**Measures for the Administration of Futures Clearing of Zhengzhou Commodity Exchange**

(Revised at the 2nd meeting of the 8th Board of Governors on May 26, 2023, and the revised parts shall come into force from June 29, 2023)

**Chapter 1 General Provisions**

**Article 1** These Measures are formulated in accordance with the Trading Rules of Zhengzhou Commodity Exchange for the purposes of regulating the clearing activities of Zhengzhou Commodity Exchange (hereinafter “the Exchange”), protecting the legitimate rights of the parties involved in futures clearing and the interests of the public and preventing and mitigating the risks of the futures market.

**Article 2** Clearing shall refer to the process of calculating and transferring of margin, profit/loss, service charge, delivery payment for commodities and other relevant funds of the members according to the trading results and relevant rules of the Exchange.

**Article 3** As a central counterparty, the Exchange shall carry out centralized clearing on futures trading. With respect to the centralized clearing, the Exchange shall implement the margin requirement system, mark-to-market system and risk reserve fund system.

**Article 4** The Exchange shall conduct clearing for all members. The futures brokerage members (hereinafter “FB Members”) shall conduct clearing for their clients and overseas brokers, and overseas brokers shall conduct clearing for their clients.

**Article 5** These Measures shall be applicable to all futures clearing business of the Exchange. The Exchange and its staff, members and their staff, overseas brokers and their staff, clients, designated futures margin depository banks (hereinafter “depository banks”) designated by the Exchange and their staff shall comply with these Measures.

**Chapter 2 Clearing Agency**

**Article 6** Clearing agency shall include the Clearing Department of the Exchange and the clearing departments of the Exchange’s members.

**Article 7** The Clearing Department of the Exchange shall be responsible for the centralized clearing of futures trading and delivery, the management of margin and risk reserve fund, and the prevention of clearing risks.

All contracts traded in the trading system of the Exchange shall be cleared through the Clearing Department.

**Article 8** Principal duties of the Clearing Department of the Exchange shall include:

Ⅰ. produce clearing ledger for the Exchange’s members;

Ⅱ. handle fund transfer;

Ⅲ. record, register and report all clearing statistics;

Ⅳ. settle financial disputes occurred in clearing between members;

Ⅴ. conduct clearing for delivery activities;

Ⅵ. manage clearing risks;

Ⅶ. manage margin in accordance with relevant regulations;

Ⅷ. conduct other businesses related to clearing in accordance with relevant rules.

**Article 9** The Exchange may, in accordance with business rules, inspect any material related to futures trading of members, overseas brokers and clients, including the trading records, clearing documents, financial statements and relevant certificates and account books, and such members, overseas brokers and clients shall cooperate with the Exchange.

**Article 10** Members of the Exchange shall establish clearing departments. The clearing departments of FB members shall be responsible for the clearing between members and the Exchange, members and their clients, and members and overseas brokers. The clearing departments of non-FB members shall be responsible for the clearing between members and the Exchange.

The clearing departments of members shall properly keep the trading records, clearing documents, financial statements and other certificates and account books for enquiry and verification in the future.

**Article 11** Relevant clearing bodies and their staff shall not disclose any confidential information regarding the clearing activities.

**Chapter 3 Margin**

**Section 1 Opening and Management of Margin Account**

**Article 12** A depository bank shall refer to a banking financial institution designated by the Exchange to assist in the clearing of futures contracts.

The Exchange shall have the right to supervise over depository banks’ clearing business.

The depository banks shall comply with the Measures for the Administration of Depository Banks Designated by Zhengzhou Commodity Exchange and other provisions of the Exchange.

**Article 13** The Exchange shall, depending on business needs, open special clearing accounts denominated in different currencies at designated depository banks to deposit margin and other relevant funds of members.

**Article 14** Members shall, depending on business needs, open special accounts denominated in different currencies at designated depository banks to deposit margin and other relevant funds. The special margin accounts that the members opened at the branches of designated depository banks according to the Exchange’s requirements shall be the special fund accounts of members.

**Article 15** The transfer of the funds related to futures business between the Exchange and a member shall be executed between the special clearing account of the Exchange and the special fund account of the member.

**Article 16** The Exchange shall separately manage the margin deposited by members in the Exchange’s special clearing accounts, and shall set up subsidiary accounts for each member respectively to register and calculate the member’s deposits and withdrawals, profits and losses, trading margin and service charges on a daily basis.

