**Appendix 5**

**CLEARING RULES OF THE SHANGHAI FUTURES EXCHANGE**

**(Revised Version)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Clearing Rules* are made in accordance with the *General Exchange Rules of the Shanghai Futures Exchange* to regulate the clearing of futures trades on or through the Shanghai Futures Exchange (the “Exchange”), protect the legitimate rights and interests of futures market participants and the public interest, as well as prevent and mitigate the risks of the futures market.

**Article 2** “Clearing” refers to the calculation and transfer of margin, profits and losses, transaction fees, delivery payments, and other relevant funds of the Members pursuant to the trading results and applicable rules of the Exchange.

**Article 3** The Exchange implements margin requirements, daily mark-to-market, risk reserve, and other clearing arrangements.

**Article 4** The Exchange performs clearing services for its Members only, and each Futures Firm Member (“FF Member”) provides clearing services to its Clients.

**Article 5** These *Clearing Rules* apply to all kinds of clearing activities on or through the Exchange and shall be observed by the Exchange and its staff, Members and their staff, Clients, futures margin depository banks designated by the Exchange (“Depository Banks”) and their relevant staff.

**CHAPTER 2 THE CLEARING HOUSE**

**Article 6** “Clearing house” refers to a department set within the Exchange for clearing. The clearing house is responsible for clearing futures transactions on the Exchange, managing margins, and preventing clearing risks.

**Article 7** The primary duties of the clearing house include:

(i) controlling clearing risks;

(ii) creating and preparing clearing statements for Members;

(iii) processing funds transfers;

(iv) compiling, recording, and reporting clearing data, among others;

(v) resolving financial disputes of Members arising from trading;

(vi) handling delivery settlement and other businesses; and

(vii) managing margins in accordance with applicable rules.

**Article 8** All the contracts executed through the trading system of the Exchange shall be centrally cleared by the clearing house.

**Article 9** The Exchange may examine Members’ clearing materials, financial statements, supporting documents, and account books. Members shall cooperate with such examinations.

**Article 10** Each Member shall set up a clearing department. The clearing department of an FF Member is responsible for clearing between the FF Member and the Exchange as well as the Clients; the clearing department of a Non-FF Member is responsible for clearing between the Non-FF Member and the Exchange.

Each clearing department shall properly retain the clearing materials, financial statements, supporting documents, and account books for future inquiry and verification.

**Article 11** A settlement clerk is an individual authorized by the legal representative of a Member to conduct clearing and delivery on behalf of the Member. Each Member shall appoint at least two (2) settlement clerks.

A settlement clerk shall meet the qualifications prescribed by the China Securities Regulatory Commission (“CSRC”) with regard to futures market professionals; obtain a *Settlement Clerk Training Certificate of the Shanghai Futures Exchange* after completing the training courses organized by the Exchange; and, with the authorization of the Member, obtain a *Settlement Clerk Certificate of the Shanghai Futures Exchange* (the “*Settlement Clerk Certificate*”).

**Article 12** The duties of a settlement clerk include:

(i) conducting funds deposits and withdrawals for the Member;

(ii) timely accessing and verifying the clearing data provided by the Exchange;

(iii) posting and withdrawing relevant marketable securities;

(iv) handling procedures for physical delivery; and

(v) undertaking other clearing and delivery businesses.

**Article 13** When undertaking clearing and delivery businesses at the Exchange, a settlement clerk shall present his or her *Settlement Clerk Certificate*, or the Exchange will reject to handle.

**Article 14** A *Settlement Clerk Certificate* can only be used by the certificate holder; any forgery, alteration, borrowing, or lending thereof is prohibited.

**Article 15** The clearing house and its employees shall maintain the secrecy of all confidential business information of the Exchange and its Members.

**CHAPTER 3 DEPOSITORY BANK**

**Article 16** “Depository Bank” refers to a bank designated by the Exchange to assist in the clearing of futures transactions.

