**DESIGNATED DEPOSITORY BANKS RULES OF SHANGHAI FUTURES EXCHANGE**

**(Revised Version)**

**CHAPTER 1 GENERAL PROVISIONS**

**Article 1** These *Designated Depository Banks Rules* are made in accordance with applicable laws and regulations, relevant provisions of regulatory authorities, and the rules of the Shanghai Futures Exchange (the “Exchange”) to regulate the futures margin depository business on the Exchange and ensure the safety of the futures margin under custody and the smooth conduct of futures trading.

**Article 2** The Exchange, aiming to support the futures market, will designate futures margin depository banks (“Depository Banks”) prudently, and will duly designate and supervise them pursuant to these *Designated Depository Banks Rules* to ensure they conduct futures margin depository business legitimately.

**Article 3** Depository Banks shall comply with laws, administrative regulations, administrative rules, and the rules of the Exchange, and shall accept the self-regulatory measures of the Exchange.

**CHAPTER 2 APPLICATION**

**Article 4** An applicant that applies to be a Designated Depository Bank shall meet the following requirements:

(i) being a nationwide bank incorporated in the Chinese Mainland with legal person status;

(ii) having a registered capital of no less than 10 billion yuan, total assets of no less than 1.5 trillion yuan, and net assets of no less than 100 billion yuan, and having been profitable in each of the most recent three (3) fiscal years;

(iii) meeting the relevant requirements of the banking regulatory authorities of the People’s Republic of China, including capital adequacy, liquidity, and asset-liability ratio;

(iv) having a minimum of six hundred (600) branches, including branches at the place where the Exchange is located and is able to handle futures margin depository business and funds settlement-related business;

(v) having sound corporate governance, risk management framework, and internal control;

(vi) having a dedicated institution or department in charge of futures margin depository business;

(vii) having in place a robust futures margin management framework with internal control and operating procedures for futures funds settlement business, as well as contingency plans for IT or telecommunication system breakdown and other abnormal conditions;

(viii) having the necessary facilities and technologies to conduct futures margin depository business and support the monitoring of the safe deposit of futures margin, including an cross-city funds transfer system that has been operating efficiently and stably in the most recent three (3) years, a nationwide real-time intra-bank transfer system, and a robust nationwide centralized bank-futures transfer system;

(ix) no less than three (3) staff members at the depository banking office and all the staff members at the dedicated futures settlement counter shall be licensed as futures market professionals. In addition, the managers at such designated office shall have no less than five (5) years of work experience in the banking industry;

(x) having stable system operation, and no record of severe violations of laws or regulations, major accidents, or major administrative penalties imposed by any regulatory authority during the most recent three (3) years;

(xi) having neither pending litigation nor outstanding debts that may cast material impact on its credit standing; and

(xii) meeting any other requirements prescribed by the Exchange.

Requirements for a futures margin depository bank that renders services for, among others, overseas special participants shall be separately provided by the Exchange.

A Qualified Foreign Institutional Investors (QFIIs) or RMB Qualified Foreign Institutional Investors (RQFIIs) custodian bank which applies to conduct futures margin depository business for the QFIIs or RQFIIs that it provides custodian service shall meet items 3 and 5-12 of this Article.

**Article 5** An applicant that applies to be a Designated Depository Bank shall submit the following materials bearing its common seal to the Exchange for preliminary review:

(i) the Futures Margin Depository Bank application form (see *Appendix 1*), an application report, a feasibility report, and a business plan;

(ii) a statement on its branches, banking offices, as well as the facilities necessary for futures margin depository business;

(iii) the futures margin depository management framework, internal management rules, as well as relevant contingency plans;

(iv) a description of the roles and responsibilities of the futures margin depository business department, name lists and resumes of the department head and staff respectively;

(v) a written commitment to comply with relevant provisions on monitoring the safekeeping of futures margin;

(vi) a photocopy of the latest annually reviewed *Enterprise Legal Person Business License*;

(vii) a photocopy of its *Financial License*;

(viii) audit reports and internal control evaluation reports for the most recent three (3) years;

(ix) letters of authorization (see *Appendix 2*) from the enterprise legal person and the identification documents of the individuals in charge of the application filing; and

(x) other documents prescribed by the Exchange.