**Article 17** An FB member shall manage the margin deposited by their clients and overseas brokers separately, and shall set up subsidiary accounts for each client and overseas broker respectively to register and calculate the client’s and the overseas broker’s deposits and withdrawals, profits and losses, margin and service charges on a daily basis. The transfer of funds related to futures business between an FB Member and its clients or overseas brokers shall be executed through the special margin account of the FB Member.

An FB member may, in an overseas broker’s name, internally open an omnibus capital account into which the overseas broker may consolidate one or more overseas clients’ funds. The FB member shall conduct clearing and risk management for the overseas broker through the omnibus capital account.

An overseas broker shall manage the margin deposited by their overseas clients separately, and shall set up subsidiary account for each overseas client respectively to register and calculate the overseas client’s deposits and withdrawals, profits and losses, margin and service charges on a daily basis.

**Article 18** Members shall submit relevant documents such as Authorization Letter of the Use of Seals for the opening of the special fund account, and such documents shall be verified and approved by the Exchange before submitting to depository banks. A member shall submit the Application Form for the Opening of Special Fund Accounts of Members of Zhengzhou Commodity Exchange to the Exchange for the use of fund management system.

The Exchange shall be entitled to instruct the depository banks to charge any account receivables from members’ special fund accounts without notifying such members beforehand. The Exchange shall have the right to inquire about the fund status of such accounts at any time.

**Article 19** The official seal, financial seal, legal representative’s seal, the seal of authorized person prescribed in the Authorization Letter of the Use of Seals and the electronic seal determined in the Application Form for the Opening of Special Fund Account of Members of Zhengzhou Commodity Exchange shall be the effective seals of members. Members shall assume responsibilities for all consequences arising from the use of the above seals.

**Article 20** Members shall apply for the Exchange’s approval where there is any replacement or cancellation of its special fund account, and such replacement or cancellation shall not be conducted without the approval of the Exchange.

**Article 21** Where a member changes its name or transfers its membership, it shall submit an updated Authorization Letter of the Use of Seals to the Exchange, and shall complete procedures of relevant changes in the special fund account.

**Section 2 Margin Management**

**Article 22** Margin shall be classified into clearing reserve fund and trading margin.

China’s Renminbi (hereinafter “RMB”) is the clearing currency of the Exchange. With the approval of the Exchange, members may use assets with stable value and high liquidity such as FX funds, registered receipts and the book-entry government bonds issued within the territory of the People’s Republic of China (hereinafter “the PRC”) by the Ministry of Finance of the PRC as margin.

**Article 23** Clearing reserve fund shall refer to the fund pre-deposited by a member into the Exchange’s special clearing account for the purpose of futures trading and clearing which is not yet used as margin for the positions held by such member.

Each FB member shall at all times maintain a minimum clearing reserve fund of CNY 2,000,000; each non-FB member shall maintain a minimum clearing reserve fund of CNY 500,000.

An FB member’s minimum balance of clearing reserve fund shall be announced by the Exchange separately for each additional overseas broker reaching an appointment relationship with it.

A member shall use its own money in RMB to pay the minimum balance of clearing reserve funds.

**Article 24** The Exchange shall calculate the interest earned by each member from the cash balance of the clearing reserve fund on a daily basis, and the interest rate shall be no lower than the demand deposit rate announced by the People’s Bank of China for the same term. The Exchange shall transfer the accrued interest to each member’s clearing reserve fund within the next trading day after the interest is paid by the depository banks in March, June, September and December of each year. The Exchange shall determine, adjust and publish the actual executed interest rate.

**Article 25** Trading margin shall refer to the fund deposited by a member into the Exchange’s special clearing account to ensure the fulfillment of a contract and such fund has already been used as margin for the positions held by the member. After a futures trade is executed, the Exchange shall collect trading margin based on the prescribed percentage of the value of the open positions or in other methods as prescribed by the Exchange.

Where a selling member applies for pledging registered receipts as margin and the Exchange approves such application, then the trading margin for the short positions covered by the registered receipts shall not be collected by the Exchange at clearing (excluding positions that have enjoyed trading margin incentives according to these Measures). Such selling member shall obtain authorization from its client before submitting the application. Where the registered receipts being pledged are used for physical delivery before the market close of the last trading day, the selling member shall release such registered receipts and submit to the Exchange the total number of registered receipts for centralized delivery, and only after this the margin of the selling member shall be released.

The Exchange shall not process the business of pledging registered receipts as margin in night session.

**Article 26** The trading margin rates for different commodity futures and periods shall be implemented according to relevant rules of the Exchange. Where a member or a client holds both long and short positions in a futures contract of the same delivery month, the Exchange shall collect trading margin for one direction only.