**Article 17** A Depository Bank shall:

(i) be a nationwide commercial bank with strong financial strength and good reputation;

(ii) have branches and outlets in major cities across the People’s Republic of China;

(iii) have deployed advanced and rapid means for inter-city funds transfer;

(iv) have rules and policies on margin management;

(v) have professional personnel with futures expertise and risk prevention awareness; and

(vi) meet other requirements otherwise deemed necessary by the Exchange.

A bank satisfying the above criteria becomes a Depository Bank upon the approval of the Exchange. It shall enter into an agreement with the Exchange which sets forth their respective rights and obligations to regulate relevant business procedures.

**Article 18** A Depository Bank has the right to:

(i) open a dedicated settlement account for the Exchange, a futures dedicated fund account for each Member, and other clearing-related accounts;

(ii) accept deposits from the Exchange and its Members; and

(iii) verify the credit standing of Members at the Exchange.

**Article 19** A Depository Bank has the obligation to:

(i) give priority to the transfer of Members’ funds based on the receipts or data provided by the Exchange, and promptly inform the Exchange of the results of transfer and changes in account balance;

(ii) maintain the secrecy of all confidential business information of the Exchange and its Members;

(iii) assist the Exchange in mitigating any significant risks it faces; and

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

1. providing the Exchange with information on the futures dedicated fund accounts of Members;

2. assisting the Exchange in verifying the source and use of Members’ funds as required by the Exchange;

3. promptly notifying the Exchange of any misconduct and risks of Members with respect to clearing;

4. promptly notifying the Exchange of the status of pledge of Members’ standard warrants; and

5. taking necessary regulatory measures over the funds in Members’ futures dedicated fund accounts as required by the CSRC or the Exchange.

**CHAPTER 4 DAILY CLEARING**

**Article 20** The Exchange will open a dedicated settlement account at each Depository Bank to deposit the margin and other relevant funds from Members.

**Article 21** Each Member shall open a futures dedicated fund account at a Depository Bank to deposit margin and other related funds.

**Article 22** The transfer of funds between the Exchange and a Member related to futures trading on the Exchange shall be conducted between the dedicated settlement account of the Exchange and the futures dedicated fund account of the Member.

**Article 23** The Exchange shall keep the margin deposited by Members in its dedicated settlement accounts segregated from all other funds, and maintain a ledger for each Member to record and verify such amounts of the Member as funds deposits and withdrawals, profits and losses, option premiums, trading margin, and fees in chronological order on a daily basis.

**Article 24** A Member shall keep the margin deposited by Clients in its futures dedicated fund account segregated from all other funds, and maintain a ledger for each Client to record and verify such amounts of the Client as funds deposits and withdrawals, profits and losses, option premiums, trading margin, and fees in chronological order on a daily basis.

**Article 25** The Exchange has the right to collect any receivables from a Member’s futures dedicated fund account through the relevant Depository Bank without notifying the Member, and to inquire the balance and transaction history of the account at any time.

**Article 26** A Member who intends to open, rename, change, or close its futures dedicated fund account shall submit an application to the Exchange and, upon approval of the Exchange, will receive an Account Update Notice from the clearing house of the Exchange. The Member shall complete relevant procedures at the Depository Bank by presenting the Notice.

**Article 27** In the case of a transfer of membership, the transferee shall open a new futures dedicated fund account.

**Article 28** The Exchange implements margin requirements. Margin is classified into clearing deposit and trading margin.

**Article 29** “Clearing deposit” refers to the funds deposited by a Member in the dedicated settlement account of the Exchange for trade settlement. It is the portion of margin that is not yet used by existing open positions of the Member.

An FF Member shall maintain a minimum clearing deposit of two million yuan (RMB2,000,000) using its own funds. A Non-FF Member shall maintain a minimum clearing deposit of five hundred thousand yuan (RMB500,000).