**Article 6** An applicant that has passed the preliminary review of the Exchange to become a Depository Bank shall, pursuant to the requirements of the Exchange and China Futures Market Monitoring Center Co., Ltd. (“the CFMMC”), pass the tests of relevant business, technology, and telecommunication equipment, etc., and subsequently provide the following materials to the Exchange:

(i) written certifying documents issued by the CFMMC for passing the data reporting test with respect to the monitoring of safekeeping of futures margin;

(ii) the testing report for its nationwide centralized bank-futures transfer system jointly conducted with futures firms (or other futures market participants);

(iii) the photocopies of the business licenses of the branches designated by the Exchange to engage in futures margin depository business (“Designated Branch”); and

(iv) other documents prescribed by the Exchange.

**Article 7** A Depository Bank shall, within three (3) business days upon the grant of qualification by the Exchange, report to the competent banking regulatory authority.

**Article 8** A Depository Bank with qualification shall, prior to conducting the futures depository business, enter into an *Agreement for Banks Engaging in Futures Margin Depository Business* (“Business Agreement”) with the Exchange, specifying the rights and obligations of both parties.

**CHAPTER 3 OPERATIONAL REQUIREMENTS**

**Article 9** A Depository Bank shall provide its futures margin depository Clients with safe, accurate, and timely futures margin deposit and transfer services.

**Article 10** A Depository Bank shall establish branches at region(s) where futures margin depository business is conducted. Each Designated Branch shall be within the distance prescribed by the Exchange and set up a dedicated futures settlement counter to provide exclusive services to the Exchange and Members.

**Article 11** A Depository Bank shall adjust its business hours based on any adjustment in the trading and clearing hours of the Exchange, so as to meet the needs of futures margin depository business.

**Article 12** A Depository Bank shall open, change, or close the futures dedicated fund accounts based on the account update notices issued by the Exchange. The transfer of funds executed 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 13** A Depository Bank shall implement close-ended operation of the futures margin, and execute the deposit and withdrawal of futures margin via electronic transfer in accordance with the relevant provisions on the safekeeping of futures margin.

**Article 14** A Depository Bank shall pay interest to the Exchange at the deposit rate negotiated and jointly determined with the Exchange.

**Article 15** A Depository Bank shall take effective measures to mitigate liquidity risks, and shall not restrict any deposit or withdrawal request from any Member without a written consent of the Exchange.

**Article 16** In the event that the Exchange rises additional liquidity demand during settlement, a Depository Bank shall, at the request of the Exchange, provide funding support to assist the Exchange in mitigating relevant risks.

**Article 17** A Depository Bank shall neither assist a futures firm in collateralizing margins, nor misappropriate Clients’ margin to repay debts of a futures firm or the Exchange.

**Article 18** A Depository Bank shall reject any request of any entity or individual to freeze or deduct the funds from the Exchange’s dedicated settlement account. Where any entity is planning on any action on which could an affect the deposit of margin, such as freezing the funds in a Member’s futures dedicated fund account, the Depository Bank shall timely notify the Exchange.

**Article 19** A Depository Bank shall comply with all the rules concerning futures margin depository and settlement businesses as promulgated or revised by the Exchange.

**Article 20** A Depository Bank shall transfer funds in accordance with the Exchange’s instructions in writing or in electronic form through the Exchange’s Futures Funds Management System:

(i) for funds transfer within the same bank, the Designated Depository Bank shall, upon receipt of the instructions, ensure real-time transfer of funds to the designated dedicated fund accounts of Members; and

(ii) for inter-bank funds transfers, the Depository Bank shall, upon receipt of the instructions, ensure that the funds are transferred in the most efficient way and are timely arrived at the receiving account designated by the Exchange of the receiving bank.

**Article 21** A Depository Bank shall, in accordance with the following provisions, conduct reconciliation of the dedicated settlement account of the Exchange on a daily basis:

(i) conducting timely account reconciliation after the end of daily clearing according to the demands of the Exchange;

(ii) the Exchange may inquire the balance and funds movements of the dedicated settlement account at any time during its business hours, upon which the Depository Bank shall provide the Exchange with real-time feedbacks;

(iii) the Depository Bank shall send the customer receipt slips, statement of payments and receipts, and other transaction receipts to the Exchange on the current day after the business occurs; and

(iv) the Depository Bank shall timely furnish the reconciliation statements as required by the Exchange.

**Article 22** A Depository Bank shall, in accordance with relevant provisions on the monitoring of the safekeeping of futures margin, report to the CFMMC relevant information about all futures margin accounts held with the bank through the dedicated line within the prescribed time, including account balances and movements of the preceding trading day, etc..

