**Administration of Abnormal Trading Behaviors Rules of Shanghai International Energy Exchange**

**(Released and implemented on March 20,2018, revised on November 26,2021 for the first time，revised on July 19, 2024 for the second time)**

**Chapter 1 General Provisions**

**Article 1** These *Rules of the Shanghai International Energy Exchange for* *the Administration of Abnormal Trading Behaviors* (hereinafter referred to as the “*Rules*”) are formulated to regulate futures trading activities, safeguard the order of the futures market, and promote its sound development, in accordance with the *General Exchange Rules of the Shanghai International Energy Exchange*, the *Risk Management Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “*Risk Management Rules*”), the *Enforcement Rules of the Shanghai International Energy Exchange* (hereinafter referred to as the “*Enforcement Rules*”) and other relevant rules.

**Article 2** The Shanghai International Energy Exchange (hereinafter referred to as “the Exchange”) administers futures trading activities and, upon the discovery of any abnormal trading behaviors, may initiate the corresponding handling procedures and impose self-regulatory measures on relevant Members, Overseas Special Participants, Overseas Intermediaries, and Clients.

**Article 3**  Futures Firm Members (hereinafter referred to as “FF Members”), Overseas Special Brokerage Participants (hereinafter referred to as “OSBPs”), and Overseas Intermediaries shall duly supervise the trading activities of their Clients; promptly discover, stop, and report any abnormal trading behaviors of Clients; and shall not condone, induce, encourage, or support Clients to engage in abnormal trading.

**Article 4**  When engaging in futures trading, Non-Futures Firm Members (hereinafter referred to as “Non-FF Members”), Overseas Special Non-Brokerage Participants (hereinafter referred to as “OSNBPs”), and Clients shall comply with the laws, regulations, and administrative rules of the People’s Republic of China and the business rules of the Exchange, comply with the self-regulatory actions of the Exchange, and voluntarily regulate their trading activities. Clients shall additionally accept the administration of FF Members, OSBPs, or Overseas Intermediaries on lawful trading and compliance.

**Chapter 2 Recognition of Abnormal Trading Behaviors**

**Article 5** Any of the following situations during futures trading will be deemed as an abnormal trading behavior by the Exchange:

* multiple trades between one’s own accounts (self trades);
* multiple trades between Clients within a group of accounts with actual control relationship;
* frequent cancellation of orders within the same day, which may affect the futures trading price or mislead other market participants into futures trading (“frequent order cancellation”);
* frequent cancellation of large-amount orders within the same day, which may affect the futures trading price or mislead other market participants into futures trading (frequent large-amount order cancellation);
* the open position volume in a listed product or futures contract in a single trading day has exceeded the intraday open position volume prescribed by the Exchange;
* placing trading orders via program trading in a manner that may adversely affect system security or the normal trading order of the Exchange; and
* any other situation prescribed by the China Securities Regulatory Commission (hereinafter referred to as the “CSRC”) or identified by the Exchange.

**Article 6** If any Client or any group of accounts with actual control relationship on an aggregate basis falls under any of the following circumstances, such Client or accounts will reach the threshold of the abnormal trading behavior of self trade, frequent order cancellation, or frequent large-amount order cancellation, respectively:

 (1) Five (5) or more self-trades in the same contract in one (1) trading day.

 (2) Five hundred (500) or more order cancellations in the same contract in one (1) trading day.

 (3) Fifty (50) or more large-amount order cancellations in the same contract in one (1) trading day. One “large-amount order cancellation” means cancellation of three hundred (300) lots or more in a single instruction.

**Article 7**  With respect to any listed product or futures contract, if the position opening volume of a Client or the aggregate position opening volume of a group of accounts with actual control relationship exceeds the intraday open position volume prescribed by the Exchange, such a situation shall be deemed as an abnormal trading behavior.

**Article8** Trades executed among Clients within a group of accounts with actual control relationship will constitute an abnormal trading behavior.