**Article 30** The Exchange calculates the interests earned by each Member based on the current-day cash balance of its clearing deposit at a rate no lower than the prevailing demand deposit interest rate published by the People’s Bank of China. The accrued interests are added to each Member’s clearing deposit on the business day following the day on which the Depository Bank makes interest payment in March, June, September, and December. The interest rate in effect shall be as determined, adjusted, and announced by the Exchange.

**Article 31** “Trading margin” refers to the funds deposited by a Member in the dedicated settlement account of the Exchange for performance guarantee. It is the portion of margin already in use to maintain existing open positions of the Member. After a futures contract is executed, the Exchange will collect trading margins from both the buyer and the seller at a prescribed percentage of the contract value or using another method prescribed by the Exchange.

The Exchange may collect the trading margin from only one side for:

(i) long and short positions held by a Client in the same product through the same Member, except for those futures contracts held after market close on the 5th trading day preceding the last trading day;

(ii) long and short positions held by a Non-FF Member in the same product through the Exchange, except for those futures contracts held after market close on the 5th trading day preceding the last trading day; and

(iii) any other circumstances otherwise deemed necessary by the Exchange.

**Article 32** The minimum standard of trading margin for each futures contract is set forth in its specifications. The specific standard required at different stages in the contract’s life cycle shall be determined in accordance with the provisions of the *Risk Management Rules of the Shanghai Futures Exchange*.

**Article 33** The Member may, subject to the Exchange’s approval, post marketable securities as margin.

**Article 34** Any margin funds collected by an FF Member from its Client for a transaction shall be owned by the Client and deposited in the Member’s futures dedicated fund account to meet the margin requirements or other payment obligations at any time.

The FF Member shall not use a Client’s margin for any purposes other than depositing the margin at the Exchange for trading and clearing in accordance with the rules of the CSRC.

**Article 35** The trading margin collected by an FF Member from its Client shall not be lower than that collected by the Exchange from the Member.

**Article 36** The Exchange implements daily mark-to-market.

“Daily mark-to-market” means that after market close on a trading day, the Exchange will clear the profits and losses, trading margin, fees, taxes, and other charges for all contracts based on their corresponding settlement prices for that day, and transfer the net balance of receivables and payables by adding it to or deducting it from the relevant Members’ clearing deposit accordingly.

**Article 37** The Exchange will charge Member transaction fees at the applicable rate based on the volume of contracts it executes on that day. The Exchange may adjust the transaction fee rates for some or all contracts based on market conditions.

The Exchange may charge a Member order placement and other fees at applicable fee rates on such basis as the number of orders placed or canceled.

Specific fee rates will be separately announced by the Exchange.

**Article 38** The settlement price for a futures contract on a given day is the trading-volume-weighted average of all execution prices of the contract.

If no trade is executed, the settlement price shall be established as follows:

(i) if, by market close on that day, there are unexecuted bids or asks for that contract in the Exchange’s electronic system, the median of the best bid, the best ask, and the settlement price on the preceding trading day will be the settlement price;

(ii) if, during the last five (5) minutes before market close on that day, there are only bids or asks at the limit price in the Exchange’s electronic system, then the limit price will be the settlement price; or

(iii) in cases other than those described in sub-paragraphs (i) and (ii), the settlement price shall be established as follows:

1. If the price variation (%) of the nearest contract on that trading day is no greater than the price limit of the untraded contract, the settlement price = the settlement price of the previous trading day of the untraded contract × (1 ± the price variation (%) of the nearest contract);

2. If the price variation (%) of the nearest contract on that trading day is greater than the price limit of the untraded contract, then the settlement price of the contract = the settlement price of the contract on the preceding trading day x (1 ± current-day price limit of the contract);

3. If no contract prior to the untraded contract is traded on that day, which implies that the price variation (%) of the nearest contract cannot be determined, then the settlement price of the contract = the settlement price on the preceding trading day of the untraded contract.

“nearest contract” is the contract which is traded for the day and is the nearest prior to the untraded contract.

