more than twelve (12) months, revocation of membership or qualification, and/or being announced as “persona non grata to the market”. In addition, a fine of no less than RMB ten thousand (10,000) and no more than one hundred thousand (100,000) may be imposed if there are no earnings resulting from the rule violation or the amount of the earnings is less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the earnings are greater than RMB one hundred thousand (100,000).

A futures market participant who is found to have engaged in any of the above conducts, but makes rectifications on his/her own initiative without causing negative impact to the market order, may be given a



lenient punishment, a less severe punishment, or be relieved from the punishment.

**Article 30** The Exchange shall inform the CSRC and recommend to initiate an investigation by the CSRC and may impose other restrictive measures such as suspension of position opening, ~~provided that, as a result of an investigation for cause,~~ reprimand, public censure, suspension of part of its futures business, forced position liquidation, suspension of position opening for a minimum of one (1) month to a maximum of twelve (12) months provided that the Exchange finds the futures market participants have any of the following conducts:

1. ~~committing a serious violation such as~~ manipulation of the market;

2. ~~engaging in wash trades or accommodation trade, which severely affects the final settlement price;~~

3. ~~stealing a trading password from any other person to engage in futures trading; or~~

4. insider trading;

3. committing any other activities suspected to have constituted a criminal offense.

**Article 31** The following conducts of a delivery and settlement personnel constitute rule violation:

1. obtaining the qualification of delivery and settlement personnel by

fraud or by other improper means; or

2. counterfeiting, tampering with, or borrowing a delivery and settlement personnel badge.

A delivery and settlement personnel who is found to have engaged in any of the above conducts shall, depending on the severity of the violation, be subject to warning, reprimand, public censure, suspension of such person's delivery and settlement personnel certification for a minimum of one (1) month to a maximum of twelve (12) months, and/or revocation of such person's qualification as a delivery and settlement personnel. In addition, a fine of no less than RMB one thousand (1,000) and no more than RMB ten thousand (10,000) may be imposed.

If the organization by which the delivery and settlement personnel are employed is involved in the rule violation, it shall assume relevant responsibilities.

**Article 32** The following conducts of a Designated Delivery Storage Facility constitute a rule violation:

1. engaging in futures trading in violation of relevant laws and regulations;

2. issuing falsified standard warrants;

3. stealing and selling the commodities stored for futures delivery;

4. disclosing non-public storage information or disseminating false information that may mislead market participants;

5. manipulating or attempting to manipulate futures prices jointly with futures market participants;
6. failing to ensure the brand name, trademark, specification, or quality of the commodity listed or described on the warrant is consistent with the commodity represented by the warrant;
7. failing to prove that the delivery commodities are consistent with the descriptions on the warrant;
8. absence or shortage of the required supporting documents for delivery commodities ;
9. inconformity of the packaging, storage and other specifications to the Exchange's requirements;
10. issuing a standard warrant without completing required examination of a sample of the commodity described in the warrant;
11. inaccurately loading or unloading commodities;
12. improper storage or preservation causing the commodity to deteriorate in quality or diminish in size;
13. damaging the packaging of the commodity or the commodity itself in the process of carrying, loading, stocking, or other operations;
14. charging unreasonable fees for delivering the commodity;
15. intentionally interfering with the buyer or the seller so as to cause a buyer or seller to default;
16. violating the delivery rules, restricting or intentionally delaying

the load-in or load-out of the delivery commodities;

17. refusing to cooperate with or obstruct the Exchange to exercise its supervisory and inspection duties;

18. delaying physical delivery and refusing to cooperate with the Designated Inspection Agencies in inspections without justified reason;  
or

19. engaging in other conducts that violate the rules of the CSRC or the Exchange relating to the management of Designated Delivery Storage Facilities .

Any Designated Delivery Storage Facility that is found to have engaged in any of the above conducts shall be required to make rectifications, and be subject to forfeiture of any earnings arising from the rule violation. Furthermore, depending on the severity of the violation, the Designated Delivery Storage Facility shall be subject to warning, reprimand, public censure, reduction of approved storage capacity, suspension of its delivery business with the Exchange, and/or revocation of its qualification of Designated Delivery Storage Facility. In addition, a fine of no more than RMB five hundred thousand (500,000) may be imposed if there are no earnings from the rule violation or the amount of the earnings is less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of that earnings may be imposed if the earnings are greater than RMB one hundred thousand

(100,000).

**Article 33** The following conducts of a Designated Inspection Agency constitute a rule violation:

1. violating relevant laws and regulations on the measuring and inspections of delivery commodities;

2. issuing or assisting in issuing falsified inspection reports;

3. refusing to cooperate with the Designated Delivery Storage Facilities or owners of commodities in timely inspection without justified reason, and thus affecting the normal operation of loading or unloading; or

4. engaging in other conducts that violate the rules of the Exchange relating to the management of Designated Inspection Agencies.

