Appendix 3

**Key Points of Reference in the Implementation Plan and Internal Rules for Market-Making Business**

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|  | Major Aspects | Key Points |
| **Implementation plan for market-making** | | |
| 1 | Overall plan for market-making business | Amount and use of funds and personnel details for the market-making business of the corresponding product |
| 2 | Market-making strategies | Pricing model, and quoting strategies, hedging strategies, management of positions and funds, and decision-making procedures under different circumstances |
| 3 | Management of bid-ask spread and participation ratio | Bid-ask spread, order size, and contract coverage ratio, as well as participation ratio under a limit-locked market and other extreme circumstances |
| 4 | Expected evaluation results of market-making strategies and estimated profits and losses | Daily estimation of expected results of market-making performance evaluation |
| **Internal management rules** | | |
| 1 | Operation management | Elements of market-making operation management |
| 2 | Compliance and internal control | Authorization management mechanism, investment decision-making procedures, and business segregation mechanism, etc. |
| 3 | Supervision for market-making | Supervisory measures taken by the company for market-making, etc. |
| 4 | Quota management | Internal procedures of managing positions for market-making business, etc. |
| 5 | Posts and responsibilities | Departments and personnel related to market-making business and their responsibilities |
| **Risk control rules** | | |
| 1 | Margin management | Margin monitoring and forced position liquidation management |
| 2 | Market risk management | Management of overnight risk and significant price fluctuation risk of the market, etc. |
| 3 | Management of expiring contracts and settlement risk | Management of expiring positions and settlement risk |
| 4 | Operational risk management | Position limit, trading limit, and risk exposure limit, and front-end control such as rationality check and limit of authority |
| 5 | Model risk management | Response to model failure, etc. |
| 6 | Liquidity risk management | Response to liquidity risk, etc. |
| 7 | Warning mechanism | Position limit and number of orders per second, etc. |
| 8 | Management of profits and losses | Calculation of intraday and end-of-day profits and losses, etc. |
| 9 | Technical risk management | Classification of and methods to resolve technology system risks, etc. |
| 10 | Stress tests and reports | Stress tests on margin, income, and quotes under different scenarios (including extreme circumstances) |
| **Description of market-making system** | | |
| 1 | Basic functions | Market-making strategies, contract management, order management, quote parameter management, and quote model management, mass order cancellation, and front-end control |
| 2 | Data management | Management of data and access permission of the market-making database |
| **Contingency plan** | | |
| 1 | Contingencies | Classification and analysis of contingencies |
| 2 | Warning and response mechanisms | Warning mechanism, response mechanism, and internal procedure |
| 3 | Plans for contingencies | Plans and internal procedures for various contingencies |