**Article 23** A Depository Bank shall provide the Exchange with real-time feedbacks on the balances and movements of dedicated margin accounts of Members in response to the inquiries of the Exchange.

**Article 24** A Depository Bank shall, pursuant to the regulatory requirements of the Exchange, take effective measures to mitigate liquidity risks. To test the safety of margin funds, the Exchange may transfer margin funds between depository banks at any time.

**Article 25** A Depository Bank shall actively participate in the training organized by the Exchange and organize regular internal training, so as to ensure that the relevant personnel are familiar with the rules, requirements, and processes of the Exchange concerning the deposit of futures margin and other settlement business.

**CHAPTER 4 TECHNICAL REQUIREMENTS**

**Article 26** The funds transfer system of each Depository Bank shall conform to the Exchange’s technical specifications on relevant interfaces, and shall pass the acceptance tests of the Exchange.

**Article 27** The nationwide centralized bank-futures fund transfer system of each Depository Bank shall support multi-point access from the system of futures firms and meet their relevant disaster recovery and redundancy requirements.

**Article 28** A Depository Bank shall apply to establish reliable redundant data links between the primary and backup data centers of its head office and those of the Exchange. The relevant network parameters shall be allocated by the Exchange.

**Article 29** A Depository Bank shall incorporate its funds transfer system into the centralized operation and maintenance management of its technical systems, and perform real-time monitoring of the funds transfer system, the data links, and the hardware and software platforms.

**Article 30** In case that any network maintenance or system upgrading of a Depository Bank may affect the operation of its funds transfer system, it shall notify the Exchange’s IT Department five (5) business days in advance, and shall complete system testing before relevant maintenance or upgrading.

**Article 31** A Depository Bank shall actively cooperate with the Exchange and participate in the emergency drills and joint testing organized by the Exchange.

**Article 32** A Depository Bank shall appoint a contact person 24/7 available for technical emergencies. Any change of such emergency contact shall be timely reported to the Exchange.

**CHAPTER 5 EMERGENCY RESPONSE**

**Article 33** A Depository Bank shall develop a sound *Business Contingency Plan for Network and Information Security Incidents*, specify the duties of the personnel involved, and provide adequate measures to ensure fast response to and timely resolution of emergencies.

**Article 34** In case of any operational error or technical system breakdown that may affect margin depository business, the Depository Bank shall immediately notify the Exchange and actively take remedial measures.

**Article 35** A Depository Bank shall immediately notify the Exchange of any breakdown of the funds transfer system, and actively cooperate with the Exchange in examining such system in order to pinpoint the root cause, eliminate the malfunction, and determine responsibilities. When necessary, the business contingency plan shall be activated immediately.

**Article 36** If the operation stability and security of the futures margin depository business are affected, a Depository Bank shall promptly activate the business contingency plan to resume normal operation at the earliest possible time, and report details to the Exchange and the CFMMC.

**CHAPTER 6 REGULATION**

**Article 37** In the event of any change to the setup of positions, job responsibilities, department principal, or contact persons of a Depository Bank’s margin depository business department, the Depository Bank shall notify the Exchange and the CFMMC in writing within three (3) business days of the change.

**Article 38** In the event that a Depository Bank incurs a material business risk or loss which may impair its credit standing, it shall notify the Exchange and the CFMMC within three (3) business days from the day the risk or loss arises, and submit a report on the effects of such risk or loss on its futures margin depository business and the measures it has taken to address such risk or loss.

**Article 39** Before implementing system upgrades or changes or initiating any other undertakings which may affect its futures margin depository business, the Depository Bank shall notify the Exchange, the CFMMC, and relevant futures firms in writing five (5) business days in advance, duly disclose relevant information, carry out system testing, and formulate a targeted contingency plan, so as to ensure the stable operation of the futures market.

**Article 40** A Depository Bank shall, within one (1) month after the end of each year, submit to the Exchange and the CFMMC a report on its operations and services on futures margin depository business, implementation of relevant laws, administrative regulations, administrative rules, and policies, technical support, risk management, operational error, and technical breakdown, etc.

**Article 41** The Exchange shall perform annual or on-site inspection on each Depository Bank, including a review of qualifications and depository business performance. The Exchange also has the right to arrange unscheduled inspections, such as on-site inspections and inspections by Depository Banks themselves, and Depository Banks shall cooperate on such inspections.