If, by market close on the trading day preceding the listing day of a new futures contract for a particular product, there is no executed trade or open interest in all futures contracts for that product on that day, then the settlement price for all said futures contracts on that day shall be determined based on the listing benchmark price of the new futures contract.

**Article 39** The current-day settlement price of a futures contract shall be the basis for calculating its profits and losses, as follows:

Current-day profits and losses = Σ [(selling price - current-day settlement price) x selling volume] + Σ [(current-day settlement price - buying price) x buying volume] + (settlement price on the preceding trading day - current-day settlement price) x (short positions for the preceding trading day – long positions for the preceding trading day).

**Article 40** The current-day profits or losses of a Member shall respectively be credited to or debited from the Member’s clearing deposit at daily clearing.

Any excess or deficiency of the trading margin on the current day relative to that on the preceding trading day shall respectively be debited from or credited to the Member’s clearing deposit.

Expenses such as transaction fees, taxes, and option premiums shall also be debited from the Member’s clearing deposit.

Payments including profits and losses, transaction fees, and option premiums shall be made with cash.

**Article 41** The clearing deposit balance is calculated as below:

Clearing deposit balance of the day = the clearing deposit balance + preceding trading day’s trading margin - current-day trading margin + actual available margin paid with marketable securities of the day - preceding trading day’s actual available margin paid with marketable securities + current-day profits and losses + current-day option premium paid or received + funds deposits - funds withdrawals - fees and other costs.

The specific method for calculating the actual available margin paid with marketable securities can be found in relevant provisions of Chapter 6.

**Article 42** After the clearing for the day trading is completed, the clearing result shall be regarded as a margin call if a Member’s clearing deposit is below the required minimum, and the difference between the two shall be the amount of margin to be added.

After the Exchange issues a margin call, it may, via the depository bank, deduct the amount of additional margin from the Member’s futures dedicated fund account. If the amount is not fully deducted, the Member shall bring the clearing deposit back to the required minimum before market open on the following trading day; failing which, if its balance of clearing deposit is greater than or equal to zero (0) but less than the prescribed minimum, no new positions may be opened; if the balance is less than zero (0), the Exchange will handle the case pursuant to the provisions in the *Risk Management Rules of the Shanghai Futures Exchange*.

The Exchange may, based on market risks and changes in margin, perform clearing during trading and issue a margin call to relevant Member. The Member shall pay the additional margin within the specified time period, or the case will be handled according to the foregoing paragraph.

**Article 43** A Member may transfer funds through the following methods:

(i) Bank transfer. The Member shall apply in writing or by other means as prescribed by the Exchange to deposit and withdraw funds.

If a deposit application is submitted before market close and approved by the Exchange, the deposit will be effectuated before the daily clearing.

If a withdrawal application is submitted before market close and approved by the Exchange, the withdrawal will be effectuated together with other approved withdrawals after the daily clearing. Funds transfers will not be effectuated during trading hours, unless an exceptional event occurs.

The deposit and withdrawal will be effectuated on the next trading day if the application is submitted after the daily clearing.

(ii) Bill payment. The Member may make a deposit with a check, promissory note, or credit transfer note drawn on its futures settlement account. After the Depository Bank confirms the receipt of the deposit, the Exchange will increase the Member’s clearing deposit accordingly no later than the start of the next trading session.

This method is only applicable to funds deposits.

**Article 44** A Member shall withdraw funds in accordance with applicable rules of the Exchange. Specifically:

(i) when the actual available margin paid with marketable securities is equal to or greater than 80% of the trading margin;

available amount for withdrawal = current cash balance – trading margin × 20% – minimum clearing deposit balance

(ii) when the actual available margin paid with marketable securities is less than 80% of the trading margin;

available amount for withdrawal = current cash balance – (trading margin – actual available margin paid with marketable securities) – minimum clearing deposit balance

The Exchange may adjust Members’ withdrawal limit based on market risk conditions.

