

FUTURES TRADING PARTICIPANT ELIGIBILITY MANAGEMENT RULES OF THE SHANGHAI FUTURES EXCHANGE

CHAPTER 1 GENERAL PROVISIONS

Article 1 These *Eligibility Rules* are made in accordance with the *Regulation on the Administration of Futures Trading, Interim Measures for the Administration of Overseas Traders' and Overseas Brokers' Engagement in the Trading of Specified Domestic Futures Products, Measures for Eligibility Management of Securities and Futures Investors*, and other applicable laws and regulations as well as the rules of the Shanghai Futures Exchange (the "Exchange") to guide traders to trade futures rationally, protect their legitimate rights and interests, and ensure the smooth, regulated, and sound development of the futures market.

Article 2 The trading of options and specified futures contracts on the Exchange shall be subject to these *Eligibility Rules*.

Article 3 For the purpose of these *Eligibility Rules*, "trader" refers to a natural person, or incorporated or unincorporated organization that engages in futures trading and accepts the trading results.

Traders shall, pursuant to these *Eligibility Rules*, comprehensively evaluate their knowledge of the market and products, capacity to control and bear risks, and financial capabilities, before prudently deciding whether or not to participate in futures trading.

Article 4 Futures Firm Members ("FF Members") shall provide suitable products to the eligible Clients after evaluating Clients' knowledge of futures trading and risk tolerance in accordance with these *Eligibility Rules*.

Trading codes are subject to trading access management. Upon assigning a trading code to a Client, an FF Member shall give the Client access to trade corresponding listed products.

CHAPTER 2 ELIGIBILITY MANAGEMENT CRITERIA

Article 5 When an FF Member applies for a trading code or trading access for an institutional Client that intends to trade any listed products to which these *Eligibility Rules* apply, such institutional Client shall:

- (i) have the relevant personnel who possess basic knowledge of futures trading and understand relevant rules;
- (ii) have an aggregated record of mock trading for no less than ten (10) trading days and at least twenty (20) mock trades in futures or options contracts on domestic trading venues; or at least ten (10) actual trades in futures or options contracts, or other centrally cleared derivatives in the past three (3) years on domestic trading venues; or at least ten (10) actual trades in futures or options contracts, or other centrally cleared derivatives in the past three (3) years on overseas trading venues under the supervision of other national (regional) futures regulatory authorities that have signed memorandum of understanding on regulation

cooperation with the China Securities Regulatory Commission (“CSRC”) (“recognized overseas trading records”);

- (iii) maintain a minimum daily available balance of one hundred thousand yuan (RMB100,000) or its equivalent in foreign currency in its margin account for five (5) consecutive trading days immediately before the trading code or trading access application;
- (iv) have robust internal control, risk management, and other futures trading management frameworks;
- (v) have no major negative credibility record, have not been declared by competent regulators as being banned from the futures market, and is not under any circumstance which, by laws, regulations, administrative rules, or the rules of the Exchange, would prohibit or restrict it from engaging in futures trading; and
- (vi) meet other criteria prescribed by the Exchange.

Article 6 when an FF Member applies for a trading code or trading access for an individual Client that intends to trade any listed products to which these *Eligibility Rules* apply, the individual Client shall:

- (i) have full civil capacity;
- (ii) possess basic knowledge of futures trading and understand relevant rules;
- (iii) have an aggregated record of mock trading for no less than ten (10) trading days and at least twenty (20) mock trades in futures or options contracts on domestic trading venues; or at least ten (10) actual trades in futures or options contracts, or other centrally cleared derivatives in the past three (3) years on domestic trading venues; or at least ten (10) recognized overseas trades in the past three (3) years;
- (iv) maintain a minimum daily available balance of one hundred thousand yuan (RMB100,000) or its equivalent in foreign currency in its margin account for five (5) consecutive trading days immediately before the trading code or trading access application;
- (v) have no major negative credibility record, have not been declared by competent regulators as being banned from the futures market, and is not under any circumstance which, by laws, regulations, administrative rules, or the rules of the Exchange, would prohibit or restrict him or her from engaging in futures trading; and
- (vi) meet other criteria prescribed by the Exchange.

Article 7 For any Client that is permitted to trade in other listed products subject to the eligibility rules of a domestic trading venue, if the Client applies for a trading code or trading access at the Exchange, its carrying FF Member may exempt the Client from sub-paragraphs (i) and (ii) of Article 5 or sub-paragraphs (ii) and (iii) of Article 6 of these *Eligibility Rules*, as applicable, when assessing its suitability; where the funds requirement for the aforementioned listed products is equal to or higher than that set out in sub-paragraph (iii) of Article 5 or sub-paragraph (iv) of Article 6 of these *Eligibility Rules*, as applicable, the carrying FF Member may exempt the Client from the funds balance assessment.