**Article 27** The Exchange shall collect transaction fees according to trading volume, trading turnover, quantity of newly open positions, quantity of close-out positions, quantity of open interest, quantity of quoting volume, quantity of cancellation volume and the ratio between quoting volume and cancellation volume. The Exchange may adjust the transaction fees of all or some of the contracts according to market conditions.

The Exchange may reduce the amount of transaction fees collected from the members, and the specific reduction arrangements shall be prescribed by the Exchange separately and be adjusted in accordance with market conditions.

**Article 28** Margin collected by FB members and overseas brokers from their clients for futures trading shall belong to the clients and shall not be misappropriated by the FB members and overseas brokers for any other purposes.

**Article 29** The trading margin collected by FB members from their clients and overseas brokers shall not be less than that collected by the Exchange from members.

**Chapter 4 Trading Clearing**

**Section 1 Mark-To-Market System**

**Article 30** The Exchange shall implement the mark-to-market system.

At the close of each trading day, the Exchange shall clear the profits/losses, trading margin and transaction fees for all contracts based on the settlement prices, transfer accounts receivables and payables at the same time and increase or decrease members’ clearing reserve funds accordingly.

The daily settlement price of a futures contract having filled price (hereinafter “filled contract”) on the current day shall be the weighted average price of the trading prices on the current day according to the trading volume of such contract. The Exchange shall have the authority to eliminate the negative impacts of the unfair settlement prices caused by illegal trading activities. For a futures contract without a trading price (hereinafter “unfilled contract”) on that day, the settlement price shall be determined according to the following methods:

Ⅰ. where, by the close of the trading day, there are buying prices and selling prices of such contract in the Exchange’s trading system, the settlement price of the contract on the current day shall be the median quote among the best buying price, the best selling price and the settlement price of the previous trading day;

Ⅱ. where the quotation remains at limit up/down price for five (5) consecutive minutes before the market close of the current day, then the limit up/down price shall be the settlement price of the contract on the day.

Ⅲ. except for situations in items Ⅰ and Ⅱ listed above, the settlement price on the current day of the unfilled contract shall be determined according to the following methods:

1. where the settlement price variation (%) of the filled contract with the nearby month prior to the unfilled contract is equal to or less than the price limit of the unfilled contract on the current day, then the settlement price of the unfilled contract on the current day shall be given by:

the settlement price of the unfilled contract on the previous trading day×(1±the settlement price variation of the filled contract with the nearby month prior to the unfilled contract)

Where there is no contract listed prior to the unfilled contract or no contract filled prior to the unfilled contract on the current day, the settlement price of the unfilled contract on the current day shall be calculated based on the settlement price of the most active contract and the calculation method shall be the same as aforesaid.

2. where the settlement price variation (%) of the filled contract with the nearby month prior to the unfilled contract on the current day is greater than the price limit of the unfilled contract on the current day, the settlement price of the unfilled contract on the current day shall be given by:

the settlement price of the previous trading day of the unfilled contract × (1 ± the price limit of the unfilled contract)

Where there is no contract listed prior to the unfilled contract or no contract filled prior to the unfilled contract on the current day, the settlement price of the unfilled contract on the current day shall be calculated based on the settlement price of the most active contract and the calculation method shall be the same as aforesaid.

3. where there is no contract listed prior to the unfilled contract or no contract filled prior to the unfilled contract on the current day, and the most active contract also has no filled price on the current day, the settlement price of the unfilled contract on the current day shall be equal to the settlement price of the previous trading day of the unfilled contract. Where the settlement price determined by the above method is far from fair price, the Exchange shall adjust such settlement price and the price limits of such contract shall be managed in accordance with relevant provisions on newly listed futures contracts.

The most active contract of the current day shall refer to the contract with the greatest value of “trading volume × trading unit”. Where there are two or more contracts with the same value of “trading volume × contract unit”, the one with the nearest delivery month shall be defined as the most active contract.

The Exchange may adjust the settlement price of the newly-listed contracts which have no filled prices for three (3) consecutive trading days.

**Article 31** The Clearing Department of the Exchange shall calculate the profit/loss of the current day for each member based on the member’s close-out positions, open interest and the settlement price of each contract on the current day. The profit/loss of the current day shall be given by:

realized profit/loss + unrealized profit/loss + delivery profit/loss.