**Article9**  Activities such as self trading, frequent order cancellation, and large-amount order cancellation resulting from hedging trades will not be deemed as abnormal trading behaviors.

In addition to above circumstances, frequent order cancellations resulting from INE identified transactions on contracts collecting order fees will not be deemed as abnormal trading behaviors.

**Article10** If on a single trading day a Client or a group of accounts with actual control relationship on an aggregate basis meets the criteria of the Exchange to take actions for self trade, frequent order cancellation, or large-amount order cancellation with respect to its activities in two (2) or more contracts, the same kind of abnormal trading behavior in relation to these different contracts will be deemed as a single occurrence of that abnormal trading behavior.

**Chapter 3 Handling of Abnormal Trading Behaviors**

**Article 11** The Exchange may take any of the following actions in the event of an abnormal trading behavior as defined in Article 5 of these *Rules*.

 (1) requiring an explanation;

 (2) placing the offender on the Exchange’s watch list;

 (3) notifying the relevant Members, Overseas Special Participants, or Overseas Intermediaries;

 (4) arranging a designated interview;

 (5) requiring the liquidation of positions by a prescribed deadline;

 (6) excising forced position liquidation;

 (7) suspending the opening of new positions;

 (8) issuing a public censure;

 (9) declaring the offender as a “*persona non grata* to the market”; and

 (10) taking any other measure according to the business rules of the Exchange.

The Exchange will disclose the names of Clients who have been sanctioned by such self-regulatory measures as suspension from opening new positions, public censure, and being declared a “*persona non grata* to the market,” and shall recommend to initiate a case filing and investigation by the CSRC if cases are suspected to involve violation of laws or regulations.

**Article 12** Where a Client’s self trading, frequent order cancellation, or large-amount order cancellation reaches the threshold for the Exchange to take actions for abnormal trading behaviors, the Exchange will do so according to the following procedures:

 (1) For any Client reaching the threshold for the first time, the Exchange will alert the Client’s FF Member or OSBP on the same day. The FF Member or OSBP shall promptly forward the Exchange’s alert notice to the Client and educate, guide, dissuade, and prevent the Client from engaging in rule-breaking trades.

If the Client engages in futures trading through an Overseas Intermediary, the relevant FF Member or OSBP shall promptly forward the alert notice to the Client via the Overseas Intermediary, who shall educate, guide, dissuade, and prevent the Client from engaging in rule-breaking trades.

 (2) For any Client reaching the threshold for the second time, the Exchange will place it on a watch list and notify relevant Members, Overseas Special Participants, and Overseas Intermediaries of the abnormal trading behavior.

 (3) For any Client reaching the threshold for the third time, the Exchange will, at market close on the same day, suspend the Client from opening new positions for no less than one (1) month in general.

**Article 13** Where the abnormal trading behaviors of self trading, frequent order cancellation, or large-amount order cancellation of a Client take place through two or more FF Members or OSBPs, the Exchange will separately notify by phone the FF Member or OSBP involved in the highest number of each such type of abnormal trading behaviors. If the Client engages in futures trading through an Overseas Intermediary, the FF Member or OSBP involved in the highest number of such abnormal trading behaviors shall promptly forward the alert notice to the Client via the Overseas Intermediary.

**Article 14** If a Non-FF Member or OSNBP has engaged in self trading, frequent order cancellation, or large-amount order cancellation that reaches the threshold for the Exchange to take actions for abnormal trading behaviors, the Exchange will do so according to the following procedures:

 (1) When the threshold is reached for the first time, the Exchange will send an alert notice to the Non-FF Member or OSNBP.

 (2) When the threshold is reached for the second time, the Exchange will require a senior manager of the Non-FF Member or the futures risk control officer of the OSNBP for a designated interview.

 (3) When the threshold is reached for the third time, the Exchange will suspend the Non-FF Member or OSNBP from opening new positions for no less than three (3) months in general.