Any Designated Inspection Agency that is found to have engaged in any of the above conducts shall be required to make rectifications and be subject to forfeiture of any earnings resulting from the rule violation. Furthermore, depending on the severity of the violation, the Designated Inspection Agency shall be subject to warning, reprimand, public censure, suspension of its inspection business, and/or revocation of its qualification as Designated Inspection Agency. In addition, a fine of no more than RMB five hundred thousand (500,000) may be imposed if there are no earnings from the rule violation or the earnings are less than RMB one hundred thousand (100,000); or a fine between one (1) time and five (5) times the amount of the earnings may be imposed if the

earnings are greater than RMB one hundred thousand (100,000).

**Article 34** If a futures market participant intentionally defaults on physical delivery, affects or attempts to affect the physical delivery for the purpose of making illegal profits, he/she shall be subject to forfeiture of any earning resulting from the rule violation. Furthermore, depending on the severity of the violation, the person shall be subject to warning, reprimand, public censure, and/or suspension of position opening for a minimum of one (1) month to a maximum of twelve (12) months. In addition, a fine of no less than ten percent (10%) and no more than thirty percent (30%) of the amount of the notional value of the defaulted contracts may be imposed.

**Article 35** A Designated Depository Bank that fails to perform its obligations shall be required to make rectification. Furthermore, depending on the severity of the violation, the Designated Depository Bank shall be subject to warning, reprimand, public censure, suspension of part of its futures business, and/or revocation of its qualification of Designated Depository Bank.

**Article 36** A futures market participant that disrupts the market operation of the Exchange by any means, depending on the severity of the violation, shall be subject to warning, reprimand, public censure, suspension of part of his/her futures business, suspension of position opening for no more than twelve (12) months, revocation of his/her

relevant trading qualification or being declared as “persona non grata to the market” by the Exchange. The person directly responsible for the violation shall, depending on the severity of the violation, be suspended from conducting futures activities on the Exchange for no more than twelve (12) months or be declared as “persona non grata to the market” by the Exchange.

**Article 37** Any person that is declared as “persona non grata to the market” by the Exchange is prohibited from conducting futures activities on the Exchange, and such person shall, within the specified time period, liquidate all his/her open positions, conclude relevant business activities, and settle any credits and debts with the Exchange.

**Article 38** Any person that is banned from entering the securities or futures market by the CSRC or other competent authorities shall not, as long as such ban is effective, engage in the futures business on the Exchange.

**Article 39** The following conducts of a futures market participant constitute a rule violation:

1. refusing to cooperate with the Exchange in a routine audit or investigation for cause, or violating the confidentiality obligations;
2. refusing to follow the Exchange’s ruling decision;
3. making a report, representation, explanation or statement that is fraudulent, misleading, or contains material omission; or

4. refusing to implement any restrictive measure or any other disciplinary actions taken by the Exchange.

Any futures market participant that is found to have engaged in any of the above conduct shall be required to make rectification. Furthermore, depending on the severity of the violation, such person shall be subject to warning, reprimand, public censure, or suspension of position opening for a minimum of one (1) month to a maximum of twelve (12) months. In addition, a fine of no less than RMB ten thousand (10,000) and no more than RMB two hundred thousand (200,000) may be imposed.

**Article 40** Rule violators who have been punished by the CSRC may be relieved from the punishment of the Exchange or be given a lenient punishment when the Exchange deals with the same violation.

**Article 41** For multiple rule violations at one time by the same party, each violation shall be confirmed and sanctioned separately. For a recidivist, such party shall be subject to heavier sanctions.

#### **Chapter 4 Self-Regulatory Settlement**

**Article 42** The Exchange implements self-regulatory settlement rules. The Exchange may, during its investigations of suspected rule violations by citizens, legal persons or any other organizations (collectively, the respondents), accept an offer for settlement by a respondent. After reviewing the offer and reaching an agreement with



such respondent on issues including making rectifications, eliminating the negative consequences caused by the rule violation, and paying for the settlement by the respondent, the Exchange may enter into a settlement agreement with such respondent and terminate the investigation.

**Article 43** All self-regulatory settlements shall be governed by the principles of fairness, non-coercion, negotiation and efficiency.

**Article 44** The settlement procedures may apply to respondents suspected of violating any Exchange rules, if any of the following conditions is satisfied:

1. the respondent is willing to take effective measures to compensate the trading participants that have suffered loss due to the suspected rule violation by the respondent;

2. self-regulatory settlement with the respondent will help achieve regulatory goals, clarify and stabilize market expectations, restore market order, and protect participants' legitimate rights and interests;

3. the Exchange has already filed a case and has conducted necessary investigations, but relevant facts or legal status of the case remain unclear; or

4. closing of the case via settlement does not violate the prohibitive provisions of laws or administrative regulations, nor harm the public interests or legitimate rights and interests of any third parties.

**Article 45** The Exchange shall not enter into a settlement with a respondent under any of the following circumstances:

1. the facts regarding the respondents' suspected rule violation are clear, the supporting evidence is sufficient, the rules applied are clear, and a decision regarding the violation shall be made;

2. the respondent is suspected to have violated the laws or constituted a criminal offense; or

3. the Exchange at its sole discretion deems a settlement is inappropriate based on the principle of prudence.