Ⅰ. the Clearing Department shall calculate the realized profit/loss arising from position close-out for each member. Calculation formula for the realized profit/loss shall be as below:

the realized profit/loss = the profit/loss arising from closing out historical positions + the profit/loss arising from day trade

The profit/loss arising from closing out historical position shall be given by:

Σ [(price of selling long positions－settlement price of the previous trading day) × quantity of long positions sold] + Σ [(settlement price of the previous trading day－price for buying short positions) ×quantity of short positions bought]

The profit/loss arising from day trade shall be given by:

Σ [(price of closing long positions on the current day－price of opening long positions on the current day) ×quantity of long position sold on the current day]+ Σ [(price of the opening short positions on the current day－price of closing short positions on the current day) ×quantity of short position bought on the current day]

Ⅱ. the Clearing Department of the Exchange shall calculate the unrealized profit/loss of open interest for each member based on the member’s open interest and the settlement price of the current day. Calculation formula for the unrealized profit/loss of open interest shall be as below:

unrealized profit/loss of open interest= profit/loss of open interest established before the current day + profit/loss of open interest established on the current day

The profit/loss of open interest established before the current day shall be given by:

Σ [(settlement price of the previous trading day－settlement price of the current day) × quantity of short positions established before the current day ]+ Σ [(settlement price of the current day－settlement price of the previous trading day ) × quantity of long positions established before the current day]

The profit/loss of open interest established on the current day shall be given by:

Σ [(price for establishing short positions－settlement price of the current day) × quantity of short positions established on the current day] + Σ [(settlement price of the current day－price for establishing long positions) ×quantity of long positions established on the current day]

Ⅲ. the Clearing Department of the Exchange shall calculate the delivery difference based on the quantity of positions to be matched for delivery, settlement price of the current day and the delivery price. Calculation formula for delivery difference shall be as below:

delivery profit / loss= Σ [(settlement price of the current day – delivery price) × quantity of short positions to be matched for delivery] + Σ [(delivery price – settlement price of the current day) × quantity of long positions to be matched for delivery]

**Article 32** The profit/loss of the current day shall be credited to or debited from a member’s clearing reserve fund, which is a part of the daily clearing process conducted by the Exchange.

The deficiency in the trading margin of the current day against that of the previous trading day shall be debited from the member’s clearing reserve fund. The excess in the trading margin of the current day against that of the previous trading day shall be credited to the member’s clearing reserve fund.

Expenses including service charges shall also be debited from the member’s clearing reserve fund. All the payment including profit/loss, fees, delivery payment, taxes and option premium shall be paid in cash in RMB.

**Article 33** The balance of clearing reserve fund shall be calculated as below:

the balance of clearing reserve fund of the current day = the balance of clearing reserve fund of the previous trading day + the trading margin of the previous trading day – the trading margin of the current day + the actual available value of assets used as margin of the current day – the actual available value of assets used as margin of the previous trading day + the profit or loss of the current day + option premium received or paid on the current day + the deposit of funds – the withdrawal of funds – service charges and other expenses

The calculation method for the actual available value of assets used as margin is specified in Chapter 6 of these Measures.

**Article 34** After the completion of clearing on the current day, the Exchange shall send clearing results to each member through member service system. Where the balance of the clearing reserve fund of a member is lower than the prescribed minimum amount, then the clearing result shall be deemed as the Exchange’s margin call to the member.

After issuing the margin call, the Exchange may instruct the depository banks to debit a corresponding amount in RMB from the member’s special fund account or to convert the member’s foreign currency funds in the special fund account into RMB before debiting them from the account to make up the difference.

A member shall make up the difference between the actual clearing reserve fund and the stipulated minimum amount before the market open of the next trading day. Where the member fails to do so and the balance of the clearing reserve fund is greater than zero but less than the stipulated minimum amount of the clearing reserve fund, the member shall not establish new positions. Where the balance of the member’s clearing reserve fund is less than zero, the Exchange shall be entitled to conduct forced close-out on the member’s positions.

The Exchange may, at its sole discretion, issue margin call according to market risk conditions and margin variations. The member shall, within the time limit specified by the margin call, cover the margin shortfall; where the member fails to do so or the balance of the clearing reserve fund is still below zero, the Exchange shall implement forced close-out.

**Section 2 Deposit and Withdrawal of Funds**

**Article 35** Ways of making deposits: a member may deposit funds into the special clearing account of the Exchange with relevant fund transfer vouchers or via the fund management system. After the depository banks confirm the receipt of the deposits, the Exchange shall timely credit the deposits to the member’s margin.