**Article 15** If self trading, frequent order cancellation, or large-amount order cancellation within a group of accounts with actual control relationship has reached the threshold for the Exchange to take actions for abnormal trading behaviors, the Exchange will impose self-regulatory measures on such accounts by reference to Articles 12 to 14 of these *Rules*.

**Article16** With respect to any listed product or futures contract, if the position opening volume of a Client or the aggregate position opening volume of a group of accounts with actual control relationship in a single trading day exceeds the intraday open position volume prescribed by the Exchange, the Exchange will, starting from the following day, suspend the Client or the accounts within the group from opening new positions for no less than three (3) trading days in general.

**Article17** Notices from the Exchange for any abnormal trading behavior that has reached the threshold for actions are sent out through phone calls, emails, Member Service System messages, or other electronic formats.

**Article18** The Exchange may take the following actionsif an abnormal trading behavior has caused a significant increase in market risk:

 (1) adjusting the transaction fees for trading;

 (2) collecting order fees and other fees from specific Clients and all or some of the Members and/or Overseas Special Participants;

 (3) requiring additional trading margins from some or all of the Members and/or Overseas Special Participants at the same or different rates for either long positions, short positions, or both;

 (4) setting a limit on the intraday open position volume for various listed products and contracts, as well as for specific Clients and all or some of the Members and/or Overseas Special Participants; and

 (5) taking other actions permitted by the rules of the CSRC and the business rules of the Exchange.

**Chapter 4 Supervisory Responsibilities**

**Article19** FF Members, OSBPs, and Overseas Intermediaries shall closely monitor the trading activities of Clients, take measures to prevent abnormal trading behaviors from Clients, and guide them to trade futures in a rational and compliant manner.

If any FF Member, OSBP, or Overseas Intermediary discovers any abnormal trading behaviors under Article 5 of these *Rules* from a Client during futures trading, it shall alert, dissuade, and stop the Client and promptly report the situation to the Exchange in writing.

**Article 20** After the Exchange has imposed a self-regulatory measure on a Client for abnormal trading behavior, the relevant FF Member, OSBP, and Overseas Intermediary shall promptly notify the Client, retain related evidence, and take effective measures to regulate the future trading activities of the Client.

Where a Client is involved in any of the abnormal trading behaviors under Article 5 of these Rules, the Exchange may, depending on the severity of the situation, impose such measures on the relevant FF Members, OSBPs, and Overseas Intermediaries as sending an alert notice, requiring a designated interview, conducting an off-site or on-site investigation, issuing a warning letter, and issuing an opinion letter. For any Overseas Intermediary that has received a regulatory warning letter, regulatory opinion letter, or other regulatory sanctions from the Exchange, the Exchange will also notify the relevant FF Members and OSBPs.

**Article 21** If a Member, Overseas Special Participant, or Overseas Intermediary falls under any of the following circumstances, the Exchange will order it to make corrections and impose such measures as sending an alert notice, requiring a designated interview, and issuing a warning letter or anopinion letter.

 (1) failing to promptly and accurately forward the self-regulatory measures taken by the Exchange;

 (2) failing to take effective measures to stop abnormal trading behaviors from Clients;

 (3) condoning, inducing, encouraging, or supporting Clients to engage in abnormal trading behaviors; or

 (4) failing to duly assist in the investigation of suspected violation of laws or regulations as required by the Exchange, or willfully delaying progress, concealing or omitting facts.

**Article 22** Any FF Member, OSBP, or Overseas Intermediary who has been issued two warning letters from the Exchange for neglect of duty shall be issued an opinion letter for the third occurrence of negligence.

Any negligence that constitutes other types of misconduct will be handled in accordance with the *Enforcement Rules*.

**Chapter 5 Miscellaneous**

**Article 23** Unless otherwise provided by these *Rules*, Non-FF Members and OSNBPs shall be administered by reference to the provisions applicable to Clients.

**Article24** The Exchange reserves the right to interpret these *Rules*.

**Article25** These *Rules* shall be effective as of October 25, 2024..