**Article 42** The Exchange shall annually assess a Depository Bank to comprehensively evaluate the timeliness, security, accuracy, and liquidity control of its futures margin depository business activities, and to evaluate its system operations and maintenance, personnel service, business operations and risk control, and Member satisfaction level, among others. Based on the results of the annual assessment, the Exchange may make overall plans and arrangements for the business and cooperation projects with Depository Banks as well as guide and supervise their futures margin depository business.

**CHAPTER 7 HANDLING OF VIOLATIONS**

**Article 43** If any of the following circumstances occurs to a Depository Bank, the Depository Bank shall be required to make rectifications and, depending on the severity of the violation, shall be subject to such measures as warning, reprimand, and being suspended from providing depository services to more Members.

(i) failing to perform its obligations specified in these *Designated Depository Banks Rules* and the *Clearing Rules of the Shanghai Futures Exchange*;

(ii) failing to take effective or sufficient measures against an incident which affects or may affect its futures margin depository business, potentially threatening the stability of the futures market or undermining the legitimate rights and interests of Members and Clients;

(iii) failing to comply with CFMMC’s requirements to report on its futures margin depository business;

(iv) unjustifiably restricting funds deposits and withdrawal of funds requested by any Member without the written consent of the Exchange;

(v) violating any Business Agreement signed with the Exchange or any rules set by the Exchange;

(vi) failing to immediately notify the Exchange or take effective and timely response in case of any operational error or technical system breakdown that may affect its futures margin depository business;

(vii) failing to meet the requirements of banking regulatory authorities on indicators such as capital adequacy, liquidity, and asset-liability ratio;

(viii) failing to cooperate with the Exchange during annual inspection or unscheduled inspections, or failing to submit as required the summary reports on futures settlement operations for the preceding year or other required materials;

(ix) having substandard service quality or unstable bank-futures funds transfer system; or

(x) other circumstances as determined by the Exchange.

**Article 44** All the futures margin depository business of a Depository Bank shall be suspended if the Depository Bank:

(i) fails to take effective measures, resulting in the freezing or deduction of the funds in the Exchange’s dedicated settlement account;

(ii) assists a futures firm in collateralizing margins in its futures margin account;

(iii) incurred a loss in the preceding fiscal year; or

(iv) falls under other circumstances as determined by the Exchange.

**Article 45** The Exchange will stop taking risk disposal measures provided in Articles 43 and 44 against a Depository Bank and remove any extra supervision over its futures margin depository business, if the Exchange determines that the Depository Bank has restored the required capabilities to conduct margin depository business after effective rectifications.

**Article 46** The Exchange may revoke a Depository Bank’s qualification if the Depository Bank:

(i) applies for such disqualification;

(ii) is legally deregistered, dissolved, or declared bankrupt;

(iii) has lost its legal person status after an acquisition or merger;

(iv) no longer meets the qualification criteria for a Depository Bank;

(v) has recorded a loss in each of the most recent three (3) fiscal years;

(vi) fails to pass preceding year’s annual inspection even after the specified rectification period;

(vii) has provided the Exchange with false materials or information;

(viii) is deemed by the Exchange as facing material risks; or

(ix) falls under other circumstances as determined by the Exchange.

**Article 47** Where the Exchange decides to revoke a Depository Bank’s qualification for futures margin depository business, it shall issue a revocation notice to the Depository Bank ten (10) business days in advance, report the revocation to the China Securities Regulatory Commission, and announce the decision on its website.

Such revocation does not affect existing legal relationship between the Depository Bank and the Exchange, but the Exchange shall be entitled to end the relevant business relationships with the Depository Bank according to applicable laws and regulations.

**Article 48** A Depository Bank whose qualification is revoked by the Exchange shall be prohibited from re-applying for such qualification within three (3) years from the date of revocation.

**CHAPTER 8 MISCELLANEOUS**

**Article 49** Unless otherwise prescribed by national laws and regulations, a Depository Bank shall not disclose to any third party by any means any non-public information related to futures margin depository business.

**Article 50** A Depository Bank that already engages in the relevant businesses before the implementation of these *Designated Depository Banks Rules* is not required to re-apply for the qualification to conduct futures margin depository business.

**Article 51** The Exchange is responsible for the interpretation and revision of these *Designated Depository Banks Rules*.

**Article 52** These *Designated Depository Banks Rules* take effect on October 23, 2024.