**Article 36** Ways for making withdrawal: a member shall make withdrawals between 8:30 a.m. and 3:00 p.m. on each trading day. Where fund withdrawal is arranged via fund management system, the member shall submit the application for fund withdrawal via the system and approved by the Exchange. Where fund withdrawal is arranged by using transfer vouchers, a member shall affix the seal reserved at the bank for accounting. The Exchange may adjust the methods and procedures of the fund withdrawal in accordance with business development.

The Exchange shall not accept the application for fund withdrawal or process the withdrawal of fund during the night session.

**Article 37** The amount of funds that a member may withdraw shall be as below:

Ⅰ. when the monetary fund of trading margin is greater than or equal to 25% of the actual available value of the assets (excluding FX funds) used as margin, the withdrawable amount shall be given by:

the balance of clearing reserve fund – the minimum amount stipulated for the clearing reserve fund

Ⅱ. when the monetary fund of trading margin is less than 25% of actual available value of the assets (excluding FX funds) used as margin, the withdrawable amount shall be given by:

the monetary fund of clearing reserve fund – (the actual available value of the assets (excluding FX funds) used as margin × 25% – the monetary fund of trading margin) – the minimum amount stipulated for the clearing reserve fund

Monetary funds shall be the sum of RMB funds and FX funds which have been converted into RMB funds in certain discount ratio. The conversion method shall comply with the provisions of Chapter 6 of these Measures.

RMB funds which are converted from FX funds shall not be withdrawn in RMB. The withdrawable amount of FX shall be limited to the amount of the deposited FX fund.

The Exchange may, at its sole discretion, make appropriate adjustments to the amount of funds that a member may withdraw.

**Article 38** Where any of the following circumstances occurs to a member, an overseas broker or a client, the Exchange may restrict the withdrawal of funds by the member, or require the member to restrict the withdrawal of funds by its clients and overseas brokers, and require an overseas broker to cooperatively restrict the withdrawal of funds by its clients:

Ⅰ. being investigated by the Exchange for possible severe violation of the Exchange’s rules;

Ⅱ. being investigated by any judicial authority, the Exchange or any relevant agency due to complaints, whistle-blowing or any trade dispute;

Ⅲ. significant market risk conditions as determined by the Exchange;

Ⅳ. members failing to make up the difference between the actual balance of their clearing reserve funds and the minimum threshold of clearing reserve fund, or failing to cooperate with the Exchange in the settlement and sale of FX for their clients and overseas brokers;

Ⅴ. other circumstances as deemed necessary by the Exchange.

**Section 3 Clearing Data**

**Article 39** The Exchange shall clear the profit/loss, transaction fees, margin and other relevant funds for each member at the market close of each trading day. The Exchange shall provide members with the clearing data at the market close of the trading day by issuing written or electronic clearing statement. A member shall verify the trading of the current day and conduct clearing for its clients based on the clearing data. Where the Exchange fails to provide clearing data in time due to special conditions, the Exchange shall announce the time when such data will be available.

**Article 40** A member shall promptly obtain the clearing data provided by the Exchange and conduct verification on such data every day. The clearing data shall be kept for at least twenty (20) years, and those data relevant to any trading dispute shall be kept until the dispute is settled.

**Article 41** Where a member disagrees with the clearing results of the current day, the member shall notify the Exchange in writing before the market open of the next trading day. Under special circumstances, the member may notify the Exchange of the disagreement in writing within two (2) hours after the market open of the next trading day. Where no objection to the clearing result is raised to the Exchange within the prescribed time limit, then the member shall be deemed to have admitted the accuracy of such results.

**Article 42** The Exchange shall, at the beginning of every month, provide each member with the Margin Clearing Checklist of Zhengzhou Commodity Exchange of the previous month, and such Checklist shall serve as the basis for the member to verify the records in trading books.

**Section 4 Position Transfer**

**Article 43** Where any of the following situations occurs to a member, the member may apply for position transfer:

Ⅰ. the member is unable to continue the futures business for certain reasons, or the member is merged, split off or goes bankrupt with the approval of regulatory authorities;

Ⅱ. the member is in violation of the Measures for the Administration of Risk Control of Zhengzhou Commodity Exchange, and such violation leads to trading risks, violations of delivery regulations and default risks;

Ⅲ. the member changes the appointment relationship with an overseas broker;

Ⅳ. other circumstances determined by the Exchange.

Where a member has a major business crisis such as bankruptcy but has not yet applied for position transfer, the Exchange may, for the purpose of protecting clients’ interests, initiate position transfer.