**Article 46** A respondent may make an offer of settlement to the Exchange during the period from the initiation of the investigation by the Exchange to the rendering of ruling decision. Depending on the consequences of the respondent's behavior, the Exchange may close an investigation by requiring the respondent to pay a corresponding amount of settlement, entering into a settlement agreement with the respondent or any other mutually agreed methods.

**Article 47** After a case is closed by settlement, the Exchange may perform its supervisory and inspection duties on the respondent's compliance with the settlement. The Exchange shall reopen the investigation if any of the following circumstances occurs:

1. the respondent fails to fulfill its undertakings described in the settlement agreement;

2. material changes occur to the facts on which the settlement is based ; or

3. the closing of a case is based on incomplete or untruthful information provided by the person under investigation.

**Article 48** Procedures relating to the self-regulatory settlement process shall be separately prescribed by the Exchange.

### **Chapter 5 Verdict and Execution**

**Article 49** The Board of Directors shall determine whether the Exchange shall revoke membership or qualification of OSP or declare the Member or the OSP as “a persona non grata to the market”.

**Article 50** After the Exchange investigates and verifies the suspected violations, if the facts are clear and the evidence is firm, the Exchange shall make a ruling in compliance with the Articles of Association of the Exchange, the General Exchange Rules and these Enforcement Rules.

**Article 51** The Exchange shall issue a written notice of ruling decision which mainly includes the following items:

1. name and premises of the party concerned;
2. facts and evidence of the violations;
3. types and bases of the sanctions;
4. the way of performance and effective period of the sanctions;

5. methods and period of lodging an appeal; and

6. date of the decision.

**Article 52** The Exchange shall send the notice of ruling decision to the party concerned. If the notice is sent by electronic message, it shall be deemed delivered on the day the notice enters the recipient's designated electronic messaging system. If the notice is sent by post, it shall be deemed delivered on the fifth (5th) day of dispatch in the PRC and the tenth (10th) day of dispatch outside of the PRC . Copies of the notice shall be sent, simultaneously, to the entities that assist the execution of the decision.

If required by the CSRC's regulations, such information as how the violation is dealt with and the results thereof shall be copied and reported to the CSRC. .

**Article 53** The ruling decision of the Exchange shall come into effect as of the date the notice is deemed delivered.

The party concerned may appeal the decision in writing to the Exchange one time only within ten (10) days after the effective date of the ruling decision.

The ruling decision shall remain effective during the period of the appeal.

**Article 54** The Exchange shall, within thirty (30) days from the date it receives the appeal, make a decision on the appeal, which shall be final and binding.

**Article 55** Any Member, OSP, Overseas Intermediary, Client, Designated Delivery Storage Facility, Designated Depository Bank, information service vendor, Designated Inspection Agency or any other futures market participant that assumes relevant obligations shall perform the ruling decision of the Exchange. Otherwise, the Exchange may enforce its performance.

Related futures market participants shall cooperate with the Exchange in carrying out the ruling decisions.

**Article 56** If a fine is included in the ruling decision, the parties concerned shall, within five (5) business days from the effective date of the ruling decision, remit the fines to the Exchange's designated account.

If a Member fails to pay the fine within the prescribed time period, the Exchange may deduct the amount of such payment from the Member's clearing deposit or dedicated fund account. The Member shall pay for its employee if the employee is ruled accountable for the fine.

The Member, OSP or Overseas Intermediary shall cooperate with the Exchange in the enforcement of the ruling decision on the party concerned and deduct from its fund that is under the control of such Member, OSP or Overseas Intermediary.

A Designated Delivery Storage Facility shall pay for its employee if the employee is ruled accountable for the fine. If the fine is not paid within the prescribed time period, the Exchange shall deduct it from the performance deposit of the Designated Delivery Storage Facility.

## **Chapter 6 Dispute Mediation**

**Article 57** Any dispute in futures trading between a Member, an OSP, an Overseas Intermediary, a Client, a Designated Delivery Storage Facility, a Designated Depository Bank, a Designated Inspection Agency, an information service vendor, or any other participant in the futures market over the futures business activities may be resolved through consultation, and submitted to the Exchange for mediation. If the mediator is unable to resolve the dispute, the disputing parties may submit the dispute to an arbitral institution for arbitration, or to the court for litigation.

**Article 58** Any party who chooses to submit the dispute to the Exchange for mediation shall provide a written application. The mediation opinion will enter into force after the mediation opinion is signed or officially sealed by the relevant parties.

**Article 59** The mediation procedures shall be prescribed by the Exchange separately.

## Chapter 7 Miscellaneous

**Article 60** The currency adopted or described in these Enforcement Rules is RMB Yuan. To determine the applicable RMB amount, foreign currencies shall be converted at the exchange rate at the time relevant conduct occurs.

**Article 61** The fines, settlement payments, or other funds collected by the Exchange in accordance with these Enforcement Rules shall be managed and used by reference to the regulations of the risk reserve of the Exchange.

**Article 62** The Exchange reserves the right to interpret these Enforcement Rules.

**Article 63** These Enforcement Rules are effective as of ~~May 11<sup>th</sup>~~, 2017. August 2<sup>nd</sup>, 2019.