**Article 45** The Exchange may limit the funds withdrawal by a Client or Member if:

(i) it is being investigated by the Exchange for any suspected material violation of rules or regulations;

(ii) it is under an ongoing formal investigation by the Exchange, judicial or other relevant authorities as a result of any complaint, report, or transaction dispute;

(iii) in the opinion of the Exchange, the market is facing significant risks; or

(iv) the Exchange otherwise deems it is necessary to do so.

**Article 46** After the completion of clearing on each trading day, a Member shall obtain relevant clearing data via the Member Service System.

**Article 47** If the Exchange is unable to provide clearing data as scheduled due to exceptional events, it will notify Members of when these data will be provided.

**Article 48** A Member shall, on a daily basis, timely obtain, verify, and keep secure the clearing data for at least twenty (20) years or, if relevant futures transaction is under dispute, until the dispute is resolved.

**Article 49** If a Member has any objection against the clearing data, it shall send a written notice to the Exchange at least thirty (30) minutes before market open on the following trading day. In case of an exceptional event, the Member may send the written notice within two (2) hours after market open on the following trading day. If the Member raises no objection to the clearing data within the specified time period, it shall be deemed to have accepted such data as accurate.

**Article 50** After daily clearing, the Exchange will transmit funds transfer data for each Member to the corresponding Depository Bank, which shall timely inform the Exchange of the transfer results.

**Article 51** The Exchange will, on the first trading day of each month, provide each Member with the *Funds Settlement Statement of the Shanghai Futures Exchange* (stamped with SHFE CLEARING) and the *Invoice of the Shanghai Futures* *Exchange* (on transaction fees) for the preceding month for the Member’s verification.

**Article 52** A Member shall enhance the management over its settlement clerks and require them to follow standard operating procedures, especially to protect its passwords from theft or disclosure.

**Article 53** A Member may apply to the Exchange for a transfer of positions if:

(i) where it is an FF Member, it is no longer able to engage in financial futures brokerage activities for any reason;

(ii) it is merged, split, closed down, dissolved, or bankrupt; or

(iii) any other event requiring such transfer occurs as prescribed by the Exchange.

In the event of any circumstance specified in the foregoing paragraph, the Member shall submit to the Exchange a position transfer application where both the Member and the new carrying Member consent to such transfer. Particularly, in the event of any circumstance specified in sub-paragraphs (i) and (ii), materials including a letter of approval from the relevant regulatory authority, and documents proving that the Clients are informed of the transfer shall also be submitted.

**Article 54** After approving a position transfer application, the Exchange will, together with the relevant Members, agree on the settlement date for the transfer.

**Article 55** The Exchange shall, after the daily clearing on the agreed date, transfer the positions for the Members and provide pre-transfer and post-transfer settlement statements to the Members for verification.

**Article 56** The transfer shall cover positions and trading margin, but excluding any other amounts such as the minimum clearing deposit balance, profits or losses, transaction fees, and taxes.

**Article 57** Relevant Members shall verify the information on pre-transfer and post-transfer positions and funds. Once confirmed, no information shall be changed.

**CHAPTER 5 CLEARING FOR PHYSICAL DELIVERY**

**Article 58** A Member who conducts physical delivery shall pay delivery fees to the Exchange in accordance with relevant rules. Specific fee rates shall be provided in the *Delivery Rules of the Shanghai Futures Exchange*.

**Article 59** Delivery payment is cleared with the buyer making payment first. Delivery payment may be made through in-house transfer or bank transfer. Members who choose in-house transfer shall submit an In-House Transfer Application to the Exchange by 2:00 p.m. on the second delivery day at the latest, and the Exchange will transfer the delivery payment between the Members’ clearing deposits. If the Members choose bank transfer, the relevant buyer may transfer the delivery payment to the dedicated settlement account of the Exchange in the form of credit transfer notes, promissory notes, cheques, or such other forms as recognized by the Exchange; the relevant seller will receive the delivery payment in the futures dedicated fund account of its carrying Member.