**Article 44** The Exchange, where handling the position transfer as stipulated in Article 43, may require the member to submit one or more application documents, including the declaration of consent to the position transfer by both the transferring member and the receiving member, the declarations of consent to the position transfer by clients, the declaration of change of clearing entrustment, and the detailed list of relevant positions.

After an application for position transfer is approved by the Exchange, the Exchange and a member shall jointly determine a day for position transfer.

The Exchange shall transfer the positions for the member after the clearing is completed on the day for position transfer, and shall provide pre-transfer and post-transfer clearing statements to the member. Relevant clearing statements shall be verified and confirmed by the member, and these statements shall not be changed once being confirmed.

During the process of position transfer, only open interest shall be transferred. Any other payables or receivables such as the profit/loss of the current day, transaction fees, and margin shall not be transferred.

**Article 45** Where any of the following situations occurs to a client, the client may apply for position transfer:

Ⅰ. the same client conducts futures trading through different FB members;

Ⅱ. other circumstances determined by the Exchange.

Non-FB members may handle position transfer by referring to this Article.

**Article 46** The application for position transfer as stipulated in Article 45 shall be made by a client through the transferring member or by a Non-FB member itself, and shall be submitted to the Exchange after being confirmed by the receiving member.

The Exchange shall examine and approve the application on the same day and process the position transfer after market closes on the afternoon of the same day.

The positions in a certain contract held by the client or the Non-FB member and the margins that need to be transferred may be transferred. The margin to be transferred shall be RMB or FX funds.

The Exchange will deduct the transfer service fee from the clearing reserve fund of the transferring member. The transfer service fee rate shall be announced by the Exchange separately.

**Chapter 5 Delivery Clearing**

**Article 47** The Exchange may collect service charges of delivery from a member who is to conduct delivery. The Exchange shall be entitled to determine, adjust and publish the specific rate of such service charges.

The Exchange shall debit the service charges of delivery from the clearing reserve fund of a member directly on the delivery matching day.

**Article 48** The Exchange will transfer the delivery payment from buying member to selling member simultaneously.

**Article 49** Provisions on the delivery price are specified in the Measures for the Administration of Futures Delivery of Zhengzhou Commodity Exchange. The payment for the commodities used for delivery shall be calculated based on the delivery settlement price and shall plus or minus premiums or discounts and packing expenses. The premiums or discounts and packing expenses herein shall be determined by the Exchange.

**Article 50** During the clearing on the matching day of delivery, the Exchange shall clear the matched positions of a member at the delivery settlement price, and the delivery difference incurred shall be calculated into the profit/loss of the member on that day.

**Chapter 6 Assets Used as Margin**

**Article 51** The assets used as margin shall be only used for trading guarantee.

**Article 52** Where the clients and overseas brokers use assets as margin, it shall be deemed that they authorize the FB members to submit their corresponding assets to the Exchange as margin.

Where the clients, overseas brokers and members use assets as margin, it shall be deemed that they authorize the Exchange to transfer or pledge their corresponding assets.

**Article 53** The following assets may be used as margin after being approved by the Exchange:

Ⅰ. registered receipts;

Ⅱ. the book-entry government bonds issued within the territory of the PRC by the Ministry of Finance of the PRC;

Ⅲ. FX funds (types of currencies, discounts and applicable scope shall be published by the Exchange separately);

Ⅳ. other assets approved by the Exchange.

The negotiable securities that are allowed to be used as margin shall be determined and published by the Exchange.

**Article 54** The procedures of using negotiable securities as margin shall be as follows:

Ⅰ. application: clients and overseas brokers shall handle the business of using negotiable securities as margin through members. The members shall apply to the Exchange for using negotiable securities as margin.

Upon handling the business of using the clients’ or overseas brokers’ registered receipts as margin, the members shall submit the Asset Holder’s Special Authorization Letter of Zhengzhou Commodity Exchange signed and sealed by clients and sign relevant agreements with the Exchange.

Ⅱ. verification and deposit:

1. the members shall proceed with the deposit of the registered receipts used as margin by submitting the registered receipts to the Exchange via E-receipt system. Upon the approval of the Exchange, the deposit of the registered receipts used as margin shall be deemed to be completed.

2. where the clients, overseas brokers and non-FB members use government bonds as margin, they shall ensure that the government bonds in the custodian accounts are sufficient and free from other defects of title. The Exchange shall entrust the custodian agencies to transfer or register the pledge of the government bonds according to the members’ applications. The procedures of verification and deposit shall be deemed to be completed after the transfer or pledge registration is finished.