An FF Member shall make full use of the known information and available assessment results. A client that has obtained the trading access of a listed product through its carrying FF Member on the Exchange after passing the eligibility assessment may be automatically granted access to trade other listed products through the same FF Member without being reassessed under Articles 5 and 6 of these *Eligibility Rules*.

Article 8 Unless otherwise prescribed by laws, regulations, administrative rules, and the CSRC, an FF Member may, when applying for a trading code or trading access for a Client intending to trade any listed products to which these *Eligibility Rules* apply, exempt such Client from sub-paragraphs (i) through (iii) of Article 5 or sub-paragraphs (ii) through (iv) of Article 6 of these *Eligibility Rules* if the Client:

- (i) is a professional investor under the *Measures for Eligibility Management of Securities and Futures Investors*;
- (ii) has obtained the trading access for a product subject to the eligibility rules and is applying for the same trading access through another FF Member;
- (iii) has an aggregated record of no less than fifty (50) days of trading futures or options contracts, or other centrally cleared derivatives in the past year on domestic trading venues; or
- (iv) is a market maker, special institutional Client, or any other type of exemptible trader recognized by the Exchange.

Article 9 The Exchange may adjust the trader eligibility criteria based on market conditions.

CHAPTER 3 IMPLEMENTATION OF THE ELIGIBILITY RULES

Article 10 An FF Member shall, in accordance with the regulations of the CSRC and these *Eligibility Rules*, develop a sound, specific plan for managing Clients' eligibility; improve its internal division of duties and business procedures; comprehensively evaluate their Clients' basic information, relevant investment experience, financial position, credibility status, and other relevant areas; and, within three (3) trading days of granting or terminating any trading access, report to the Exchange the corresponding trading code and any change thereto.

Article 11 An FF Member shall establish and effectively implement an accountability mechanism for Client development to clarify relevant personnel's responsibilities.

Article 12 FF Members shall fully inform their Clients of the risks associated with futures trading; objectively elucidate the laws and regulations governing futures trading, the rules, policies, and decisions of the Exchange, as well as the characteristics of relevant products; identify the Clients' level of knowledge on futures trading; duly verify Clients' funds balance and experience in futures trading and mock trading; prudently assess their credibility status and risk tolerance; and review their trading code or trading access application materials and other account application materials.

Article 13 FF Members shall provide guidance to their Clients; cause their Clients to observe applicable laws, regulations, and administrative rules governing futures trading as well as the rules, policies, and decisions of the Exchange; organize risk awareness training for

Clients on an ongoing basis; and strengthen the legal and regulatory compliance of their Clients' trading activities.

Article 14 FF Members shall establish Client files and keep them safe and strictly confidential.

Article 15 FF Members shall establish reasonable channels for receiving Client complaints, inform Clients of the methods and procedures for filing a complaint, properly resolve disputes, and supervise Clients to lawfully protect their rights and interests.

Article 16 Traders shall guarantee the authenticity and truthfulness of the trading code or trading access application materials and other account application materials, and shall not submit false information or resort to other means to circumvent the requirements prescribed in these *Eligibility Rules*.

Article 17 Traders shall assume the consequences of their trades, perform the contractual obligations with respect to their futures transactions, and shall not repudiate such contractual obligations on the grounds that they do not meet trader eligibility criteria.

Article 18 Traders shall safeguard their legitimate rights and interests through lawful channels in accordance with laws and regulations, and shall not undermine national, public, or collective interests or the legitimate rights and interests of others, nor disrupt the public order or the normal functioning of the Exchange and related organizations.

Article 19 An FF Member that authorizes companies providing introducing broker (IB) services to assist with trading code or trading access application procedures shall establish onboarding rules with such companies, implement relevant requirements as prescribed in these *Eligibility Rules*, and review the relevant procedures of the companies.

Article 20 The Exchange shall conduct inspections on FF Members on the implementation of these *Eligibility Rules*.

FF Members shall cooperate with such inspections and provide accurate and true information regarding Clients' trading code or trading access application materials, other account opening materials, and funds account statements, and shall not conceal any information, obstruct the inspection, or refuse to cooperate.

CHAPTER 4 MISCELLANEOUS

Article 21 Any violations of these *Eligibility Rules* shall be handled by the Exchange in accordance with the *Enforcement Rules of the Shanghai Futures Exchange*.

Article 22 The Exchange reserves the right to interpret these *Eligibility Rules*.

Article 23 These *Eligibility Rules* shall take effect on May 31, 2019.