If a Member fails to make the delivery payment on behalf of the relevant buyer before 2:00 p.m. on the second delivery day, the Exchange may transfer the delivery payment from the Member’s clearing deposit.

**Article 60** The benchmark price for delivery settlement of a futures contract is its settlement price on the last trading day, but that for the fuel oil futures shall be determined according to Article 24 of the *Fuel Oil Futures Delivery Rules of the Shanghai Futures Exchange*, that for the gold futures shall be determined according to Article 24 of the *Gold Futures Delivery Rules of the Shanghai Futures Exchange (Trial)*, that for the aluminum oxide, butadiene rubber, natural rubber, bleached softwood kraft pulp (BSKP), or stainless steel futures shall be determined according to applicable provisions of the *Delivery Rules of the Shanghai Futures Exchange*, and that for the bitumen futures shall be determined according to applicable provisions of the *Bitumen Futures Delivery Rules of the Shanghai Futures Exchange (Trial)*. The commodity for delivery shall be priced at the benchmark price for delivery settlement plus any premiums or discounts for different grades and qualities as well as for the benchmark and non-benchmark delivery warehouse.

**Article 61** The Exchange shall issue special value-added tax (“VAT”) invoices to the buyers’ carrying Members and collect special VAT invoices from the sellers’ carrying Members. Buyers’ carrying Members shall issue special VAT invoices to the buyers and collect special VAT invoices from the Exchange. Sellers’ carrying Members shall issue special VAT invoices to the Exchange and collect special VAT invoices from the sellers.

Sellers’ carrying Members shall deliver special VAT invoices to the Exchange on the fifth business day following the last trading day at the latest.

**Article 62** If the special VAT invoice submitted by a Member is overdue for three (3) to ten (10) days, an overdue fine of 0.5‰ of the delivery payment will be imposed on the Member for each day of delay; if overdue for eleven (11) to thirty (30) days, 1‰ of the delivery payment will be imposed as a fine for each day of delay; if overdue for over thirty (30) days, the Member shall be deemed to have failed to submit the special VAT invoice and be charged with liquidated damages of 20% of the delivery payment.

**Article 63** On a given day during the delivery period, if a buyer’s carrying Member completes the delivery payment according to applicable rules before 2:00 p.m., the Exchange shall release the margin for the corresponding positions at the daily clearing; if the Member completes the payment after 2:00 p.m., the Exchange shall release the margin on the following trading day.

On a given day during the delivery period, if a seller’s carrying Member delivers the standard warrant according to applicable rules before 2:00 p.m., the Exchange shall release the margin for the corresponding positions at the daily clearing. If the Member fails to submit the special VAT invoice by market close on the second delivery day, the Exchange shall charge a margin no less than 15% of the final settlement price of the contract on the corresponding positions and release such margin after the Member submits the invoice.

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

**CHAPTER 6 MARKETABLE SECURITIES AS MATGIN**

**Article 65** Upon the approval of the Exchange, a Member may post marketable securities as margin, but such amounts as losses, fees, taxes, and option premiums shall be paid in cash.

**Article 66** A Client of an FF Member who posts marketable securities as margin shall be deemed to have agreed that the FF Member can submit the marketable securities to the Exchange as margin.

A Client or Member who posts marketable securities as margin shall be deemed to have authorized the Exchange to transfer or pledge the marketable securities.

**Article 67** Upon approval by the Exchange, the following marketable securities may be used as margin:

(i) standard warrants;

(ii) book-entry Chinese government bonds (CGBs) issued in the Chinese Mainland by the Ministry of Finance of the People’s Republic of China; and

(iii) other marketable securities determined by the Exchange.

The specific marketable securities that can be used as margin shall be determined and published to the market by the Exchange.

**Article 68** Any Member or Client intending to use CGBs as margin shall post CGBs with total face value of at least RMB 1 million each time.