3. the verification and deposit of other negotiable securities shall comply with the provisions of the Exchange.

**Article 55** The single amount of the registered receipts used as margin shall not be less than CNY 100,000.

Where government bonds are used as margin, the face value of the government bonds submitted each time shall not be less than CNY 1000,000.

**Article 56** The market value of the assets used as margin shall be calculated as below:

Ⅰ. for registered receipts used as margin, the Exchange shall take the settlement price of the nearby futures contract of the underlying commodity on the current day as the benchmark price when calculating the market value of the registered receipts at the time of daily clearing. Where it is before market close when calculating the market value of registered receipts, the Exchange shall take the settlement price of the nearby futures contract of the underlying commodity on the previous trading day as the benchmark price.

Ⅱ. for government bonds used as margin, the benchmark price used for calculating the government bonds’ market value shall be the smaller value valued by their custodian agencies. The Exchange shall calculate the market value of the government bonds according to the net benchmark price on the previous trading day. The Exchange has the right to adjust the benchmark price of the government bonds.

Ⅲ. for other assets used as margin, the benchmark prices used for calculating the assets’ market value shall be determined by the Exchange.

**Article 57** The market value of the assets used as margin which is discounted according to a discount rate shall be the discounted value, and such rate shall be decided, adjusted and announced by the Exchange. The discounted value of registered receipts and government bonds shall be no higher than 80% of their market value.

When conducting daily clearing, the Exchange shall adjust the market value and discounted value of the assets used as margin as per their benchmark prices.

**Article 58** Where a member uses negotiable securities as margin, the maximum proportional amount of the negotiable securities shall be determined by the Exchange according to the proportional multiplier, which is four (4) times of the total amount of the actual monetary funds in the special clearing account of the member.

The actual available value of the negotiable securities that the member could use as margin shall be the smaller one between the discounted value and the maximum proportional amount. After the member completes the depository procedures of the negotiable securities, the Exchange will credit the actual available value of the negotiable securities to the member’s clearing reserve fund.

When conducting daily clearing, the Exchange shall adjust the actual available value of the member’s negotiable securities according to the above principles.

**Article 59** On the day when the business of using assets as margin comes into force, the Clearing Department of the Exchange shall conduct financial accounting for the member based on the amount of the assets used as margin and credit the actual available value of the assets to the member’s margin.

**Article 60** The Exchange shall have the right to adjust the benchmark price, the discount rate, and the proportional multiplier according to market conditions, and these adjustments shall be announced by the Exchange separately.

**Article 61** During the period when assets are used as margin, where a member’s monetary fund is in shortage, the Exchange shall reduce the actual available value of the assets instantly according to the rules on the proportion of assets used as margin. And where the member increases monetary fund, the Exchange shall increase the actual available value of the assets instantly according to the rules on the proportion of assets used as margin.

**Article 62** During the period when government bonds are used as margin, the interests earned by the government bonds shall belong to the holder of the government bonds and shall be handled according to relevant prescriptions of custodian agencies.

**Article 63** The period of using negotiable securities as margin shall be no longer than the validity period of the negotiable securities.

After the government bonds have been settled on the first trading day of the month prior to their expiring dates, they shall not be used to calculate the actual available value by the Exchange. The member shall go through the procedures of withdrawing or releasing the government bonds before they expire.

**Article 64** Where any of the following circumstances occurs, the Exchange may cancel a member’s amount of assets used as margin:

Ⅰ. the capital condition of the member or an overseas broker using assets as margin involves in significant risks which may even jeopardize the legitimate rights and interests of the Exchange;

Ⅱ. deficiencies or significant market risks occurred to the assets;

Ⅲ. other conditions as deemed necessary by the Exchange.

Where the member’s margin is in shortage after its amount of assets used as margin has been cancelled, the member shall meet the margin call and replenish the margin.

**Article 65** Where a member does not or could not fully perform its obligation of meeting trading margin call, the Exchange shall reserve the right to dispose of the member’s assets used as margin, and the received funds shall be used to pay trading margin debt and relevant debts in priority. The losses and charges incurred from the disposal of the member’s assets used as margin shall be borne by the member.

**Article 66** The member shall replenish its margin after it has gone through the procedures of withdrawing or releasing the assets used as margin.

The available time for handling the business of using assets as margin shall be before 14:30 of each business day.

**Article 67** Where a member fails to fully meet the margin call, the Exchange shall be entitled to encash or realize the assets used as margin based on the market price to meet the margin requirement and pay off relevant debts of the member. Where there’s balance left after the pay-off, the Exchange shall return the balance to the member. Where the amount encashed or realized is not sufficient to cover the margin call or relevant debts of the member, the Exchange shall have the right to claim compensation from the member.