**Article 69** When using marketable securities as margin, the following procedures shall apply:

(i) Application: A Client intending to post marketable securities as margin shall do so through its carrying Member. A Member intending to post marketable securities as margin shall apply to the Exchange. The specific processing time will be separately notified by the Exchange.

(ii) Verification and posting:

1. A Member posting standard warrants as margin shall submit the standard warrants through the Standard Warrant Management System to the Exchange for posting, and upon approval of the Exchange, shall be deemed to have completed the posting procedures.

2. When using CGBs as margin, a Client or Non-FF Member shall ensure there is sufficient quantity of CGBs, free of title defect, in its depository account. The Exchange will, based on a Member’s application, entrust a depository to transfer the CGBs or register them as pledged collateral. The posting procedures shall be deemed completed after the depository transfers the CGBs or registers them as pledged collateral.

3. Verification and post of other marketable securities shall be subject to the rules of the Exchange.

**Article 70** The market value of marketable securities used as margin shall be calculated as follows:

(i) When a standard warrant is used as margin on a given day, the Exchange will calculate its market value at daily clearing by using the settlement price of the nearest month futures contract for the product underlying the warrant on that day as the benchmark price.

Before market close on that day, the settlement price of the nearest month contract for the product underlying the warrant on the preceding trading day shall be used as benchmark price for calculating the market value.

(ii) The benchmark price of any CGB posted as margin shall be the lowest of the valuations provided by depositories. At daily clearing, the Exchange shall determine the market value of a CGB based on the net price of its benchmark price on the preceding trading day. The Exchange has the right to adjust the benchmark price of a CGB.

(iii) The benchmark prices of other marketable securities used as margin shall be determined by the Exchange.

**Article 71** The portion of the market value less haircut of marketable securities used as margin is called the value after haircut. Haircuts for marketable securities shall be determined, adjusted, and announced by the Exchange, and the value of a standard warrant or CGB after haircut shall not exceed 80% of its market value.

At daily clearing, the Exchange will, based on the specified benchmark prices, adjust the market value and value after haircuts of marketable securities used as margin.

**Article 72** The maximum margin paid with marketable securities (“Multiplier-Based Cap”) by a Member shall not exceed four times (“Cash Multiplier”) the current cash balance it holds in the dedicated settlement account of the Exchange.

The Exchange takes a Member’s actual available margin paid with marketable securities as the lower of the value after haircut and the Multiplier-Based Cap. When the Member completes the deposit of any marketable securities used as margin, the Exchange will increase the Member’s clearing deposit by the amount of the actual available margin.

At daily clearing, the Exchange will automatically adjust the actual available margin paid with a Member’s marketable securities according to the above provisions.

**Article 73** The Exchange has the right to adjust the benchmark prices, haircuts and Cash Multiplier in view of the market conditions and will separately release the adjusted ones.

**Article 74** Anyinterest paid on a CGB while it is posted as margin shall be attributed to the CGB owner and handled according to relevant rules of the depository.

**Article 75** The term of each deposit of marketable securities as margin shall not exceed the corresponding validity period set by the Exchange. Upon expiration, the validity period may be renewed through the same procedures.

**Article 76** A CGB posted as margin shall no longer be included in the actual available margin starting from the time of clearing on the first trading day of the month preceding the CGB’s maturity date. A Member holding the CGB shall have it withdrawn or released from margin pledge before maturity.

**Article 77** The Exchange may cancel a Member’s quota to use marketable securities as margin if:

(i) the withdrawal and use of funds by the Member pose significant risks which may undermine the legitimate rights and interests of the Exchange;

(ii) defects or major risks occur to the marketable securities used as margin; or

(iii) any other circumstance arises that in the Exchange’s opinion warrants such cancellation.

If the margin funds of a Member fall short of the required level after the Exchange cancels its margin collateral quota, the Member shall replenish them to the required level.