Where the assets can be divided into separate parts when being encashed or realized by the Exchange, the assets shall be encashed or realized in part according to the total amount of the margin that could not be covered, costs arising from using the assets as margin and expenses of encashment or realization. Those assets that cannot be divided shall be encashed or realized in whole.

**Article 68** The member using assets as margin shall pay service fees to the Exchange. The rate of service fees charged by the Exchange shall be no higher than the same-term benchmark lending rate published by the People’s Bank of China. The specific amount and rate of service charges shall be decided, adjusted, and published by the Exchange.

The storage fees and other relevant fees incurred during the period when the assets are used as margin shall be collected according to relevant provisions.

The fees collected by the custodian agencies on the negotiable securities shall be paid according to relevant provisions of the custodian agencies.

**Article 69** The Exchange shall keep all documents with regard to the business of using assets as margin. The retention period of relevant documents shall be the same as that of the accounting files.

**Chapter 7 Risks and Obligations**

**Article 70** The Exchange shall implement tiered risk management system. The Exchange shall protect members from risks, and members shall prevent their clients and overseas brokers from risks, and overseas brokers shall prevent their clients from risks.

**Article 71** A member shall fulfill relevant obligations to all the risks associated with the contracts traded on the Exchange.

Trading, clearing and delivery activity including filled trading order, close out futures positions, margin received, assets that have been transferred or used as margin, registered receipts that have been matched for delivery and legal attribute of property and default actions taken shall not invalid due to the member entering the bankruptcy proceedings.

The Exchange can still conduct net settlement on the open interest of the members who is going through bankruptcy proceedings in accordance with the Trading Rules of Zhengzhou Commodity Exchange and relevant detailed rules.

**Article 72** Where a depository bank goes bankrupt or is involved in other disputes over debts, the margin deposited in the bank shall not belong to its bankruptcy property and shall not be frozen or transferred.

**Article 73** Where a delivery warehouse goes bankrupt or is involved in other disputes over debts, all the commodities stored by the futures market participants in the non-delivery warehouse shall not belong to its bankruptcy property and shall not be sealed up or distrained upon.

**Article 74** Where a member fails to perform contractual obligations, the Exchange shall be entitled to take the following measures:

Ⅰ. dispose of the clearing reserve fund of the member;

Ⅱ. suspend the member from opening new positions;

Ⅲ. conduct forced close-out as prescribed in the applicable rules of the Exchange, until the margin being released after close-out is sufficient to fulfill relevant obligations;

Ⅳ. realize the member’s assets used as margin into cash, and using the cash to fulfill relevant obligations.

**Article 75** Where a member still fails to fulfill its obligations after the aforementioned measures have been taken, the Exchange shall be entitled to take the following actions:

Ⅰ. transfer the member’s membership and use the revenue from such transfer to make compensation for losses;

Ⅱ. use the risk reserve fund to fulfill futures contracts and make compensation for losses with the approval of the Council of the Exchange;

Ⅲ. use the Exchange’s own assets to fulfill futures contracts and make compensation for losses;

Ⅳ. exercise the right of recourse to the member through legal proceedings.

**Article 76** The Exchange shall implement risk reserve fund system. The risk reserve fund shall refer to the fund established by the Exchange to ensure normal operation of the futures market and to make up any loss caused by risks beyond the control of the Exchange.

**Article 77** Sources of risk reserve fund shall include:

Ⅰ. the Exchange shall withdraw 20% of its service revenues to establish a risk reserve fund;

Ⅱ. other revenues earned in compliance with the fiscal policies of the PRC.

When the balance of the risk reserve fund reaches a certain level, the Exchange may, with the approval of the CSRC, cease to make any further withdrawal.

**Article 78** Accounting of the risk reserve fund shall be conducted separately and the fund shall be deposited in a special account.

**Article 79** The disposal of the risk reserve fund shall be approved by the Council of the Exchange, and such disposal shall be reported to the CSRC.

**Chapter 8 Supplementary Provisions**

**Article 80** Any violation of these Measures shall be subject to relevant provisions of the Measures for Penalties for Violations of Zhengzhou Commodity Exchange.

**Article 81** The Exchange shall reserve the right to interpret these Measures.

**Article 82** These Measures shall enter into force from June 29, 2023.

**(The English version is for reference ONLY. The Chinese version shall prevail if there is any inconsistency.)**