**Article 78** Any member that intends to withdraw its marketable securities or release them from margin pledge shall make up for any shortfall in its trading margin. The specific processing time will be separately notified by Exchange.

**Article 79** When using marketable securities as margin, Members shall pay transaction fees to the Exchange. Such fees shall be collected by the Exchange at a rate no higher than the prevailing loan rate published by the People’s Bank of China. The base amount and fee standards shall be as determined, adjusted, and announced by the Exchange.

Fees charged by a depository associated with posting securities as margin shall be governed by the relevant rules of the depository.

**Article 80** The Exchange shall have the right to dispose of a Member’s marketable securities posted as margin if such Member fails to meet or cannot fully meet its trading margin obligations; the proceeds shall be first used to cover any shortfall in the Member’s trading margin and other related debts. Any loss arising therefrom shall be borne by the Member.

**CHAPTER 7 RISKS AND LIABILITIES**

**Article 81** A Member shall assume all risks associated with the contracts it trades on the Exchange.

**Article 82** The Exchange shall maintain a two-tiered risk prevention structure, namely, the Exchange shall prevent its Members’ risks, and each Member shall prevent its Clients’ risks.

**Article 83** In case a Member cannot perform its contractual obligations, the Exchange may:

(i) draw on the Member’s clearing deposit;

(ii) suspend the Member from opening new positions;

(iii) execute forced position liquidation in accordance with applicable rules until the margin released therefrom is sufficient for contract performance; and

(iv) cash the marketable securities deposited by the member and use the proceeds for contract performance and compensation.

**Article 84** If the Member still fails to meet all its liabilities after the above measures are taken, the Exchange may take actions in the following order:

(i) revoke the membership and use the membership fee to offset any outstanding liabilities;

(ii) subject to the approval of the Board of Directors, apply the risk reserve to cover any outstanding liabilities;

(iii) use the Exchange’s own assets to cover any outstanding liabilities; and

(iv) claim against the Member through legal proceedings.

**Article 85** The Exchange implements risk reserve. “Risk reserve” refers to a fund set up by the Exchange to provide financial guarantees for the normal operations of the futures market and to cover losses arising from unforeseeable risks.

**Article 86** The risk reserve shall be funded by:

(i) the income of the Exchange at 20% of the transaction fees (including any deductions offered to Members) collected from the Members, categorized as an administrative expense; and

(ii) other income sources of the Exchange in compliance with the national fiscal policies.

Subject to the approval of the CSRC, the risk reserve may cease expanding once it reaches ten (10) times the registered capital of the Exchange.

**Article 87** The risk reserve shall be deposited in a dedicated account and separately recorded in account books. It shall not be used for any purposes other than covering risk losses.

**Article 88** The risk reserve shall be used only for specified purposes according to the prescribed procedures after being approved by the Board of Directors and reported to the CSRC.

**CHAPTER 8 MISCELLANEOUS**

**Article 89** Any violation of these *Clearing Rules* shall be subject to the *Enforcement Rules of the Shanghai Futures Exchange*.

**Article 90** With respect to the clearing for continuous trading, any special provisions in the *Continuous Trading Rules of the Shanghai Futures Exchange* shall prevail.

**Article 91** With respect to the clearing for options trading, any special rules of the Exchange shall prevail.

**Article 92** The Exchange reserves the right to interpret these *Clearing Rules*.

**Article 93** These *Clearing Rules* shall take effect on July 28, 2023.

Schedule 1: Account Update Notice (Sample) (omitted)

Schedule 2: Client Authorization Letter (Sample) (omitted)

Schedule 3: Deposit Checklist of Marketable Securities of the Shanghai Futures Exchange (Sample) (omitted)

Schedule 4: Withdrawal Checklist of Marketable Securities of the Shanghai Futures Exchange (Sample) (omitted)

Schedule 5: List of Futures Margin Depository Banks Designated by the Shanghai Futures Exchange (omitted)